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# WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL COLLAPSE

# REPORT AND APPENDIX

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

**VOLUME 5 OF 5—PART III**

APRIL 13, 2011

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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00001 Fmt 6011 Sfmt 6011 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

# WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL COLLAPSE REPORT AND APPENDIX VOLUME 5 OF 5—PART III

VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00002 Fmt 6019 Sfmt 6019 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

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U.S. GOVERNMENT PRINTING OFFICE

66–051 PDF WASHINGTON : 2011

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*WALL STREET AND THE FINANCIAL CRISIS:*
*Anatomy of a Financial Collapse*
**Majority and Minority Staff Report**
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| 2646 | GW 107909 | 5382 |
| 2653 | PSI email exchange with Goldman counsel (1/7/2011) | 5388 |
| 2654 | GS MBS-E-021881077 | 5390 |
| 2656 | GS MBS-E-021881084 | 5397 |
| 2657 | Statement submitted to PSI by Timothy Saunders (12/22/2010) | 5404 |
| 2657 | Statement submitted to PSI by Susan Helfrick (1/7/2011) | 5405 |
| 2657 | Statement submitted to PSI by Jordan Horvath (1/7/2011) | 5406 |
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| 2659 | GS MBS-E-000766414 | 5408 |
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## *Bates Locator List*

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| Goldman Sachs counsel email to the Subcommittee regarding supplemental response to questions for the record (4/7/2011) | | 5881 |
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| GS MBS-E-010623779 | 2152 | 4115 |

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| GS MBS-E-010680327 | 1932 | 3843 |
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| GS MBS-E-012927198 | 1916 | 3825 |
| GS MBS-E-012927200 | 1827 | 3729 |
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| GS MBS-E-019642797 | 1574 | 2959 |

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| GW 107909 | 2646 | 5382 |

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| GW 108645 | 2667 | 5431 |
| HBK's counsel letter to PSI (10/12/2010) | 1383 | 1688 |
| HBK's counsel letter to PSI (8/20/2010) | 1352 | 1555 |
| HUD-CDO-00003155 | 2618 | 5303 |
| HUD-CDO-00004378 | 2616 | 5300 |
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| MIS-OCIE-RMBS-0419014 | 1113 | 642 |

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| Moody's "Structured Finance - Rating Methodology" (3/232007) | 2235 | 4177 |
| Moody's 2008 Global CDO Review (3/3/2008) | 1264 | 771 |
| Moody's Response to PSI Questions (2/17/2011) | 1125 | 668 |
| Moody's Response to PSI Questions (2/24/2011) | 1122 | 664 |
| MTSS000011 | 1266 | 802 |
| MTSS000920 | 1435 | 2102 |
| MTSS000929 | 1436 | 2108 |
| New York v. First American Corporation | 707 | 353 |
| OTSWME04-0000004883 | 648 | 302 |
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| OTSWME04-0000005357 | 154 | 25 |
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| PAULSON-ABACUS 0252736 | 2515 | 4764 |
| PAULSON-ABACUS 0253248 | 2522 | 4810 |
| PSI Chart: "Abacus 2007-AC1 Reference Portfolio" | 2522 | 4788 |
| PSI Chart: "Fact Sheet for Three Examples of Failed AAA Ratings" | 1034 | 595 |
| PSI Chart: "Goldman Sachs Expected Profit from RMBS Securitizations" | 1238 | 769 |
| PSI email exchange with Goldman counsel (1/7/2011) | 2653 | 5388 |
| PSI_QFR_GS0001-548 [Redacted] | 1512 | 2291 |
| PSI-Basis_Capital_Group-02-0001 | 2426 | 4533 |
| PSI-Basis_Capital_Group-03-0001 | 2419 | 4515 |
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| PSI-Deutsche Bank-32-0001 | 1278 | 844 |
| PSI-Deutsche_Bank-02-0005 | 1267 | 811 |
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| PSI-FDIC-10-0001 | 776 | 399 |
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| PSI-MOODYS-RFN-000007 | 1123 | 666 |
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| PSI-Paulson-04 (Shu Depo)-0001 | 2515 | 4758 |
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| PSI-S&P-RFN-000006 | 1046 | 605 |
| PSI-S&P-RFN-000008 | 1088 | 636 |
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| PSI-S&P-RFN-000034 | 1189 | 746 |
| PSI-S&P-RFN-000038 | 1046 | 599 |
| PSI-S&P-RFN-000044 | 1152 | 724 |
| PSI-SEC (Moodys Exam Report)-14-0001 | 975 | 519 |
| PSI-SEC (S&P Exam Report)-14-0001 | 1145 | 699 |
| PSI-Standard&Poor's-04-0001 | 1131 | 674 |
| Quigley_Lori-00231631_001 | 716 | 387 |
| Reich_John-00040045_001 | 710 | 385 |
| S&P Response to PSI Questions (2/10/2011) | 1128 | 671 |
| S&P SEN-PSI 0001945 | 962 | 482 |
| S&P SEN-PSI 0007442 | 1201 | 760 |
| S&P-PSI 0000028 | 991 | 568 |
| S&P-PSI 0000036 | 991 | 575 |
| S&P-SEC 067708 | 1004 | 584 |
| S&P-SEC 067733 | 1004 | 585 |
| S&P-SEC 067740 | 1004 | 586 |
| S&P-SEC 067747 | 1004 | 587 |
| SEC v. Mozilo, Case No. CV09-03994 | 884 | 424 |
| SEC_OCIE_CRA 011212 | 981 | 535 |
| SEC_OCIE_CRA_011214 | 981 | 544 |
| SEC_OCIE_CRA_011217 | 981 | 545 |
| SEC_OCIE_CRA_011218 | 982 | 546 |
| Statement submitted to PSI by David Lehman (1/26/2011) | 2657 | 5407 |
| Statement submitted to PSI by Jordan Horvath (1/7/2011) | 2657 | 5406 |
| Statement submitted to PSI by Susan Helfrick (1/7/2011) | 2657 | 5405 |
| Statement submitted to PSI by Timothy Saunders (12/22/2010) | 2657 | 5404 |
| Transcript-Blankfein on CNBC Power Lunch (5/7/2010) | 2706 | 5455 |
| Wachovia counsel email to PSI (11/19 & 23/2010) | 1488 | 2272 |

## RESPONSES TO QUESTIONS FOR THE RECORD
## Goldman Sachs

**LLOYD C. BLANKFEIN**
**Chairman and Chief Executive Officer**
**(PSI_QFR_GS0002)**

**DAVID A. VINIAR**
**Executive Vice President and**
**Chief Financial Officer**
**(PSI_QFR_GS0443)**

**CRAIG W. BRODERICK**
**Chief Risk Officer**
**(PSI_QFR_GS0446)**

**DANIEL L. SPARKS**
**Former Partner**
**Head of Mortgage Department**
**(PSI_QFR_GS0452)**

**MICHAEL J. SWENSON**
**Managing Director**
**Structured Products Group Trading**
**(PSI_QFR_GS0474)**

**JOSHUA S. BIRNBAUM**
**Former Managing Director**
**Structured Products Group Trading**
**(PSI_QFR_GS0498)**

**FABRICE P. TOURRE**
**Executive Director**
**Structured Products Group Trading**
**(PSI_QFR_GS0531)**

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**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

Redacted By Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1512

PSI_QFR_GS0001

RESPONSES TO QUESTIONS FOR THE RECORD
FROM
SENATOR CARL LEVIN
Permanent Subcommittee on Investigations

to

# LLOYD C. BLANKFEIN
## Chairman and Chief Executive Officer
## The Goldman Sachs Group, Inc.

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
HEARING ON
*WALL STREET AND THE FINANCIAL CRISIS:*
*THE ROLE OF INVESTMENT BANKS*
April 27, 2010

PSI_QFR_GS0002

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**LLOYD C. BLANKFEIN**
**Chairman and Chief Executive Officer**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010**:

1. Provide the following information regarding each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"):

   Anderson Mezzanine Funding 2007-1;
   Camber 7;
   Fort Denison Funding;
   Hudson Mezzanine Funding 2006-1;
   Hudson Mezzanine Funding 2006-2;
   Point Pleasant Funding 2007-1; and
   Timberwolf I.

   (a) Provide a list of all assets in each Transaction at the closing date of the Transaction. For each listed asset:

      (i) State whether each asset is a cash or synthetic asset.

      (ii) Specify its original face value in dollars.

      (iii) For each cash asset, identify by name the party from whom it was purchased and the date of purchase.

      (iv) For each synthetic asset: identify each referenced asset; identify by name the counter party facing the Transaction; and the nature and date of any swap or offsetting or back to back transaction entered into by the counter party with respect to such referenced asset.



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(v) State whether and, if so describe, any asset that was added to or removed from each Transaction after the closing date, the source of any such asset, the purchase or sales price for any such asset, and how any such price was determined.

(b) For each Transaction:

(i) Describe in detail Goldman Sachs' ("Goldman") role in the Transaction, including whether it served as a placement agent; participated in the selection of assets or referenced assets prior to or after the closing date of the Transaction; hired a collateral manager or other agent for the Transaction; contributed, purchased, or warehoused any assets; participated in obtaining a credit rating for the Transaction; participated in the selection of any counter party for the Transaction; entered into any credit default swap or short position or acted as a counter party with respect to the Transaction or assets related to the Transaction; sold any securities related to the Transaction; or oversaw the liquidation, unwinding, closure or completion of the Transaction.

(ii) Describe the capital structure and credit ratings obtained for each Transaction, including any change in the credit ratings over time.

(iii) Identify by name and address each purchaser of each security issued in connection with the Transaction, including the name, price, size, and total notional value of each type of security purchased; the date each security was purchased; the Goldman sales representative responsible for the sale of each security; and the Gross Credits ("GCs") paid to any sales representative for the sale of each security.

(iv) Indicate how many and the nature of any securities that were retained or purchased by Goldman from the Transaction; if those securities were sold or otherwise disposed of within 12 months of the inception of the security, the number of securities sold or disposed of, the sales price or cost of disposition, and to whom they were sold or how they were otherwise disposed of; and identify any securities that were sold to investors and repurchased by Goldman.

(v) Indicate the net revenues or losses sustained by Goldman from the Transaction, combining all sales, transfers, credit defaults, short positions, and other activities undertaken by Goldman in connection with the Transaction from its inception to the present. Explain how the net revenue or loss figure was derived, and its key components.

(vi) Identify by name and address any investor who has complained to Goldman in writing about its investment in one or more of the Transactions.

(c) State if and when any Transaction was liquidated.



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(d) In any Transaction, if bonds were purchased to collateralize synthetic assets, identify the bond by name, the value of the bond, the Transaction for which it was purchased, and the party from which the bond was purchased.

(e) For each Transaction, provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests (including securities) in the Transaction. It is not necessary to provide duplicates of the same material, but provide the identity of all persons who received such material.

(f) If Goldman entered into a credit default swap ("CDS") referencing any portion of any Transaction or any asset related to the transaction, provide the notional value of the CDS, the assets referenced in the CDS, the date entered, the name of the counter party, and the ultimate disposition of the CDS, including whether it was cancelled, unwound, or paid.

If some of the requested documents have already been provided to the Subcommittee, you may respond to the question by providing the Bates numbers of those documents.

2. Provide the following information regarding the sale of securities in each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"):

Abacus 2007-AC1;
Anderson Mezzanine Funding 2007-1;
Camber 7;
Fort Denison Funding;
Hudson Mezzanine Funding 2006-1;
Hudson Mezzanine Funding 2006-2;
Point Pleasant Funding 2007-1; and
Timberwolf I.

(a) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?

(b) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented any of the Transactions, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)



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(c) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold short positions with respect to assets referenced in the Transaction being considered by any potential investor?

(d) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold a net short position with respect to RMBS related assets?

(e) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether it had taken steps or planned to use the offering to reduce its own inventory of RMBS or CDO securities or other holdings?

(f) Did Goldman conduct a suitability analysis in connection with soliciting clients or potential investors to purchase securities issued in any of the Transactions? If so, describe the suitability analysis conducted for each investor that purchased these securities. If Goldman retained a written record that reflects that such a analysis was conducted for any of these Transactions, provide a copy.

3. (a) In what capacity did Goldman act for Paulson & Co. (together with any of its affiliates, "Paulson") with respect to the Abacus 2007-AC1 transaction or a Credit Default Swap transaction that referenced any or all of the same entities or securities that were referenced in the Abacus 2007-AC1 transaction? Describe in detail Goldman's relationship to Paulson with respect to those transactions, its obligations to Paulson, the nature and amount of any fees or compensation received by Goldman from Paulson relating to those transactions, and whether Goldman advised investors or potential investors in Abacus 2007-AC1 of the existence and nature of its relationship with Paulson.

(b) If Goldman advised investors or potential investors of the nature or existence of the Paulson relationship, identify who so advised investors or potential investors, the date on which that person so advised investors or potential investors, the identity of the investors or potential investors so advised, the manner (i.e. verbal or in writing) in which the person was advised, and the substance of the communication (and, if in writing, provide a copy of the communication).

4. For 2006 and 2007, provide the total dollar value of the residential mortgages that Goldman asked mortgage originators to repurchase due to a breach of representations or warranties related to fraudulent loan origination or underwriting.

(a) What percentage of Goldman's repurchase requests were successful?

(b) How much money did Goldman collect from its repurchase requests?



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(c) Identify the five mortgage originators to which Goldman directed the most repurchase requests and the total value of the requests made to each of those five.

(d) Identify the total dollar amount of repurchase requests that Goldman directed to:

(i) Washington Mutual;

(ii) Fremont; and

(iii) New Century.

5. What was the total dollar value of RMBS or CDO-related credit default swap (CDS) protection that Goldman obtained from AIG or an AIG subsidiary or affiliate (hereafter "AIG") from January 1, 2004 to the present?

(a) Specify each transaction in which Goldman purchased CDS protection from AIG, including the date, type and notional amount of CDS protection obtained, the referenced assets or entities, whether the protection was purchased for RMBS, CDO or other securities, and the Goldman business unit or desk involved.

(b) For each such transaction, describe the current status of the CDS protection obtained from AIG, including any settlement or final disposition of the protection and the total dollar amount received by Goldman.

6. Did Goldman enter into any arrangement by which Goldman was the ultimate beneficiary of RMBS or CDO-related CDS protection that had been issued by AIG to a third party intermediary? If so, provide the following information:

(a) the name of the third party intermediary;

(b) the relationship between Goldman and the third party intermediary;

(c) the dates and nature of the transactions through which CDS protection was obtained from AIG by the third party intermediary, with Goldman as the ultimate beneficiary;

(d) whether AIG was aware of the arrangement between Goldman and the third party intermediary;

(e) the aggregate notional amount of the CDS protection obtained from AIG;

(f) the total amount of premiums paid by the third party intermediary;

(g) the consideration paid by Goldman to the third party intermediary in connection with the CDS protection; and



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(h) the dates and dollar amounts of any recovery on the protection obtained by Goldman from AIG through a third party intermediary.

7. Did Goldman play any role in suggesting, encouraging, or prompting any other individual or entity to make collateral calls on CDS protection written by AIG related to RMBS or CDO securities? If so, describe in detail.

8. Did Goldman obtain CDS protection against credit events involving AIG, Bear Stearns, Fremont, Lehman Brothers, Long Beach Mortgage, Merrill Lynch, National City Corp., New Century, or Washington Mutual? If so, for each such financial firm during the period from January 1, 2006 through December 31, 2008, provide the following information:

   (a) the dates when the CDS protection was obtained and the nature of the protection;

   (b) the counter parties involved;

   (c) the total aggregate notional amount of the CDS protection obtained;

   (d) the total amount of premiums paid by Goldman for such protection; and

   (e) the total dollar amount of any recovery obtained by Goldman in connection with the CDS protection.

9. From January 1, 2006 through December 31, 2008, did Goldman obtain any insurance or other protection from a credit event involving AIG through any means other than a CDS transaction? If so, explain in detail.

10. Is there any instance from January 1, 2006 to the present, with respect to the settlement of disputes related to CDS protection for RMBS or CDO securities, in which Goldman obtained less than 100 cents on the dollar on the total notional amount of CDS protection it had purchased? If so, specify each such instance, including the name and type of the referenced assets, the name of the counter party, the notional amount of CDS protection purchased by Goldman, the type and amount of any collateral posted by the counterparty and the dates on which the collateral was posted, and the aggregate total dollar amount obtained by Goldman from the counter party in final settlement of Goldman's CDS protection claims.

11. With respect to AIG, Bear Stearns, Fremont, Lehman Brothers, Long Beach Mortgage, Merrill Lynch, National City Corp., New Century, and Washington Mutual, provide the following information for the years 2007 and 2008:

   (a) A detailed chronology of Goldman's firm-wide proprietary trading (including trading for itself or its own accounts) in equity securities for each of the above companies, including the date, purchase price, and number of shares involved in each transaction; whether the



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transaction involved a purchase or sale; whether the transaction resulted a long or short position for Goldman; and the net position of Goldman following each transaction.

(b) A detailed chronology of Goldman's firm-wide proprietary trading (including trading for itself or its own accounts) in options or futures contracts for each of the above companies, including the date, purchase price, and number of options involved in each transaction; whether the transaction involved a purchase or sale of a put or call option; whether the option was exercised, the exercise price and date, whether the transaction resulted a long or short position for Goldman; and the net position for Goldman following each transaction.

(c) The same chronologies as requested in (a) and (b) above for the Asset Backed Securities (ABS) trading desk alone.

12. (a) Did Goldman have any written procedures or policies with regard to the ABS desk's using funds from a firm trading account to make speculative or proprietary trades in equity securities or options or futures contracts such as those listed above? If so, provide a copy of those procedures or policies.

(b) Was it a departure from Goldman's policies or procedures for the ABS trading desk to have used a firm trading account to engage in speculative or proprietary trades in the equity securities or options or futures contracts listed above?

(c) Did the ABS trading desk seek or obtain a waiver of Goldman's policies or procedures to trade these securities? If so, provide the date of the waiver, the persons who requested the waiver, the person who made the final decision to grant the waiver, and a copy of the waiver and the application or request to obtain it.

13. During 2008, did any representative, employee, officer, agent, or attorney acting on behalf of Goldman contact or communicate with any federal agency, including the Federal Reserve or the Securities and Exchange Commission (SEC), to discuss any limitation on the short selling of Goldman shares or the shares of any other financial institution? If so, provide a detailed chronology describing those contacts, including the date of each contact, who initiated it, the participants involved, whether it was made by telephone or in person, and the substance of the discussion.

14. Describe how and when Goldman learned of the limitations that the SEC implemented in 2008, on the short selling of the shares of certain financial institutions.

15. Provide any document possessed by, generated by, or provided to Jonathan Egol related to obtaining a credit rating related to any Abacus transaction by any credit rating agency, including any correspondence, emails, memoranda, or other analysis or exchanges of information.



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16. Describe in detail your understanding of Goldman's legal duties of disclosure, pursuant to securities laws and regulations, including rules prescribed by the SEC or FINRA, to purchasers of securities when Goldman acts in any of the following capacities: (a) market maker; (b) underwriter; (b) placement agent; (d) broker (when making a solicitation or recommendation of a security); or (e) a dealer. Include your definition of a "market maker."

17. (a) Does the fact that an investor or a potential investor with whom Goldman is transacting business is an "accredited" investor, a "qualified institutional buyer" or a "qualified purchaser" (as those terms are used in the U.S. federal securities laws) affect the duties and obligations of Goldman when acting in any of the capacities described in Question 16? If so, describe how any of Goldman's duties when acting in any of these capacities are affected by the status of the investor or potential investor.

(b) Does Goldman have a duty to conduct a suitability analysis when making a recommendation to any of the types of investors listed in question 17(a)? If so, describe the nature and extent of the analysis to be conducted.

(c) Does Goldman owe a duty to disclose any adverse interest that it may have when recommending a security to any of the types of investors listed in question 17(a)?

18. (a) Is Goldman aware of the 2004 Guidelines set forth by the United States Sentencing Commission (the "Guidelines") establishing the elements of an effective ethics and compliance program?

(b) What, if anything, has Goldman done to address the standards for ethics and compliance programs as set forth in the Guidelines? In particular, provide copies of educational materials or presentations given or presented to the Goldman Board of Directors, Goldman executives, and Goldman employees in general with respect to ethics and compliance during the period 2004 to the present.

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**Responses of Mr. Lloyd Blankfein to the**
**Supplemental Questions for the Record of the Permanent Subcommittee on Investigations**

As Chairman and Chief Executive Officer, I do not directly manage the areas of The Goldman Sachs Group, Inc. ("Goldman Sachs" or the "Firm") that contain information relevant to the Permanent Subcommittee on Investigations' (the "Subcommittee") Questions, and therefore do not know much of the information requested in these questions from the Subcommittee. Where I do have personal knowledge, I have provided responses. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**Questions from Chairman Levin**

**1. Provide the following information regarding each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"):**

**Anderson Mezzanine Funding 2007-1;**
**Camber 7;**
**Fort Denison Funding;**
**Hudson Mezzanine Funding 2006-1;**
**Hudson Mezzanine Funding 2006-2;**
**Point Pleasant Funding 2007-1; and**
**Timberwolf I.**

**(a) Provide a list of all assets in each Transaction at the closing date of the Transaction. For each listed asset:**

**(i) State whether each asset is a cash or synthetic asset.**

**(ii) Specify its original face value in dollars.**

**(iii) For each cash asset, identify by name the party from whom it was purchased and the date of purchase.**

**(iv) For each synthetic asset: identify each referenced asset; identify by name the counter party facing the Transaction; and the nature and date of any swap or offsetting or back to back transaction entered into by the counter party with respect to such referenced asset.**



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**(v) State whether and, if so describe, any asset that was added to or removed from each Transaction after the closing date, the source of any such asset, the purchase or sales price for any such asset, and how any such price was determined.**

Although I recently learned some general information about certain of the Transactions, I do not know the detailed information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**(b) For each Transaction:**

**(i) Describe in detail Goldman Sachs' ("Goldman") role in the Transaction, including whether it served as a placement agent; participated in the selection of assets or referenced assets prior to or after the closing date of the Transaction; hired a collateral manager or other agent for the Transaction; contributed, purchased, or warehoused any assets; participated in obtaining a credit rating for the Transaction; participated in the selection of any counter party for the Transaction; entered into any credit default swap or short position or acted as a counter party with respect to the Transaction or assets related to the Transaction; sold any securities related to the Transaction; or oversaw the liquidation, unwinding, closure or completion of the Transaction.**

**(ii) Describe the capital structure and credit ratings obtained for each Transaction, including any change in the credit ratings over time.**

**(iii) Identify by name and address each purchaser of each security issued in connection with the Transaction, including the name, price, size, and total notional value of each type of security purchased; the date each security was purchased; the Goldman sales representative responsible for the sale of each security; and the Gross Credits ("GCs") paid to any sales representative for the sale of each security.**

**(iv) Indicate how many and the nature of any securities that were retained or purchased by Goldman from the Transaction; if those securities were sold or otherwise disposed of within 12 months of the inception of the security, the number of securities sold or disposed of, the sales price or cost of disposition, and to whom they were sold or how they were otherwise disposed of; and identify any securities that were sold to investors and repurchased by Goldman.**

**(v) Indicate the net revenues or losses sustained by Goldman from the Transaction, combining all sales, transfers, credit defaults, short positions, and other activities undertaken by Goldman in connection with the**



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**Transaction from its inception to the present. Explain how the net revenue or loss figure was derived, and its key components.**

**(vi) Identify by name and address any investor who has complained to Goldman in writing about its investment in one or more of the Transactions.**

Although I recently learned some general information about certain of the Transactions, I do not know the detailed information requested in this Question for the reasons explained above. I am aware of a civil action by the Basis Yield Alpha Fund (Master) regarding Timberwolf I, Ltd.

In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**(c) State if and when any Transaction was liquidated.**

I do not know whether any Transaction was liquidated for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**(d) In any Transaction, if bonds were purchased to collateralize synthetic assets, identify the bond by name, the value of the bond, the Transaction for which it was purchased, and the party from which the bond was purchased.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**(e) For each Transaction, provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests (including securities) in the Transaction. It is not necessary to provide duplicates of the same material, but provide the identity of all persons who received such material.**

I do not have personal custody of the documents requested in this Question, but I have directed others at Goldman Sachs to gather the requested materials.

**(f) If Goldman entered into a credit default swap ("CDS") referencing any portion of any Transaction or any asset related to the transaction, provide the notional value of the CDS, the assets referenced in the CDS, the date entered, the name of the counter party, and the ultimate disposition of the CDS, including whether it was cancelled, unwound, or paid.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others



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within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

2. **Provide the following information regarding the sale of securities in each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"): Abacus 2007-AC1; Anderson Mezzanine Funding 2007-1; Camber 7; Fort Denison Funding; Hudson Mezzanine Funding 2006-1; Hudson Mezzanine Funding 2006-2; Point Pleasant Funding 2007-1; and Timberwolf I.**

   **(a) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?**

   **(b) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented any of the Transactions, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)**

   **(c) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold short positions with respect to assets referenced in the Transaction being considered by any potential investor?**

   **(d) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold a net short position with respect to RMBS related assets?**

   **(e) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether it had taken steps or planned to use the offering to reduce its own inventory of RMBS or CDO securities or other holdings?**

   **(f) Did Goldman conduct a suitability analysis in connection with soliciting clients or potential investors to purchase securities issued in any of the Transactions? If so, describe the suitability analysis conducted for each investor that purchased these securities. If Goldman retained a written record that reflects that such a analysis was conducted for any of these Transactions, provide a copy.**

Although I recently learned some general information about certain of the Transactions, I do not know the detailed information requested by this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

3. **(a) In what capacity did Goldman act for Paulson & Co. (together with any of its affiliates, "Paulson") with respect to the Abacus 2007-AC1 transaction or a Credit**



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**Default Swap transaction that referenced any or all of the same entities or securities that were referenced in the Abacus 2007-AC1 transaction? Describe in detail Goldman's relationship to Paulson with respect to those transactions, its obligations to Paulson, the nature and amount of any fees or compensation received by Goldman from Paulson relating to those transactions, and whether Goldman advised investors or potential investors in Abacus 2007-AC1 of the existence and nature of its relationship with Paulson.**

**(b) If Goldman advised investors or potential investors of the nature or existence of the Paulson relationship, identify who so advised investors or potential investors, the date on which that person so advised investors or potential investors, the identity of the investors or potential investors so advised, the manner (i.e. verbal or in writing) in which the person was advised, and the substance of the communication (and, if in writing, provide a copy of the communication).**

I have some general knowledge about the ABACUS 2007-AC1 transaction, but, in order to provide a complete response, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**4. For 2006 and 2007, provide the total dollar value of the residential mortgages that Goldman asked mortgage originators to repurchase due to a breach of representations or warranties related to fraudulent loan origination or underwriting.**

**(a) What percentage of Goldman's repurchase requests were successful?**

**(b) How much money did Goldman collect from its repurchase requests?**

**(c) Identify the five mortgage originators to which Goldman directed the most repurchase requests and the total value of the requests made to each of those five.**

**(d) Identify the total dollar amount of repurchase requests that Goldman directed to:**

**(i) Washington Mutual;**

**(ii) Fremont; and**

**(iii) New Century.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**5. What was the total dollar value of RMBS or CDO-related credit default swap (CDS) protection that Goldman obtained from AIG or an AIG subsidiary or affiliate (hereafter "AIG") from January 1, 2004 to the present?**



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**(a) Specify each transaction in which Goldman purchased CDS protection from AIG, including the date, type and notional amount of CDS protection obtained, the referenced assets or entities, whether the protection was purchased for RMBS, CDO or other securities, and the Goldman business unit or desk involved.**

**(b) For each such transaction, describe the current status of the CDS protection obtained from AIG, including any settlement or final disposition of the protection and the total dollar amount received by Goldman.**

Although I am aware that Goldman Sachs purchased credit default swap protection from AIG affiliates relating to securities referencing residential mortgages, I do not know the detailed information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**6. Did Goldman enter into any arrangement by which Goldman was the ultimate beneficiary of RMBS or CDO-related CDS protection that had been issued by AIG to a third party intermediary? If so, provide the following information:**

**(a) the name of the third party intermediary;**

**(b) the relationship between Goldman and the third party intermediary;**

**(c) the dates and nature of the transactions through which CDS protection was obtained from AIG by the third party intermediary, with Goldman as the ultimate beneficiary;**

**(d) whether AIG was aware of the arrangement between Goldman and the third party intermediary;**

**(e) the aggregate notional amount of the CDS protection obtained from AIG;**

**(f) the total amount of premiums paid by the third party intermediary;**

**(g) the consideration paid by Goldman to the third party intermediary in connection with the CDS protection; and**

**(h) the dates and dollar amounts of any recovery on the protection obtained by Goldman from AIG through a third party intermediary.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.



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7. **Did Goldman play any role in suggesting, encouraging, or prompting any other individual or entity to make collateral calls on CDS protection written by AIG related to RMBS or CDO securities? If so, describe in detail.**

I am not aware of Goldman Sachs playing any such role.

8. **Did Goldman obtain CDS protection against credit events involving AIG, Bear Stearns, Fremont, Lehman Brothers, Long Beach Mortgage, Merrill Lynch, National City Corp., New Century, or Washington Mutual? If so, for each such financial firm during the period from January 1, 2006 through December 31, 2008, provide the following information:**

**(a) the dates when the CDS protection was obtained and the nature of the protection;**

**(b) the counter parties involved;**

**(c) the total aggregate notional amount of the CDS protection obtained;**

**(d) the total amount of premiums paid by Goldman for such protection; and**

**(e) the total dollar amount of any recovery obtained by Goldman in connection with the CDS protection.**

I am aware that the Firm purchased CDS protection against credit events involving AIG. I do not know, however, what CDS protection, if any, the Firm may have purchased with regard to the other entities listed in this Question. Therefore, I cannot provide a more detailed response for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

9. **From January 1, 2006 through December 31, 2008, did Goldman obtain any insurance or other protection from a credit event involving AIG through any means other than a CDS transaction? If so, explain in detail.**

I am not aware whether the Firm obtained that protection through any means other than CDS. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

10. **Is there any instance from January 1, 2006 to the present, with respect to the settlement of disputes related to CDS protection for RMBS or CDO securities, in which Goldman obtained less than 100 cents on the dollar on the total notional amount of CDS protection it had purchased? If so, specify each such instance, including the name and type of the referenced assets, the name of the counter party, the notional amount of CDS protection purchased by Goldman, the type and amount of any collateral posted by the counterparty and the dates on which the collateral was posted, and the aggregate**



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**total dollar amount obtained by Goldman from the counter party in final settlement of Goldman's CDS protection claims.**

I do not know of any instance in which Goldman Sachs received less than the amount it was contractually due under a CDS referencing mortgage-backed securities. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**11. With respect to AIG, Bear Stearns, Fremont, Lehman Brothers, Long Beach Mortgage, Merrill Lynch, National City Corp., New Century, and Washington Mutual, provide the following information for the years 2007 and 2008:**

**(a) A detailed chronology of Goldman's firm-wide proprietary trading (including trading for itself or its own accounts) in equity securities for each of the above companies, including the date, purchase price, and number of shares involved in each transaction; whether the transaction involved a purchase or sale; whether the transaction resulted a long or short position for Goldman; and the net position of Goldman following each transaction.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**(b) A detailed chronology of Goldman's firm-wide proprietary trading (including trading for itself or its own accounts) in options or futures contracts for each of the above companies, including the date, purchase price, and number of options involved in each transaction; whether the transaction involved a purchase or sale of a put or call option; whether the option was exercised, the exercise price and date, whether the transaction resulted a long or short position for Goldman; and the net position for Goldman following each transaction.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**(c) The same chronologies as requested in (a) and (b) above for the Asset Backed Securities (ABS) trading desk alone.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**12. (a) Did Goldman have any written procedures or policies with regard to the ABS desk's using funds from a firm trading account to make speculative or proprietary trades**



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**in equity securities or options or futures contracts such as those listed above? If so, provide a copy of those procedures or policies.**

**(b) Was it a departure from Goldman's policies or procedures for the ABS trading desk to have used a firm trading account to engage in speculative or proprietary trades in the equity securities or options or futures contracts listed above?**

**(c) Did the ABS trading desk seek or obtain a waiver of Goldman's policies or procedures to trade these securities? If so, provide the date of the waiver, the persons who requested the waiver, the person who made the final decision to grant the waiver, and a copy of the waiver and the application or request to obtain it.**

I generally am aware of risk limits placed on market making desks, which typically limit positions that such desks can put on, as well as policies and procedures requiring approval of increases in such risk limits, and temporary exceptions to account for over-limit risk caused by a number of factors, including increased market volatility. But I do not know the detailed information requested in the Question.

In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

**13. During 2008, did any representative, employee, officer, agent, or attorney acting on behalf of Goldman contact or communicate with any federal agency, including the Federal Reserve or the Securities and Exchange Commission (SEC), to discuss any limitation on the short selling of Goldman shares or the shares of any other financial institution? If so, provide a detailed chronology describing those contacts, including the date of each contact, who initiated it, the participants involved, whether it was made by telephone or in person, and the substance of the discussion.**

I recall speaking with SEC Chairman Christopher Cox telephonically on two occasions. There may have been others, but I cannot recall. I do not recall the dates. I believe that Chairman Cox initiated the first call and I am not sure about the second. As I explained in my meeting with the Subcommittee staff, I recall that Chairman Cox asked my opinion, and that I initially indicated that I was not in favor of such limitations. At the time, other firms were complaining publicly about shorts. But I recall being negative about halting shorts because banning shorts could have an adverse effect on the markets in terms of the ability to price securities. I recall, however, that I subsequently changed my view because the situation seemed extreme and the concentrated piling on of shorts might be distorting the market.

Goldman Sachs employs thousands of professionals, but I am not aware of relevant communications that other Goldman Sachs employees may have had.

**14. Describe how and when Goldman learned of the limitations that the SEC implemented in 2008, on the short selling of the shares of certain financial institutions.**

I am not aware of anyone at Goldman Sachs having learned of these limitations prior to the SEC's public announcement of them.



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**15. Provide any document possessed by, generated by, or provided to Jonathan Egol related to obtaining a credit rating related to any Abacus transaction by any credit rating agency, including any correspondence, emails, memoranda, or other analysis or exchanges of information.**

I do not have personal custody of the documents requested in this Question, but I have directed others at Goldman Sachs to gather the requested materials.

**16. Describe in detail your understanding of Goldman's legal duties of disclosure, pursuant to securities laws and regulations, including rules prescribed by the SEC or FINRA, to purchasers of securities when Goldman acts in any of the following capacities: (a) market maker; (b) underwriter; (b) placement agent; (d) broker (when making a solicitation or recommendation of a security); or (e) a dealer. Include your definition of a "market maker."**

I understand that Goldman Sachs must comply with the applicable duties of disclosure arising under the federal securities laws, including rules prescribed by the SEC and FINRA. I am aware of an underwriter's obligation to disclose the material facts relating to the securities offered. Otherwise, I have no detailed understanding of the specific legal duties of disclosure in each of the capacities referenced above.

A market maker is a financial intermediary that stands ready, willing and able to buy and sell financial instruments at the initiation of clients. This business is client-driven, and Goldman Sachs strives to provide a fair price to its clients.

Should the Subcommittee desire a more detailed legal analysis of the federal securities laws, regulations and rules, I will direct others at Goldman Sachs to provide one.

**17. (a) Does the fact that an investor or a potential investor with whom Goldman is transacting business is an "accredited" investor, a "qualified institutional buyer" or a "qualified purchaser" (as those terms are used in the U.S. federal securities laws) affect the duties and obligations of Goldman when acting in any of the capacities described in Question 16? If so, describe how any of Goldman's duties when acting in any of these capacities are affected by the status of the investor or potential investor.**

I believe that, for any investor, Goldman Sachs has a duty to ensure that what it says is truthful. In my view, a sophisticated investor may generally be shown more sophisticated potential transactions that may not be suitable for less sophisticated investors. I also understand that suitability and disclosure duties under the federal securities laws vary depending on the types of investors to whom a transaction is marketed and the manner in which it is marketed.

Should the Subcommittee desire a more detailed legal analysis of the federal securities laws, regulations and rules, I will direct others at Goldman Sachs to provide one.

**(b) Does Goldman have a duty to conduct a suitability analysis when making a recommendation to any of the types of investors listed in question 17(a)? If so, describe the nature and extent of the analysis to be conducted.**



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I believe that Goldman Sachs has implemented policies and procedures reasonably designed to ensure that the Firm meets its suitability obligations when it recommends a security to a client, and that those obligations can vary depending on the nature of the client—for example, institutional clients in contrast to individual clients. I note, however, that Goldman Sachs does not necessarily "recommend" the transactions it presents to investors.

I understand that 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. It is my understanding that these investors generally had significant resources, had relationships with multiple securities dealers and access to extensive information and research flow, performed their own analysis of the data and formed their own views about market trends.

Should the Subcommittee desire a more detailed legal analysis of the federal securities laws, regulations and rules, I will direct others at Goldman Sachs to provide one.

**(c) Does Goldman owe a duty to disclose any adverse interest that it may have when recommending a security to any of the types of investors listed in question 17(a)?**

I am not sure what is meant by the term "adverse interest." Goldman Sachs may have a duty to disclose certain potential conflicts present in a securities transaction, but this will depend on the facts and circumstances—for example, where Goldman Sachs has a duty to disclose material information and the conflict is material in the context of all the relevant information. In addition, Goldman Sachs does not necessarily "recommend" the securities that it sells to investors.

Should the Subcommittee desire a more detailed legal analysis of the federal securities laws, regulations and rules, I will direct others at Goldman Sachs to provide one.

**18. (a) Is Goldman aware of the 2004 Guidelines set forth by the United States Sentencing Commission (the "Guidelines") establishing the elements of an effective ethics and compliance program?**

I am not aware of the specific 2004 Guidelines set forth by the United States Sentencing Commission, although I know that others within Goldman Sachs are aware of the 2004 Guidelines. I also know that Goldman Sachs maintains a robust compliance and ethics program.

**(b) What, if anything, has Goldman done to address the standards for ethics and compliance programs as set forth in the Guidelines? In particular, provide copies of educational materials or presentations given or presented to the Goldman Board of Directors, Goldman executives, and Goldman employees in general with respect to ethics and compliance during the period 2004 to the present.**

Goldman Sachs devotes considerable resources to ethics and compliance. I have directed others at Goldman Sachs to gather the additional detailed information requested in this Question.



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**Questions from Senator McCaskill**

1. **How many partners of Goldman Sachs had investments with Paulson & Co. at the time the Abacus AC-1 transaction was completed?**

I do not know the information requested in this Question, but Goldman Sachs does generally track certain types of direct outside investments by its employees. In an effort to provide a more complete response, however, I have directed others at Goldman Sachs to provide this information on a schedule to be arranged with the Subcommittee staff.

2. **How large was the short position that Goldman Sachs sold to Paulson & Co. as a part of the Abacus AC-1 transaction in relation to all short positions sold to other clients through synthetic and hybrid CDO issuances in 2006 and 2007? Please express this as a percentage.**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

3. **Of clients to whom Goldman sold short positions from synthetic CDOs, as in the Abacus AC-1 transaction, how many employed former directors or employees of Goldman Sachs?**

I do not know the information requested in this Question, nor do I believe that the Firm has this information.

4. **Did any Goldman employees see their total compensation decline as a result of the ultimate poor performance of the mortgage backed securities and collateralized debt obligations that the firm issued in 2006 and 2007?**

Goldman Sachs' compensation structure is based on the Firm's overall performance, the performance of the specific business in which the employee works and the personal performance of the employee. Increases or decreases in compensation, therefore, are based on a number of factors. I do not know the specifics of compensation paid to employees who worked in the Mortgage Department for the reasons explained above.

In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

5. **Please provide the context for the email in exhibit 77, in which a Goldman employee reviewed pool of mortgages originated by New Century. Were these loans subsequently packaged into securities? If so, how much of the pool discussed in exhibit 77 was "put back," to use the phrase from the analyst writing the document?**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others





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within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

6. **Did Goldman Sachs perform a review similar to that found in Exhibit 77 of the pools of mortgages from which the Long Beach Mortgage Loan Trust 2006-A (LBMLT-A) residential mortgage backed securities were created? If so, please produce those reviews to the committee. How many loans showed evidence of potential fraud, noncompliance, foreclosure, or other risk factors? How many problem loans ended up in the pools for LBMLT-A that were then sold to investors? How were weaknesses in the pools disclosed to investors?**

I do not know the information requested in this Question for the reasons explained above. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to gather the requested information, which will be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.

7. **How many customers contacted Goldman Sachs asking to take a short position with respect to housing related assets after your firm decided to make a concerted effort to "reduce risk" which reducing your net long position with respect to the housing market? To how many customers did you sell short positions? How many customers were turned away? Do you feel that your need to "reduce risk," prevented your firm, in its role as market maker, from serving customers who wanted to purchase short positions?**

I do not know the information requested in this Question for the reasons explained above. Additionally, I do not know if information on the number of customers that were "turned away" is kept by the Firm.

I do not believe that our decision to "reduce risk" prevented the Firm from serving its customers as a market maker. Although the prices that we quoted to buyers and sellers varied with market levels, I believe that, as a general matter, Goldman Sachs continued to transact in mortgage-related products in response to client demand.

In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to determine whether the requested information is kept by the Firm.

8. **Of the customers to whom you did sell short positions how many were companies that had hired former Goldman employees or with whom Goldman employees had investments?**

I do not know the information requested in this Question, nor do I know if all of it is kept by the Firm. As indicated above, Goldman Sachs does generally track certain types of direct outside investments by its employees. In an effort to provide a more complete response, however, I have instructed others within Goldman Sachs to determine whether the Firm keeps this information so that it may be included in a subsequent response on a schedule to be arranged with the Subcommittee staff.



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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**LLOYD C. BLANKFEIN**
**Chairman and Chief Executive Officer**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**1. Provide the following information regarding each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"):**

**Anderson Mezzanine Funding 2007-1;**
**Camber 7;**
**Fort Denison Funding;**
**Hudson Mezzanine Funding 2006-1;**
**Hudson Mezzanine Funding 2006-2;**
**Point Pleasant Funding 2007-1; and**
**Timberwolf I.**

**(a) Provide a list of all assets in each Transaction at the closing date of the Transaction. For each listed asset:**

**(i) State whether each asset is a cash or synthetic asset.**

Goldman Sachs encloses a spreadsheet, which sets forth certain information on the cash and synthetic assets for the specified transactions (bearing production numbers GS MBS0000027961) [See Appendix 1]. For each Transaction, the spreadsheet sets forth each referenced asset, whether it is cash or synthetic, the current face amount, the closing date, the asset source, the counterparty facing the transaction, and the warehouse period.

**(ii) Specify its original face value in dollars.**

Goldman Sachs encloses a spreadsheet, which sets forth certain information on the cash and synthetic assets for the specified transactions (bearing production numbers GS MBS0000027961) [See Appendix 1]. For each Transaction, the spreadsheet sets forth



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each referenced asset, whether it is cash or synthetic, the current face amount, the closing date, the asset source, the counterparty facing the transaction, and the warehouse period.

**(iii) For each cash asset, identify by name the party from whom it was purchased and the date of purchase.**

Goldman Sachs encloses a spreadsheet, which sets forth certain information on the cash and synthetic assets for the specified transactions (bearing production numbers GS MBS0000027961) [See Appendix 1]. For each Transaction, the spreadsheet sets forth each referenced asset, whether it is cash or synthetic, the current face amount, the closing date, the asset source, the counterparty facing the transaction, and the warehouse period.

**(iv) For each synthetic asset: identify each referenced asset; identify by name the counter party facing the Transaction; and the nature and date of any swap or offsetting or back to back transaction entered into by the counter party with respect to such referenced asset.**

Goldman Sachs encloses a spreadsheet, which sets forth certain information on the cash and synthetic assets for the specified transactions (bearing production numbers GS MBS0000027961). For each Transaction, the spreadsheet sets forth each referenced asset, whether it is cash or synthetic, the current face amount, the closing date, the asset source, the counterparty facing the transaction, and the warehouse period.

**(v) State whether and, if so describe, any asset that was added to or removed from each Transaction after the closing date, the source of any such asset, the purchase or sales price for any such asset, and how any such price was determined.**

Goldman Sachs encloses the trustee reports (bearing production numbers GS MBS 0000027986 - 35792,35879 - 35952 and 35958 - 36047) for the respective Transactions. These reports describe the assets that were added or removed from the respective Transactions after the closing date. The relevant pages in the reports are identified in the chart below: [Corresponding documents retained in the files of the Subcommittee]



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| Transaction | Trustee Report Page |
|---|---|
| Anderson Mezzanine Funding 2007-1 | GS MBS 000028003, 28053, 28180, 28246, 28339, 28388, 28415, 28476, 28631, 28679, 28775, 28822, 28871, 29022, 29221, 29316, 29468, 29613 and 29664 |
| Camber 7 | GS MBS 0000029713 – 29714, 30164 and 30963 |
| Fort Denison Funding | No assets were added or removed after closing |
| Hudson Mezzanine Funding 2006-1 | GS MBS 0000031247 – 31256, 31353 – 31362, 32770 – 32772, 32983 – 32984 and 33079 |
| Hudson Mezzanine Funding 2006-2 | GS MBS 0000033184 – 33185, 33292, 33917, 33975, 34034, 34152, 34207, 34260, 34313 – 34314, 34363, 34411, 34460, 34506, 34552, 34597, 34642, 34686, 34730, 34773, 34816, 34859, 34902, 34945, 34988 and 35977 |
| Point Pleasant Funding 2007-1 | GS MBS 0000035032, 35144, 35203 – 35204 and 35265 – 35267 |
| Timberwolf 1 | GS MBS 0000035658 – 35659 |

**(b) For each Transaction:**

(i) Describe in detail Goldman Sachs' ("Goldman") role in the Transaction, including whether it served as a placement agent; participated in the selection of assets or referenced assets prior to or after the closing date of the Transaction; hired a collateral manager or other agent for the Transaction; contributed, purchased, or warehoused any assets; participated in obtaining a credit rating for the Transaction; participated in the selection of any counter party for the Transaction; entered into any credit default swap or short position or acted as a counter party with respect to the Transaction or assets related to the Transaction; sold any securities related to the Transaction; or oversaw the liquidation, unwinding, closure or completion of the Transaction.

The offering circulars for the transactions, which we believe have been provided, outline the roles that Goldman had on these seven transactions.

- Placement agent: For each Transaction other than the Point Pleasant transaction, Goldman Sachs or an affiliate served as a placement agent. IXIS Corporate &



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Investment Bank served as the initial placement agent in the Point Pleasant transaction.

- Participated in the selection of assets prior to or after the closing date of the Transaction: Generally, Goldman Sachs—like other parties to the transaction—participated in the selection of assets or referenced assets because the Firm bore significant risks with respect to those assets both during the warehouse period and to the extent that it retained any positions after closing.

- Contributed, purchased, or warehoused any assets: For all seven transactions, we would have had involvement in each of these aspects

- Participated in obtaining a credit rating for the Transaction: Goldman Sachs would be involved in obtaining a credit rating for these transactions from one of the more nationally recognized credit rating agencies

- Participated in the selection of any counter party for the Transaction: Goldman Sachs would be involved in selecting counterparties for the transaction both the asset and liability side of the CDO

- Entered into any credit default swap or short position or acted as a counter party with respect to the Transaction or assets related to the Transaction – Goldman Sachs was the protection buyer from the synthetic CDOs included in the transactions (Fort Denison was entirely a cash deal.), with the exception of Point Pleasant where IXIS Corporate & Investment Bank purchased protection from the transaction. Additionally, Goldman Sachs retained and purchased in the secondary market financial instruments issued by these transactions.

- Sold any securities related to the Transaction: Goldman Sachs sold securities into the transaction to the extent the reference portfolio included cash instruments. Additionally, Goldman Sachs sold the financial instruments issued by the transaction both upon initial underwriting as well as in conjunction with making secondary markets.

- Oversaw the liquidation, unwinding, closure or completion of the Transaction: Goldman Sachs initially acted as the liquidation agent for Hudson Mezzanine Funding 2006-1, Hudson Mezzanine Funding 2006-2 and Anderson Mezzanine Funding 2007-1. Goldman Sachs later assigned that role to The TCW Group, Inc. ("TCW") for Hudson Mezzanine Funding 2006-2 and Anderson Mezzanine Funding 2007-1 and did not liquidate any assets before the assignment. For Hudson Mezzanine Funding 2006-1, Goldman Sachs attempted to assign its role as liquidation agent to TCW, but Morgan Stanley (which was the super senior swap counterparty) exercised its right of refusal. Accordingly, Goldman Sachs remained



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the liquidation agent and liquidated assets in accordance with the transaction documents (that is, the Firm solicited: (i) quotations as part of its determination of the credit default swap termination payments, and (ii) bids for the cash assets through a competitive bidding process). In its role as swap counterparty, Goldman Sachs also participated in the final liquidation of Timberwolf I by soliciting quotations as part of it determination of the credit default swap termination payments.

(ii) **Describe the capital structure and credit ratings obtained for each Transaction, including any change in the credit ratings over time.**

Two spreadsheets from Mr. Blankfein accompany this question (Parts A [See Appendix 2] and B [See Appendix 3]).

**(iii)Identify by name and address each purchaser of each security issued in connection with the Transaction, including the name, price, size, and total notional value of each type of security purchased; the date each security was purchased; the Goldman sales representative responsible for the sale of each security; and the Gross Credits ("GCs") paid to any sales representative for the sale of each security.**

Goldman Sachs previously produced to the Subcommittee a spreadsheet (bearing production numbers GS MBS 0000018045 – 18052) [See Appendix 4] providing the name, price, size, total notional value of each type of security purchased and the date each security was purchased. Goldman Sachs now encloses a spreadsheet (bearing production number GS MBS0000038669) [See Appendix 4] providing information on the Goldman Sachs sales representatives responsible for sales of securities in the Transactions and the gross sales credits allocated to those representatives in recognition of the sales.

(iv) **Indicate how many and the nature of any securities that were retained or purchased by Goldman from the Transaction; if those securities were sold or otherwise disposed of within 12 months of the inception of the security, the number of securities sold or disposed of, the sales price or cost of disposition, and to whom they were sold or how they were otherwise disposed of; and identify any securities that were sold to investors and repurchased by Goldman.**

Provided in a spreadsheet. [See Appendices 4 and 5]

(v) **Indicate the net revenues or losses sustained by Goldman from the Transaction, combining all sales, transfers, credit defaults, short positions, and other activities undertaken by Goldman in connection with the Transaction from its inception to the present. Explain how**



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**the net revenue or loss figure was derived, and its key components.**

In response to this Question, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000038766) [See Appendix 6] providing net revenues for the Transactions. The first grouping of Transactions were executed as part of the firm's CDO franchise acting as warehouse provider, underwriter and investor. Separately, the two Hudson Mezzanine transactions were initiated by Goldman Sachs principally as an efficient method to reduce long ABX exposure, which was amassed from making markets for clients wanting to purchase protection on the ABX index.

The spreadhseet provides deal level information, issued liabilities and details the net revenues earned/incurred on the deal. The key components were:

*Deal underwriting fees* – fees earned for underwriting the transaction.
*Protection purchase* – gains earned from purchasing protection from the CDO. For purchases of protection from the CDOs, Goldman Sachs has excluded protection purchases for which the firm acted to intermediate between the CDO issuer and clients who had purchased protection during the warehouse period. In addition, for the Hudson Mezzanine 2006-1 and 2006-2 transactions, Goldman Sachs has offset gains on the protection purchased from the CDO issuer against losses on the ABX long positions that the transaction was intended to hedge.
*Collateral Securities* – losses incurred resulting from price decline of the securities which collateralize the protection purchases from the CDOs. The collateral securities consisted primarily of alt a and subprime bonds and other mortgage and asset backed securities. The majority of these losses have already been realized as securities were liquidated on credit events.
*Retained Inventory* – losses incurred on bonds retained from the CDO.
*Deal specific hedges* – net revenues arising from hedges to retained bonds wherein Goldman Sachs purchased protection on specific bonds issued by the CDO.

(vi) **Identify by name and address any investor who has complained to Goldman in writing about its investment in one or more of the Transactions.**

Goldman Sachs is not presently aware of any such written complaints other than those made by: (i) Basis Yield Alpha Fund (Master) ("Basis") regarding Timberwolf I; and (ii) [redacted] regarding Point Pleasant 2007-1. The addresses for Basis and [redacted] are provided in the chart below:



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| | |
|---|---|
| Basis Yield Alpha Fund (Master) | Walker House Footnote Exhibits - Page 2320<br>87 Mary Street<br>Georgetown, Grand Cayman<br>Cayman Islands. KY 1-9002<br>British West Indies |
| [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Goldman Sachs notes that as the performance of the subprime mortgage market declined in mid-2007 and continuing thereafter, various investors have engaged in discussions with the firm related to such issues as market valuations and liquidation of collateral. We have assumed that your question is directed to customer complaints about the fundamental investment itself, and not to such other matters.

**(c) State if and when any Transaction was liquidated.**

| Transaction | Liquidation | Date of Final Distribution |
|---|---|---|
| Anderson Mezzanine Funding 2007-1 | Not Liquidated | N/A |
| Camber 7 | Not Liquidated | N/A |
| Fort Denison Funding | Liquidated | October 6, 2008 |
| Hudson Mezzanine Funding 2006-1 | Liquidated | May 28, 2009 |
| Hudson Mezzanine Funding 2006-2 | Not Liquidated | N/A |
| Point Pleasant Funding 2007-1 | Not Liquidated | N/A |
| Timberwolf I | Liquidated | October 16, 2008 |

**(d) In any Transaction, if bonds were purchased to collateralize synthetic assets, identify the bond by name, the value of the bond, the Transaction for which it was purchased, and the party from which the bond was purchased.**

Addressed in a spreadsheet from Mr. Blankfein. [See Appendix 9]

**(e) For each Transaction, provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests**



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**(including securities) in the Transaction. It is not necessary to provide duplicates of the same material, but provide the identity of all persons who received such material.**

In further response to Questions 1(e) and 2(b), Goldman Sachs encloses: (i) a copy of its policies and procedures governing the distribution of sales correspondence (bearing production numbers GS MBS 0000035799 – 35821) [See Appendix 7]; and (ii) a spreadsheet (bearing production number GS MBS 0000038771) [See Appendix 8] identifying potential investors to whom the Syndicate desk marketed the Transactions. Goldman Sachs notes that in general the firm marketed CDOs solely to qualified purchasers within the meaning of Securities and Exchange Commission Rule 144A, and that the firm's salespeople discussed securities via phone or e-mail with clients or potential clients known to have an interest in the particular products in which they dealt. Marketing materials were often transmitted, upon request, to interested clients or potential clients via email.
Hard copies were sent via U.S. Mail or Federal Express. Goldman Sachs is compiling information responsive to these Questions concerning ABACUS 2007-AC1 and will produce that information to the Subcommittee.

These materials previously were produced to the Subcommittee staff. As an initial response, Goldman Sachs encloses a spreadsheet listing these materials by production number (bearing production numbers GS MBS 0000027963) [See Appendix 6].

(f) **If Goldman entered into a credit default swap ("CDS") referencing any portion of any Transaction or any asset related to the transaction, provide the notional value of the CDS, the assets referenced in the CDS, the date entered, the name of the counter party, and the ultimate disposition of the CDS, including whether it was cancelled, unwound, or paid.**

Provided in a spreadsheet. [See Appendix 5]

**If some of the requested documents have already been provided to the Subcommittee, you may respond to the question by providing the Bates numbers of those documents.**

2. **Provide the following information regarding the sale of securities in each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"):**



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Abacus 2007-AC1;

Anderson Mezzanine Funding 2007-1;

Camber 7;

Fort Denison Funding;

Hudson Mezzanine Funding 2006-1;

Hudson Mezzanine Funding 2006-2;

Point Pleasant Funding 2007-1; and

Timberwolf I.

**(a) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?**

The issuers of securities for each of the Transactions were special purpose vehicles ("SPVs") created for the purpose of the Transaction. In each instance, the SPVs were established by or at the request of a Goldman Sachs affiliate. These SPVs were as follows:

| Transaction | Special Purpose Vehicles |
|---|---|
| Abacus 2007-AC1 | ABACUS 2007-AC1, Ltd.;<br>ABACUS 2007-AC1, Inc. |
| Anderson Mezzanine Funding 2007-1 | Anderson Mezzanine Funding 2007-1, Ltd.;<br>Anderson Mezzanine Funding 2007-1, Corp. |
| Camber 7 | Camber 7 Plc;<br>Camber 7 Corp. |
| Fort Denison Funding | Fort Denison Funding, Ltd.;<br>Fort Denison Funding, Corp. |
| Hudson Mezzanine Funding 2006-1 | Hudson Mezzanine Funding 2006-1, Ltd.;<br>Hudson Mezzanine Funding 2006-1, Corp. |
| Hudson Mezzanine Funding 2006-2 | Hudson Mezzanine Funding 2006-2, Ltd.;<br>Hudson Mezzanine Funding 2006-2, Corp. |
| Point Pleasant Funding 2007-1 | Point Pleasant Funding 2007-1, Ltd.;<br>Point Pleasant Funding 2007-1, Corp. |
| Timberwolf I | Timberwolf I, Ltd.;<br>Timberwolf I (Delaware) Corp. |



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**(b) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented any of the Transactions, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)**

In further response to Questions 1(e) and 2(b), Goldman Sachs encloses: (i) a copy of its policies and procedures governing the distribution of sales correspondence (bearing production numbers GS MBS 0000035799 – 35821) [See Appendix 7]; and (ii) a spreadsheet (bearing production number GS MBS 0000038771) [See Appendix 8] identifying potential investors to whom the Syndicate desk marketed the Transactions. Goldman Sachs notes that in general the firm marketed CDOs solely to qualified purchasers within the meaning of Securities and Exchange Commission Rule 144A, and that the firm's salespeople discussed securities via phone or e-mail with clients or potential clients known to have an interest in the particular products in which they dealt. Marketing materials were often transmitted, upon request, to interested clients or potential clients via email.

Hard copies were sent via U.S. Mail or Federal Express.

The requested materials for ABACUS 2007-AC1 were previously produced to the Subcommittee staff. The following chart sets forth the production numbers of the requested materials [See Appendix 6].

As discussed with the Subcommittee staff, Goldman Sachs also encloses a CDROM containing e-mail (bearing production numbers GS-MBS-E-021019055 – 21020015)[Retained in the files of the Subcommittee] from October 1, 2006 through December 31, 2007 reflecting communications concerning potential investors to whom Goldman Sachs marketed ABACUS 2007-AC1.1 Goldman Sachs notes that in general the firm marketed CDOs solely to qualified purchasers within the meaning of Securities and Exchange Commission Rule 144A, and that the firm's salespeople discussedsecurities via phone or e-mail with clients or potential clients known to have an interest in the particular products in which they dealt. Marketing materials were often transmitted, uponrequest, to interested clients or potential clients via e-mail. Hard copies were sent via U.S. Mail or Federal Express.

Goldman Sachs also notes that it previously produced to the Subcommittee a spreadsheet (bearing production number GS MBS 0000038771) [See Appendix 8] listing investors to whom Anderson Mezzanine Funding 2007-1, Camber 7, Fort Denison Funding, Hudson Mezzanine Funding 2006-1, Hudson Mezzanine Funding 2006-2, Point Pleasant Funding 2007-1 and Timberwolf I were marketed.



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**(c) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold short positions with respect to assets referenced in the Transaction being considered by any potential investor?**

In all of the Transactions, the offering circular expressly disclosed the identity of the protection buyer with respect to all of the synthetic assets held by the Transaction and noted that the protection buyer could hedge some or all of its exposure in the future. In all of the Transactions except for the Point Pleasant transaction, the sole protection buyer was a Goldman Sachs affiliate. For example, the offering circular for the Hudson Mezzanine Funding 2006-1 transaction stated:

> It is expected that Goldman Sachs International [a Goldman Sachs affiliate] will act as the sole Credit Protection Buyer with respect to the Credit Default Swap, which . . . may create certain conflicts of interest.
>
> The Credit Protection Buyer and its affiliates (i) may deal in any Reference Obligation, . . . and (iii) may act . . . as if the Credit Default Swap and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer, the Holders of the Secured Notes, the Senior Swap Counterparty or the Holders of the Income Notes.
>
> [I]t is expected that one or more affiliates of the Initial Purchaser [Goldman Sachs] will also act as counterparty with respect to all of the CDS Transactions.

(*See* GS MBS-E-001550191 – 1550378 at 1550241 and 1550250.) [See Appendix 6]

**(d) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold a net short position with respect to RMBS related assets?**

The offering circulars for the Transactions expressly disclosed that Goldman Sachs and its affiliates might have certain conflicts of interest with respect to the Transactions and their underlying assets. For example, the offering circular for the Hudson Mezzanine Funding 2006-2 transaction stated:

*The Credit Protection Buyer.* [Goldman Sachs] will be the initial Credit Protection Buyer. The following briefly summarizes some potential and actual



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conflicts of interests related to the Credit Protection Buyer, but the following isn't intended to be an exhaustive list of all such conflicts.

[Goldman Sachs] and/or its affiliates may be in possession of information in relation to a Reference Entity or otherwise that is or may be material in the context of the Notes and may or may not be publicly available to Holders. None of [Goldman Sachs] or any of its affiliates has any obligation to disclose to Holders any such information.

[Goldman Sachs] and/or any of its affiliates may invest and/or deal, for their own respective accounts for which they have investment discretion, in securities or in other interests in the Reference Entities, in obligations of the Reference Entities or in the obligors in respect of any Reference Obligations or Collateral Securities (the "Investments") or in credit default swaps (whether as protection buyer or seller), total return swaps or other instruments enabling credit and/or other risks to be traded that are linked to one or more Investments. Such investments, credit derivatives and/or instruments may have the same or different terms from any of the credit derivatives referred to in the terms of the Notes. In addition, [Goldman Sachs] and/or any of its affiliates may invest and/or deal, for their own respective accounts or for accounts for which they have investment discretion, in securities (or make loans or have other rights) that are senior to, or have interests different from or adverse to, any of the Investments and may act as adviser to, may be lenders to, and may have other ongoing relationships with, the issuers or obligors of Investments and obligations of any Reference Entities. [Goldman Sachs] may at certain times be simultaneously seeking to purchase or sell investments and/or protection under credit derivatives or other instruments enabling and/or other risks to be traded for any entity for which it serves as manager in the future.

(*See* GS MBS-E-000808574 – 808747, at 808627.) [See Appendix 6]

(e) **In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether it had taken steps or planned to use the offering to reduce its own inventory of RMBS or CDO securities or other holdings?**

Please see Goldman Sachs' response to Request 2(d) posed to Mr. Blankfein.

(f) **Did Goldman conduct a suitability analysis in connection with soliciting clients or potential investors to purchase securities issued in any of the Transactions? If so, describe the suitability analysis conducted for each investor that purchased these securities. If Goldman retained a written record that reflects that such a analysis was conducted for any of these**



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**Transactions, provide a copy.**

Pursuant to Goldman Sachs' "Know Your Customer: Suitability and Authority" policy (the "KYC Suitability Policy"),[1] and reinforced by a policy specific to asset-backed securities ("ABS"), Goldman Sachs conducted a suitability analysis in connection with efforts to sell the securities issued in the Transactions.[2]

The KYC Suitability Policy, which is consistent with the rules and guidance of US self-regulatory organizations, provides that the firm fulfills its "customer-specific suitability" obligation for an "institutional customer" when the firm has a reasonable belief that the institutional customer has and exercises an independent capability to evaluate investment risk. Under that Policy, the firm complies with its suitability obligations by focusing its selling efforts, and ultimately selling the securities issued in the Transactions, to institutional investors that the firm reasonably believed met these standards. Under Goldman Sachs' supervisory framework, that suitability determination was at the time the responsibility of the sales person under the supervision of his/her manager, who was tasked with regularly reviewing sales activity for potential suitability considerations. Likewise, Legal staff and Compliance officers also are available for consultation during the selling effort.

The Transaction purchasers mainly comprised institutions that were heavily involved in investments and financial markets, either as the core or as an integral part of their businesses. Specifically, the Transaction purchasers were primarily substantial hedge funds or other asset managers; global banks or other banks experienced with mortgage or other credit related securities or derivatives; insurance companies; global investment banks; and brokerdealers These types of investors reasonably were expected, directly or through professional managers, to have the knowledge and experience in the financial markets and with nonconventional products, as well as the financial resources to make investments that carried the potential for both high return and high risk. Given the nature of the Transaction purchasers, it was reasonable for the firm to conclude that they were institutional investors that were able to—and did—independently evaluate the investment risk of the Transactions.

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[1]Copy of the policy (dated March 31, 2005 and bearing production numbers GS MBS 0000037351 –37359) was produced with Goldman Sachs' response to Question 17 posed to Mr. Blankfein. [See Appendix 21]

[2]The ABS-specific policy, the *Mortgage and Other Asset-Backed Security Policy*, dated January 13, 2006, focuses on disclosure requirements, among other items, for ABS transactions, and also contains a section reiterating the "know your counterparty" requirement with the specific reminder that "because derivative mortgage products and other asset-backed securities often are very complex and may entail significant risk, care should be taken in considering whether such investments are suitable for a counterparty given such counterparty's background, objectives and investment restrictions."



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The firm confirmed the investment capacity and independence of the Transactions Purchasers, and hence the suitability of its sales efforts, in the "Notice to Investors" contained in the Offering Circular for each Transaction, under which the Transaction Purchasers were deemed to have represented and agreed that:

> In connection with the purchase of the Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Administrator or the Share Trustee (as defined herein) is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Administrator or the Share Trustee other than in this Offering Circular for such Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Collateral Put Provider, the Credit Protection Buyer, the Senior Swap Counterparty, the Administrator or the Share Trustee has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Collateral Put Provider, the Credit Protection Buyer, the Senior Swap Counterparty, the Administrator or the Share Trustee; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor.

*See, e.g.*, GS MBS-E-001550197 and 1550199-1550200 (Offering Circular for Hudson Mezzanine Funding 2006-1)[See Appendix 6].[3]

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[3]The KYC Suitability Policy provides that "[s]ales and trading personnel ... should consider, in consultation with their managers, whether to document [suitability] determinations in special or unusual circumstances." Given the firm's knowledge of the Transaction Purchasers at the time, there were no "special or unusual circumstances" that would have suggested the need for suitability documentation under the KYC Suitability Policy. Accordingly, other than the confirmation provided by the offering documents discussed above (which did serve to confirm the suitability of the investors), the firm is not aware of any formal suitability documentation relating to the Transactions.



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Goldman Sachs also notes that responsibility for reviewing and approving CDO securitizations in 2006 and 2007 was vested in the Firmwide Capital Committee ("FWCC"), which in certain periods further delegated authority for some mortgage transactions to the Mortgage Capital Committee ("MCC") due to the high volume of transactions requiring approval. Transaction teams provided these committees with formal memos summarizing the transactions and key considerations and risks. These memos were reviewed and decisions reached at the FWCC or MCC.[4] In reviewing transactions, the FWCC and its sub-committees considered whether the product was appropriate for Goldman Sachs to sell as a general matter; as indicated above, client-specific suitability was considered at the desk level.

3. (a) **In what capacity did Goldman act for Paulson & Co. (together with any of its affiliates, "Paulson") with respect to the Abacus 2007-AC1 transaction or a Credit Default Swap transaction that referenced any or all of the same entities or securities that were referenced in the Abacus 2007-AC1 transaction? Describe in detail Goldman's relationship to Paulson with respect to those transactions, its obligations to Paulson, the nature and amount of any fees or compensation received by Goldman from Paulson relating to those transactions, and whether Goldman advised investors or potential investors in Abacus 2007-AC1 of the existence and nature of its relationship with Paulson.**

Goldman Sachs, as market maker, was facilitating a trade for Paulson to purchase protection on a portfolio of Baa2-rated RMBS from the 2006 vintage. Goldman Sachs earned approximately $15 million, which was the difference between the price at which Goldman Sachs purchased the protection from the ABACUS 2007-AC1 SPV and the price at which it sold the protection to Paulson. A detailed description of the ABACUS 2007-AC1 transaction is set forth in the Mortgage Capital Committee Memorandum regarding the ABACUS 2007-AC1 transaction and Goldman Sachs' Wells Submissions to the Securities and Exchange Commission, which are enclosed herewith (bearing production numbers GS MBS-E-005974542 – 5974549 [See Appendix 14]; GS MBS 0000024769 – 24815 [See Appendix 10], 24817 – 24837 [See Appendices 12 and 13] [See also Appendix 11]).

(b) **If Goldman advised investors or potential investors of the nature or existence of the Paulson relationship, identify who so advised investors or potential**

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[4] Goldman Sachs has located and produced to the Subcommittee MCC memos for six of the eight Transactions (*see* GS MBS 0000027963 (providing production numbers for the MCC memos)). The firm has been unable to locate records to indicate that Hudson Mezzanine 2006-01 and 2006-02 were subject to such approval. Some evidence suggests that the Hudson Mezzanine 2006-01 transaction was approved through an informal meeting, likely conducted by telephone conference.



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**investors, the date on which that person so advised investors or potential investors, the identity of the investors or potential investors so advised, the manner (i.e. verbal or in writing) in which the person was advised, and the substance of the communication (and, if in writing, provide a copy of the communication).**

As a broker-dealer, Goldman Sachs has a duty to keep information concerning its clients' trades and positions confidential. As disclosed in the ABACUS 2007-AC1 offering circular, Goldman Sachs was the original protection buyer for the ABACUS 2007-AC1 transaction but could enter into offsetting hedging transactions to convey to other parties the credit protection it purchased via CDSs with the ABACUS 2007-AC1 SPV. As a general matter, Goldman Sachs did not disclose to potential investors the identity of Goldman Sachs' potential counterparty client(s). Goldman Sachs notes that, as reflected in a document released by the Subcommittee during the April 27, 2010 hearing, ACA knew of Paulson's involvement and, in a meeting notice dated January 8, 2007, described Paulson as being a potential equity investor.

4. **For 2006 and 2007, provide the total dollar value of the residential mortgages that Goldman asked mortgage originators to repurchase due to a breach of representations or warranties related to fraudulent loan origination or underwriting.**

**(a) What percentage of Goldman's repurchase requests were successful?**

For whole loans owned by Goldman Sachs or a Goldman Sachs affiliate that were not securitized, the firm made $40,364,719 in repurchase claims for breaches of representations and warranties. The firm recovered $17,459,894 on those claims (which represented 43.3% of those claims). In addition, with respect to loans in securitizations underwritten by Goldman Sachs, the firm made $474,846,676 in repurchase claims for breaches of representations and warranties. The firm recovered $81,933,778 on those claims (which represented 17.3% of those claims). Goldman Sachs notes that it does not maintain information on whether repurchase claims for breaches of representations and warranties were related to fraudulent loan origination or underwriting; accordingly, these balances reflect the amounts recovered on all claims for breaches of representations and warranties.

Further, it is important to understand that once Goldman Sachs deposits loans into a securitization trust, the trustee owns the loans and has the legal authority to decide on steps to take with respect to the loans, and oversees the servicer's management of the loans. Although Goldman Sachs on occasion made repurchase claims on the trustee's behalf, any recovery benefited the trust (and thus the holders of securities) and not Goldman Sachs.

**(b) How much money did Goldman collect from its repurchase requests?**



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For whole loans owned by Goldman Sachs or a Goldman Sachs affiliate that were not securitized, the firm made $40,364,719 in repurchase claims for breaches of representations and warranties. The firm recovered $17,459,894 on those claims (which represented 43.3% of those claims). In addition, with respect to loans in securitizations underwritten by Goldman Sachs, the firm made $474,846,676 in repurchase claims for breaches of representations and warranties. The firm recovered $81,933,778 on those claims (which represented 17.3% of those claims). Goldman Sachs notes that it does not maintain information on whether repurchase claims for breaches of representations and warranties were related to fraudulent loan origination or underwriting; accordingly, these balances reflect the amounts recovered on all claims for breaches of representations and warranties.

Further, it is important to understand that once Goldman Sachs deposits loans into a securitization trust, the trustee owns the loans and has the legal authority to decide on steps to take with respect to the loans, and oversees the servicer's management of the loans. Although Goldman Sachs on occasion made repurchase claims on the trustee's behalf, any recovery benefited the trust (and thus the holders of securities) and not Goldman Sachs.

**(c) Identify the five mortgage originators to which Goldman directed the most repurchase requests and the total value of the requests made to each of those five.**

For whole loans owned by Goldman Sachs or a Goldman Sachs affiliate that were not securitized, the five mortgage originators to which Goldman Sachs directed the most repurchase requests were: PHH Mortgage ($13,188,153); Fremont ($9,918,074); National City ($4,800,000); Aames ($2,848,243); and Greenpoint ($1,726,400).

With respect to loans in securitizations underwritten by Goldman Sachs, the five mortgage originators to which Goldman Sachs directed the most repurchase requests were: First Franklin ($97,834,791); New Century ($66,920,582); Fremont ($46,231,372); Greenpoint ($43,816,050); and Long Beach ($33,809,847).

**(d) Identify the total dollar amount of repurchase requests that Goldman directed to:**

(i) Washington Mutual;

(ii) Fremont; and

(iii)New Century.

Goldman Sachs directed $33,809,847 in repurchase requests to Washington Mutual for loans in securitizations. Goldman Sachs directed $46,231,327 in repurchase requests to Fremont for loans in securitizations and $9,918,074 for whole loans. Goldman Sachs directed $66,920,582 to New Century for loans in



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securitizations. [See also follow-up questions]

5. **What was the total dollar value of RMBS or CDO-related credit default swap (CDS) protection that Goldman obtained from AIG or an AIG subsidiary or affiliate (hereafter "AIG") from January 1, 2004 to the present?**

   (a) **Specify each transaction in which Goldman purchased CDS protection from AIG, including the date, type and notional amount of CDS protection obtained, the referenced assets or entities, whether the protection was purchased for RMBS, CDO or other securities, and the Goldman business unit or desk involved.**

   (b) **For each such transaction, describe the current status of the CDS protection obtained from AIG, including any settlement or final disposition of the protection and the total dollar amount received by Goldman.**

Goldman Sachs encloses a list of credit derivative swap protection purchased from AIG Financial Products by Goldman Sachs International ("GSI") and Goldman Sachs Capital Markets on super senior CDO and CMBS underliers (bearing production numbers GS FCIC 000000543 – 44) [See Appendix 15]. We have highlighted the super senior CDO positions that were terminated as a part of the Maiden Lane III transaction; all other trades remained open beyond December 2008.

6. **Did Goldman enter into any arrangement by which Goldman was the ultimate beneficiary of RMBS or CDO-related CDS protection that had been issued by AIG to a third party intermediary? If so, provide the following information:**

   (a) **the name of the third party intermediary;**

   (b) **the relationship between Goldman and the third party intermediary;**

   (c) **the dates and nature of the transactions through which CDS protection was obtained from AIG by the third party intermediary, with Goldman as the ultimate beneficiary;**

   (d) **whether AIG was aware of the arrangement between Goldman and the third party intermediary;**

   (e) **the aggregate notional amount of the CDS protection obtained from AIG;**

   (f) **the total amount of premiums paid by the third party intermediary;**

   (g) **the consideration paid by Goldman to the third party intermediary in connection with the CDS protection; and**



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**(h) the dates and dollar amounts of any recovery on the protection obtained by Goldman from AIG through a third party intermediary.**

Goldman Sachs is unaware of any instance in which the firm was the "ultimate beneficiary" of RMBS or CDO-related credit default swap protection that had been issued by AIG to a third party. Although it is possible that a counterparty with whom Goldman Sachs entered into a swap later transferred its interest to another party, Goldman Sachs would be unable to track such a transfer.

**7. Did Goldman play any role in suggesting, encouraging, or prompting any other individual or entity to make collateral calls on CDS protection written by AIG related to RMBS or CDO securities? If so, describe in detail.**

Goldman Sachs did not play any role in suggesting, encouraging, or prompting any other individual or entity to make collateral calls on CDS protection written by AIG related to RMBS or CDO securities.

**8. Did Goldman obtain CDS protection against credit events involving AIG, Bear Stearns, Fremont, Lehman Brothers, Long Beach Mortgage, Merrill Lynch, National City Corp., New Century, or Washington Mutual? If so, for each such financial firm during the period from January 1, 2006 through December 31, 2008, provide the following information:**

**(a) the dates when the CDS protection was obtained and the nature of the protection;**

**(b) the counter parties involved;**

**(c) the total aggregate notional amount of the CDS protection obtained;**

**(d) the total amount of premiums paid by Goldman for such protection; and**

**(e) the total dollar amount of any recovery obtained by Goldman in connection with the CDS protection.**

Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000037361)[Retained in the files of the Subcommittee], which sets forth the requested information on CDS protection that Goldman Sachs obtained against credit events involving the firms listed above. Goldman Sachs notes that it did not buy or sell protection on Long Beach or New Century.

**9. From January 1, 2006 through December 31, 2008, did Goldman obtain any insurance or other protection from a credit event involving AIG through any means other than a CDS transaction? If so, explain in detail.**



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Consistent with its policies and procedures, Goldman Sachs utilizes various tools to hedge counterparty exposure. Specifically to protect against a default of AIG, Goldman Sachs used credit default swaps as the primary means of hedging. At certain times, however, Goldman Sachs also purchased or sold short AIG unsecured bonds, subordinated debt and equity (*i.e.*, common stock) in order to efficiently hedge the firm's exposure to AIG. These additional hedges were particularly relevant when large movements in our exposure to AIG occurred (primarily due to market movements on the underlying derivatives or resolution of existing valuation differences). In these situations the liquidity within the credit default swap market on AIG was inadequate to efficiently hedge the movement in the exposure. At times, unsecured bonds, subordinated debt and equity can be traded more quickly and less expensively then purchasing and selling protection on credit default swaps. Enclosed is a spreadsheet (bearing production number GS MBS 0000038789) [See Appendix 16] providing information on credit default swaps, cash bonds and equity positions purchased and sold by Goldman Sachs as hedges against credit events involving AIG.

10. **Is there any instance from January 1, 2006 to the present, with respect to the settlement of disputes related to CDS protection for RMBS or CDO securities, in which Goldman obtained less than 100 cents on the dollar on the total notional amount of CDS protection it had purchased? If so, specify each such instance, including the name and type of the referenced assets, the name of the counter party, the notional amount of CDS protection purchased by Goldman, the type and amount of any collateral posted by the counterparty and the dates on which the collateral was posted, and the aggregate total dollar amount obtained by Goldman from the counter party in final settlement of Goldman's CDS protection claims.**

As discussed with the Subcommittee staff on June 14, 2010, Goldman Sachs is interpreting this Question to request information on instances in which the Firm accepted CDS termination payments from financially sound counterparties in an amount that was less than what the Firm believed that it was contractually entitled to receive. Goldman Sachs does not believe that any such instance existed.

Goldman Sachs notes, however, that the Firm had multiple CDS trades referencing CDO bonds with Deutsche Bank in which Goldman Sachs believes that the credit event terms were incorrectly defined in the confirmations and were not consistent with the definition of those terms as agreed to by the parties at the time of the trade. For these trades, Goldman Sachs believed that an "implied writedown" credit event applied to the trades, while Deutsche Bank believed that such a credit event was inapplicable. In accordance with the terms of the confirmations, Deutsche Bank refused to pay Goldman Sachs for multiple "implied writedowns" for which Goldman Sachs attempted to claim CDS protection payments. Ultimately, the trades were terminated, and Goldman Sachs and Deutsche Bank agreed to a termination price lower than was 89.36% of the notional amount of the trades. Had Deutsche Bank agreed with Goldman Sachs that there was a documentation error and that an "implied writedown" credit event applied, Goldman



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Sachs would have received more in its protection payments (or as termination payments) than it ultimately did. In total, Goldman Sachs was paid $171,000,000 to terminate $191,363,845 in notional amount of trades. Information concerning these trades (bearing production numbers GS MBS 0000035796) [See Appendix 17] is enclosed herewith.

**11. With respect to AIG, Bear Stearns, Fremont, Lehman Brothers, Long Beach Mortgage, Merrill Lynch, National City Corp., New Century, and Washington Mutual, provide the following information for the years 2007 and 2008:**

**(a) A detailed chronology of Goldman's firm-wide proprietary trading (including trading for itself or its own accounts) in equity securities for each of the above companies, including the date, purchase price, and number of shares involved in each transaction; whether the transaction involved a purchase or sale; whether the transaction resulted a long or short position for Goldman; and the net position of Goldman following each transaction.**

As discussed with the Subcommittee staff in several conference calls, Goldman Sachs is a market maker in securities issued by the companies listed above. As such, Goldman Sachs enters into a large volume of principal transactions on a daily basis on behalf of the firm's clients. During 2007 and 2008, Goldman Sachs entered into several million transactions (buys and sells) in the equity securities of these companies with gross proceeds in excess of $100 billion. To help summarize the net effect of these market making transactions, Goldman Sachs encloses a schedule (bearing production number GS MBS 0000038857) [See Appendix 18], which reflects the net common stock position in each of these companies held in each firm inventory account that was included in the firm's balance sheet for each fiscal month-end during 2007 and 2008. This schedule does not include exposure from other financial instruments issued by these companies (*i.e.*, convertibles and unsecured bonds) or exposure from derivatives transacted directly with these companies or referencing these companies as underliers and as such is not a risk report.

**(b) A detailed chronology of Goldman's firm-wide proprietary trading (including trading for itself or its own accounts) in options or futures contracts for each of the above companies, including the date, purchase price, and number of options involved in each transaction; whether the transaction involved a purchase or sale of a put or call option; whether the option was exercised, the exercise price and date, whether the transaction resulted a long or short position for Goldman; and the net position for Goldman following each transaction.**

As discussed with the Subcommittee staff, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000038753) [See Appendix 19], which provides a summary for each quarter of Financial Years 2007 and 2008 of common equity and option trades concerning AIG, Bear Stearns, Fremont, Lehman Brothers, Merrill Lynch,



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National City Corp. and Washington Mutual by businesses within Goldman Sachs that the firm has identified as "proprietary trading business units." Goldman Sachs also notes that Long Beach Mortgage was a wholly owned subsidiary of Washington Mutual and that there were no common equity or option trades concerning New Century by any Goldman Sachs "proprietary trading business unit" during Financial Years 2007 and 2008.

**(c) The same chronologies as requested in (a) and (b) above for the Asset Backed Securities (ABS) trading desk alone.**

The Asset-Backed Securities trading desk did not engage in "proprietary" trading during the period 2007 through 2008. Although the Asset-Backed Securities trading desk did regularly commit the Firm's capital, it principally did so to facilitate client transactions as a market maker, to hedge positions obtained in connection with its role as a market maker, or to hedge positions held in Goldman Sachs' mortgage department.

As discussed with the Subcommittee staff on June 14, 2010, Goldman Sachs encloses a spreadsheet (bearing production numbers GS MBS 0000035797)[Retained in the files of the Subcommittee] listing trades by the Asset-Backed Securities Trading desk in equity securities (including options & futures) for the requested financial institutions. Goldman Sachs notes, however, that Long Beach Mortgage Company was a subsidiary of Washington Mutual, Inc., and its securities could not separately be traded.

12. **(a) Did Goldman have any written procedures or policies with regard to the ABS desk's using funds from a firm trading account to make speculative or proprietary trades in equity securities or options or futures contracts such as those listed above? If so, provide a copy of those procedures or policies.**

Yes. Enclosed is a document (bearing production numbers GS MBS 0000038674 -38677) [See Appendix 20] describing Goldman Sachs' "Policy for Approving Non-Core Trading Products and Trading Flow Changes," which provides the procedures that franchise traders (including the ABS desk) must adhere to in advance of trading products outside of their primary markets. This policy allows a franchise trading desk, with appropriate approvals, to transact in products not core to its business.

**(b) Was it a departure from Goldman's policies or procedures for the ABS trading desk to have used a firm trading account to engage in speculative or proprietary trades in the equity securities or options or futures contracts listed above?**

No. Pursuant to Goldman Sachs' "Policy for Approving Non-Core Trading Products and Trading Flow Changes," the ABS desk sought, and received, approval from Bill McMahon and Don Mullen (the Divisional Risk Manager and the appropriate Operating Committee member, respectively) to use equities and equity derivatives as part of its hedging strategy for the mortgage market. Goldman Sachs notes that the ABS desk



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did not engage in speculative or proprietary trading. Rather, the ABS desk used trades in equity securities, options and futures to hedge its existing positions. Goldman Sachs further notes that Josh Birnbaum participated in training classes on equity trading and equity derivatives, conducted by the firm's Compliance Department in the summer and fall of 2006.

**(c) Did the ABS trading desk seek or obtain a waiver of Goldman's policies or procedures to trade these securities? If so, provide the date of the waiver, the persons who requested the waiver, the person who made the final decision to grant the waiver, and a copy of the waiver and the application or request to obtain it.**

As explained above, the ABS desk followed the procedures outlined by the "Policy for Approving Non-Core Trading Products and Trading Flow Changes" and accordingly obtained the appropriate waiver.

**13. During 2008, did any representative, employee, officer, agent, or attorney acting on behalf of Goldman contact or communicate with any federal agency, including the Federal Reserve or the Securities and Exchange Commission (SEC), to discuss any limitation on the short selling of Goldman shares or the shares of any other financial institution? If so, provide a detailed chronology describing those contacts, including the date of each contact, who initiated it, the participants involved, whether it was made by telephone or in person, and the substance of the discussion.**

Please see Mr. Blankfein's response to this Question.

**14. Describe how and when Goldman learned of the limitations that the SEC implemented in 2008, on the short selling of the shares of certain financial institutions.**

Please see Mr. Blankfein's response to this Question.

**15. Provide any document possessed by, generated by, or provided to Jonathan Egol related to obtaining a credit rating related to any Abacus transaction by any credit rating agency, including any correspondence, emails, memoranda, or other analysis or exchanges of information.**

[Retained in the files of the Subcommittee]

**16. Describe in detail your understanding of Goldman's legal duties of disclosure, pursuant to securities laws and regulations, including rules prescribed by the SEC or FINRA, to purchasers of securities when Goldman acts in any of the following capacities: (a) market maker; (b) underwriter; (b) placement agent; (d) broker (when making a solicitation or recommendation of a security); or (e) a dealer.**



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**Include your definition of a "market maker."**

Goldman Sachs' duties of disclosure generally can be thought of as falling under two distinct legal and regulatory regimes: one that governs its duties when acting as a broker-dealer and one that governs its duties when underwriting and marketing new-issue securities.

With regard to the firm's role as market maker, broker or dealer, these capacities all fall within the scope of Goldman Sachs' broker-dealer activities. Goldman, Sachs & Co. is registered with the SEC as a broker-dealer under Section 15(a) of the Securities Exchange Act of 1934 and maintains membership in the Financial Industry Regulatory Authority ("FINRA") and various securities exchanges. In general, a broker-dealer's duties to a customer that wishes to effect securities transactions in a non-discretionary account are limited to the duties of diligence and competence in executing the customer's trade orders on a transaction-by-transaction basis. This duty is often called a duty of best execution, and has been the subject of extensive interpretation and some rule-making by the SEC and FINRA. This duty applies with respect to all securities transactions, whether solicited or unsolicited, effected by a broker-dealer for its customers.

Special obligations apply to Goldman Sachs when it acts for a discretionary account. In such a case, Goldman Sachs must comply with any client guidelines and must enter into transactions consistent with the client's investment objectives. In exercising discretion, Goldman Sachs is typically subject to the duty to act in the best interests of the client and not that of Goldman Sachs and to disclose all conflicts of interest.

We understand the term "market maker" to mean a broker-dealer that stands ready to make an offer to buy or sell a given security whenever a seller or a buyer enters the market. A market maker connects buyers and sellers—and thereby provides critical liquidity—through its willingness and ability to commit its own capital in taking the other side of transactions that its customers wish to execute. While the transactions executed by a market maker are often initiated by a customer looking to make a specific purchase or sale, a market maker may also frequently propose transactions to its customers, based on their previously expressed investment interests or needs. As such, when Goldman Sachs acts as a market maker, it is simply engaging in a particular type of broker-dealer activity, and its basic duties are the same as those described above.

FINRA and exchange rules impose special obligations on exchange-based and over-the-counter market makers of equity securities to provide liquidity. These rules, among other things, require the market maker to maintain a two-way market and regulate when market makers can cease to provide quotations.

The firm's role as an underwriter or placement agent differs from that of a broker-



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dealer.[5] As described above, a broker-dealer 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 its clients.

In contrast, an underwriter or placement agent is involved with the issuer in marketing and selling offerings of securities to investors. In this context, the federal securities laws effectively impose a "gatekeeper" role on Goldman Sachs: as an underwriter or placement agent the firm is expected to assist the issuer in providing an offering document to investors that discloses material information relevant to the offering,[6] and absent a showing that the firm conducted an appropriate review (so-called "due diligence") regarding the securities being offered, the firm is 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 broker-dealer (whether acting in a market making capacity or otherwise) because a broker-dealer must execute countless transactions in order to meet the demands of clients and other parties. If a broker-dealer 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, market makers could not function and liquid markets could not exist.

17. (a) **Does the fact that an investor or a potential investor with whom Goldman is transacting business is an "accredited" investor, a "qualified institutional buyer" or a "qualified purchaser" (as those terms are used in the U.S. federal securities laws) affect the duties and obligations of Goldman when acting in any of the capacities described in Question 16? If so, describe how any of Goldman's duties when acting in any of these capacities are affected by the status of the investor or potential investor.**

(b) **Does Goldman have a duty to conduct a suitability analysis when making a recommendation to any of the types of investors listed in question 17(a)? If**

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[5]As a technical matter, a firm generally may not act as an underwriter or placement agent of securities in the United States without registering as a broker-dealer with the SEC as described above. For convenience, however, when we refer to the activities of a brokerdealer in this response, we mean the activities of a market maker, broker or dealer as described above and not those of an underwriter or placement agent, even though the latter activities may also require registration as a broker-dealer with the SEC.

[6]The type and amount of disclosure is likely to vary depending on the nature of the offering. An SEC-registered public offering, for example, is subject to specific, detailed disclosure requirements of the SEC. In contrast, an offering exempt from registration is subject to a more general requirement that any disclosure made must not be materially false or misleading.



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**so, describe the nature and extent of the analysis to be conducted.**

In general, the legal duties that Goldman Sachs owes when engaging in a securities transaction with a customer depend on the particular services the firm provides and the nature of its interaction with the customer, taking into account, in particular, the nature and sophistication of the customer, the customer's reasonable expectations with regard to the firm's services and the compensation arrangement between the Firm and the customer.

When a broker-dealer "recommends"[7] a securities transaction to a customer, the broker-dealer has a duty to determine that the transaction is suitable for the customer. This suitability duty requires the broker-dealer to determine, in the first instance, that the transaction is suitable for at least some investors. This is sometimes called "general suitability" or the "due diligence" duty, and it applies independently of any particular customer's interests.[8] Additionally, the broker-dealer must also determine that the recommended transaction is suitable for the particular customer, based on those facts, if any, disclosed by the customer as to his security holdings, financial situation, and needs or objectives. This duty, which is sometimes called "customer specific suitability," in turn gives rise to a related duty to "know the customer."[9] In this respect, the firm believes that, before entering into any securities transaction, its sales and trading personnel have an obligation to exercise due diligence to learn the essential facts regarding the customer and the customer's orders and accounts and to ensure that the customer has provided sufficient evidence of its authority to enter into a transaction. Under Goldman Sachs' policies and applicable regulations (enclosed bearing production numbers GS MBS 0000037351 – 37359) [See Appendix 21] employees are required to be prepared to explain the basis for their suitability determinations and must consider, in consultation with their managers, whether to document such determinations in special or unusual

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[7]Whether a broker-dealer makes a "recommendation" to a customer depends on the nature and context of the firm's communications with the customer. According to FINRA, a critical factor to consider is whether a particular communication, given its content, context and manner of presentation, reasonably would be viewed as a "call to action" or a suggestion that the customer engage in a securities transaction. *See* NASD Notice to Members 01-03 (Online Suitability) (April 2001).

[8]According to FINRA, the broker-dealer must implicitly represent to the customer that a reasonable investigation has been made and that its recommendation rests on the conclusions based on that investigation. *See* FINRA Notice to Members 10-22 (April 2010); FINRA Notice to Member 09-25 (May 2009).

[9]The specific suitability and related know-your-customer duties have been codified by FINRA in Conduct Rule (NASD) 2310.



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circumstances. Managers are also required to regularly review sales activity for potential suitability concerns.

Significantly, however, FINRA has provided an important exception to the customer specific suitability duty with regard to institutional customers.[10] Broadly speaking, a broker-dealer may satisfy its customer specific suitability duty owed to an institutional customer if the broker-dealer reasonably determines, based on the relevant facts and circumstances, that the institutional customer (i) is capable of evaluating the risk associated with the recommended transaction independently of the broker-dealer and (ii) is in fact exercising independent judgment in evaluating the recommendation (*i.e.*, is not relying on the broker-dealer to determine customer specific suitability). As a practical matter, this exception means that a broker-dealer need not determine whether a particular transaction is suitable for an institutional customer in light of its particular circumstances, as long as the firm has a reasonable basis to believe that the customer has sufficient expertise and resources to make its own evaluation and is in fact doing so (*e.g.*, in light of regular past practice). This exception does not relieve a broker-dealer of its general suitability duty to an institutional customer.

Goldman Sachs further notes that, in August 2008, the firm introduced suitability committees responsible for the administration of the Due Diligence and Approval Guidelines for Structured and Strategic Trades, which governs all structured trades (including CDOs) done with non-market professionals—whether primary or secondary transactions. In addition, Goldman Sachs has already implemented most of the March 2009 recommendations of the Counterparty Risk Management Policy Group requiring firms to make reasonable efforts to determine that investors possess the following: (I) capability to understand risk and return; (ii) capability or access to the capability to price and run stress tests; (iii) governance procedures, internal controls and technology; (iv) financial resources sufficient to withstand potential losses; and (v) authorization to invest in high risk complex financial instruments.

**(c) Does Goldman owe a duty to disclose any adverse interest that it may have when recommending a security to any of the types of investors listed in question 17(a)?**

Although Goldman Sachs does not believe that the federal securities laws require a general disclosure of "adverse interests," the firm notes that where relevant the offering circulars for the Transactions expressly disclosed that the protection buyer with respect to all of the synthetic assets held by the Transaction would be a Goldman Sachs affiliate, and noted that the protection buyer could hedge some or all of its exposure in the future. For example, the offering circulars for Hudson Mezzanine Funding 2006-1, Hudson

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[10] *See* FINRA Interpretation IM 2310-3 (Suitability Obligations to Institutional Customers).



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Mezzanine Funding 2006-2 and Anderson Mezzanine Funding 2007-1 stated:

> It is expected that Goldman Sachs International [a Goldman Sachs affiliate] will act as the sole Credit Protection Buyer with respect to the Credit Default Swap, which . . . may create certain conflicts of interest.
>
> The Credit Protection Buyer and its affiliates (i) may deal in any Reference Obligation, . . . and (iii) may act . . . as if the Credit Default Swap and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer, the Holders of the Secured Notes, the Senior Swap Counterparty or the Holders of the Income Notes.
>
> [I]t is expected that one or more affiliates of the Initial Purchaser [Goldman Sachs] will also act as counterparty with respect to all of the CDS Transactions.

(*See* GS MBS-E-001550241,1550250, 808621, 808630, 854578 – 854579 and 854588.) Similar language appeared in the Camber 7 and Timberwolf I offering circulars. (*See* GS MBS-E-000814255, 814269, 673714 – 673715 and 673729.) The Point Pleasant offering circular provided a similar disclosure for IXIS Corporate & Investment Bank, which was the protection buyer for that transaction. (*See* GS MBS-E-000638970 – 638971 and 638979.) There was no such disclosure for Fort Denison Funding, which was a cash CDO.

18. (a) **Is Goldman aware of the 2004 Guidelines set forth by the United States Sentencing Commission (the "Guidelines") establishing the elements of an effective ethics and compliance program?**

(b) **What, if anything, has Goldman done to address the standards for ethics and compliance programs as set forth in the Guidelines? In particular, provide copies of educational materials or presentations given or presented to the Goldman Board of Directors, Goldman executives, and Goldman employees in general with respect to ethics and compliance during the period 2004 to the present.**

Goldman Sachs is aware of the amendments to the Sentencing Commission Guidelines, effective November 1, 2004 (the "2004 Guidelines"), establishing the elements of an effective ethics and compliance program. During the period 2004 to the present (the "relevant period"), the firm has had and continues to have a robust and far-reaching compliance program to address the standards set by the 2004 Guidelines, to educate and report to its Board, executives and employees concerning the compliance program, and to involve those stakeholders in the program's execution. Highlights of how the firm's compliance program addresses the 2004 Guidelines follow. Further, as discussed with the Subcommittee staff, enclosed is list (bearing production number GS MBS 0000038749 – 38750 [See Appendix 22] (providing the relevant Appendices cited in this response)) of relevant documents from 2004 through 2009 concerning how the



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firm's compliance program addresses the 2004 Guidelines. As discussed with the Subcommittee staff, Goldman Sachs will subsequently produce any of the documents listed in the Appendices that are requested by the Subcommittee.

**I. Board of Directors**

**A. Compliance Presentations to the Board**

In September 2005, the Compliance Department made a presentation to Goldman Sachs' Board of Directors (the "Board") entitled "Amendments to the U.S. Sentencing Guidelines for Organizations - Goldman Sachs' Compliance Program." This presentation explicitly addresses how the firm's compliance program meets the 2004 Guidelines requirements to: "(1) exercise due diligence to prevent and detect criminal conduct; and (2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law." *See* 2004 Guidelines § 8B2.1. The Board presentation highlights the key elements of the firm's compliance program and tracks those elements to the 2004 Guidelines.

Apart from this Board presentation, the Compliance Department has made anumber of other presentations regarding the firm's compliance program to the Board or the Board's Audit Committee.[11] *See* Appendix A. As set forth in the 2004 Guidelines presentations and these other Compliance presentations, the key elements of the firm's compliance program are:

**Risk Assessments** to identify compliance and reputational risks of particular business activities and to help drive the nature, scope and frequency of compliance surveillance, monitoring and testing.
**Surveillance and Other Monitoring** of processes and transactions to detect breaches and identify changes in the risk profile.
**Testing of the Compliance Control Framework** to assess and validate assumptions about the efficacy of controls, principally by the firm's Internal Audit Department and the Compliance Testing Group.[12]
**Training and Communication** of the rules and the firm's compliance policies and procedures to the Board, senior management and supervisors, other employees and other stakeholders.
**Independence and Empowerment of the Compliance Function**. In

[11]The January 2009 presentation to the Board, "Compliance with CRMPG III Recommendations and Other Key Industry and Regulatory Reports," may be of particular interest.

[12]The Board's Audit Committee has a standing agenda item for Internal Audit presentations. Internal Audit also has a standing closed session with the Board's external directors.



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2004 the firm created a Compliance Department that is separate and independent from the Legal Department, hiring a Global Head of Compliance who reports directly to the firm's Chairman/CEO and President/COO, and making him a member of the Firmwide Management Committee, the firm's highest management governing body.[13] The firm's Compliance headcount has increased by approximately 40% during the relevant period, from 399 in October 2004 (*see* November 2004 Board presentation) to its current level of 558.

**B. Sarbanes-Oxley Presentations to the Board**

In addition to the Compliance Department presentations to the Board or Board Audit Committee referred to above, the Board and its committees engage in governance activities related to the Sarbanes-Oxley Act of 2002, as follows:

(1) Annual review by the Board's Corporate Governance Committee, and re-approval by the Board, of the Code of Business Conduct and Ethics, originally adopted by the Board in February 2003.

(2) Annual review by the Board's Audit Committee, and re-approval by the Board, of the Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns, originally adopted by the Board as of February 2003 and June 2003. *See* Appendix B.

**II. High-level Employees: Business Practices Committee**

In 2003, as indicated in the 2005 Board presentation on the 2004 Guidelines, Goldman Sachs established a firmwide Business Practices Committee ("BPC"), which "assists senior management in its oversight of compliance and operational risks and related reputational concerns, seeks to ensure the consistency of the firm's polices, practices and procedures with the firm's business principles, and makes recommendations on ways to mitigate potential risks." *See* Appendix C.

The BPC, which generally meets monthly and reports to the Firmwide Management Committee (the firm's highest management governing body), is made up of

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[13]From 2004, the Global Compliance Head has been Alan Cohen, a prominent former federal prosecutor and private sector lawyer specializing in litigation and governmental investigations in the securities industry and other corporate areas. All Compliance officers report directly or indirectly to Mr. Cohen, and none reports to the business.



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senior leaders of the firm's revenue producing and control divisions. *See* Appendix C. More specifically, under its charter, the BPC:

- Reviews business practices that could pose significant compliance and operational risks and related reputational concerns;
- Identifies and oversees key business practices initiatives and reviews related communications and training programs;
- Reviews internal and external incidents having significant reputational or operational impact;
- Reviews regulatory issues and significant trends;
- Establishes standards and reviews and approves policies and procedures implemented in accordance with the firm's business principles;
- Addresses issues raised by the Global Compliance Division and Internal Audit Division.

In addition, each revenue-producing division and each of the firm's non-US regions (Europe, Middle East and Africa, Asia Ex-Japan, and Japan) has its own Business Practices Committee that performs functions similar to the firmwide BPC for those respective divisions or regions.

**III. Employees Generally**

As indicated in the Board presentation on the 2004 Guidelines and in other Compliance presentations to the Board or Board committees, the firm has an extensive program of communication and training on its compliance policies, procedures and other controls across the firm at all levels, as well as processes that create incentives for compliance with those controls and mete out discipline for substantial compliance breaches.

- **New hires.** On their first day, new hires attend a concentrated "Day One Training" training program in the key compliance policies and controls, including components on handling material non-public information and requirements of the anti-money laundering ("AML") laws. In addition, employees are required to disclose their investment accounts, private investments and outside activities, if any. These disclosures, which must be updated with new information as circumstances change, are logged in a database and are used to enhance the firm's surveillances and monitoring for inappropriate trading or business activity. *See* Appendix D.

- **Ongoing training of employees.**
  - The firm develops training programs from time to time that employees generally are required to complete. These programs are focused on compliance and reputational issues, particularly in the context of using the firm's communications tools, and the prevention and detection of criminal conduct by educating staff on the requirements of the anti-money laundering ("AML") laws program.



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- Throughout the relevant period (2004-present), recent hires, including temporary staff (but with the exception of certain service employees for whom the training would not be relevant), have been required to complete AML online training and a related assessment within a short period after joining the firm. An "AML Refresher" course was rolled out in 2005-06 for employees who had been hired prior to that time. *See* Appendix D
- In addition, recent hires complete modules that review the firm's policies and procedures governing the proper use of communications tools such as e-mail, voice mail, wireless devices and the Internet, with a focus on protection of confidential information. *See* Appendix D
- The firm's AML program, as discussed in Board presentations by Compliance referenced in Appendix A, employs various surveillances of trading and money movements to prevent and detect criminal activity, and to assist the firm in complying with its legal obligations to report suspicious activity. In 2008, the AML group rolled out a required global training program across key areas of the firm in live classroom training sessions on "Raising Suspicious Activity Awareness." This program has targeted the firm's Compliance, Legal, Internal Audit, Operations, Private Wealth Management, Asset Management and Investment Banking/Merchant Banking, and Securities Divisions and included a session for the firm's Management Committee. Training sessions have been tailored to each of the business areas and focus on the "red flags" that might indicate potential money-laundering or fraud. *See* Appendix D.

- Firmwide training is supplemented with extensive training and communications efforts customized to the needs of individual divisions, departments, groups and regions. These efforts include training designed to meet regulatory obligations as well as to reinforce the firm's compliance controls. Annual training in the revenue-producing divisions includes AML and suspicious activity components.

- **Leaders, Supervisors and Other Managers.**
  - As set forth in the Board presentation on the 2004 Guidelines, in 2004-05, the firm's then Chairman Hank Paulson conducted "The Chairman's Forum on Leadership and Accountability," at which he discussed the importance of compliance, ethical behavior and management accountability in a series of meetings with groups of the firm's managing directors ("MDs") across the globe (nearly 2,000 people).
  - Following the MD sessions, the program was adapted for the firm's vice president population, which included nearly 8,000 people. The Leadership and Accountability for Vice Presidents program began in 2005 and was completed in 2007. The program was run by senior MDs and members of the firm's Management Committee.



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- In 2007, the firm's Chairman, Lloyd Blankfein, began a second iteration of the program for MDs, "The Chairman's Forum on Clients: Advancing our Franchise," which focused on the critical importance of, and challenges associated with, client relationships. During three-hour sessions, which consisted of 30 sessions in six cities conducted globally, MD participants reviewed and discussed video and written case studies depicting situations that posed potential ethical, compliance and business issues. The case studies stressed the importance of clear communication, humility and integrity.
- In 2008, the "Chairman's Forum on Clients: Advancing Our Franchise" was introduced to the firm's vice president population. Content of the program, which comprised 66 sessions globally, was tailored based on individuals' business unit functions, and firmwide sessions were held in smaller offices globally. As in the MD program, content focused on the strategic importance of our client franchise as well as key principles for client relationships.
- In 2005, in response to new rules promulgated by the US securities self-regulatory organizations, the firm instituted a CEO Certification process related to compliance policies, procedures and internal controls for its broker-dealer businesses in the US. The CEO Certification, which is discussed in several of the Board presentations by Compliance referenced in Appendix A, is supported by an extensive process whereby business supervisors in the revenue-producing divisions and compliance officers complete quarterly or monthly certifications or checklists affirming and evidencing the discharge of their oversight responsibilities.[14] These supervisory processes not only are an important part of the firm's compliance oversight and monitoring structure, but also serve as a way to remind supervisors of their responsibilities on an ongoing basis.

- **Compliance incentives and disciplinary process.** The firm's annual performance review process includes a criterion specifically devoted to knowledge of and compliance with applicable rules, policies and procedures. *See* Appendix D. In addition, as noted in the Board presentation on the 2004 Guidelines, the compliance-related disciplinary framework is overseen by a subcommittee of the firm's BPC; the process also involves Legal, Compliance, Employee Relations and business supervisors.



[14] The supervisory checklist process has been rolled out globally for the Securities Division.



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# GOLDMAN SACHS/LLOYD BLANKFEIN RESPONSES TO ADDITIONAL SUPPLEMENTAL QUESTIONS FOR THE RECORDS



PSI_QFR_GS0057

Confidential Treatment Requested by Goldman Sachs

**LB 1(b)(i): IXIS Corporate Investment Bank served as the initial placement agent in the Point Pleasant transaction. Please explain why IXIS served the role instead of Goldman, and what, if any, placement role Goldman served in the transaction.**

IXIS Corporate & Investment Bank ("IXIS") served as the "Initial Placement Agent" for the Point Pleasant transaction and offered the notes to investors in France, Luxembourg, Switzerland and Belgium. Goldman, Sachs & Co. ("Goldman Sachs") served as the "Initial Purchaser" of the notes and offered the notes to investors in other jurisdictions. Goldman Sachs served as the primary placement agent, with IXIS serving as the placement agent for the specified countries.

**Supplemental Response Received From Goldman Sachs**



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Confidential Treatment Requested by Goldman Sachs

**LB 16 – Does Goldman have a formalized due diligence review process for securities being offered? If so, please provide copies of the reviews for the transactions listed in LB 1 and LB 2.**

Goldman Sachs employs a variety of due diligence processes in connection with the offering of securities for which it serves as underwriter. These processes vary based on numerous factors, including: (1) the type of security being issued; (2) the nature of the issuer and its business; (3) Goldman Sachs' familiarity with the issuer and its affiliates; and (4) the jurisdictions in which the securities are to be offered.

In the case of the transactions listed in LB 1 and LB 2, Goldman Sachs performed due diligence on both the underlying assets and, where applicable, the collateral managers involved in the transactions. Goldman Sachs examined the credit quality of the assets to be included in the transaction. Where proposed assets were unfamiliar to the team working on a specific deal, the Firm examined a wide variety of relevant materials, including available performance data, offering documents, marketing materials, trustee reports and Bloomberg and Intex data.

Additionally, nationally-recognized accounting firms reviewed the collateral and offering documents for the transactions and provided "agreed upon procedures letters" attesting to the accuracy of certain characteristics of the transactions, including the overcollateralization ratios and the asset type and rating of the underlying assets or reference obligations. These letters were produced to you on September 24, 2010, and bear production numbers GS MBS-E-021818546 – 21818598, 21820485 – 21820547, 21822176 – 21822225, 21823468 – 21823508, 21825024 – 21825069, 21826772 – 21826818 and 21828279 – 21828347.

For transactions involving collateral managers, those managers generally were required to complete due diligence questionnaires concerning numerous factors, including: (1) their management and ownership structure; (2) their assets and transactions under management; (3) litigation and disputes in which they have been involved; and (4) assets or positions that might give rise to potential conflicts of interest with the CDO investors. Copies of questionnaires that we have been able to locate are enclosed herewith bearing production numbers GS MBS 0000004769 – 4770 and 87077 – 87083.

**Supplemental Response Received From Goldman Sachs**



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Footnote Exhibits - Page 2350

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GS MBS 0000087077

GS MBS 0000004770

PSI_QFR_GS0060 —— PSI_QFR_GS0068

**Confidential Treatment Requested by Goldman Sachs**

**LB 4: Please provide further explanation of the trustee's ownership of loans in a securitization trust. Under what circumstances would Goldman make repurchase requests on the trustee's behalf? Did Goldman have a financial interest in the securities on which it made repurchase requests on behalf of the trustee? Please explain why 43% of claims on non-securitized loans were recovered while 17% of claims on securitized loans were recovered?**

Goldman Sachs Mortgage Company ("GSMC") purchased residential mortgage loans at arm's length from third-party originators in secondary market transactions. GSMC then pooled and conveyed those loans, through a depositor, to a securitization trust. The trustee for the securitization trust held the loans (including the rights and obligations associated with the loans) for the benefit of the investors who purchased securities that were issued by the trust.

Goldman Sachs reviewed the loans purchased by GSMC for potential breaches of representations and warranties. When Goldman Sachs identified loans owned by the firm ("whole loans") for which there were claims of breaches of representations and warranties, Goldman Sachs pursued those claims directly with the loan originator. When Goldman Sachs identified loans in securitizations for which there were claims for breaches of representations and warranties, Goldman Sachs notified the loan originator and the trustee for the securitization trust of the claims. In these instances, the trustee had the authority and responsibility to decide what steps to take with respect to the claims. At times, Goldman Sachs, on behalf of the trustee and solely for the benefit of the trust, also approached loan originators to raise claims on securitized loans, although the trustee continued to retain the authority and responsibility to pursue any such claims. In all instances, any recovery made on claims for securitized loans benefited the trust (and thus the holders of securities) and not Goldman Sachs.

As Goldman Sachs explained in its prior response to this Question (bearing production number GS MBS 0000037369), the firm recovered $17,459,894 on claims made for whole loans (which represented 43.3% of the whole loan claims the firm made). Goldman Sachs recovered $81,933,778 on claims made for securitized loans (which represented 17.3% of the securitized loan claims made by the firm for the trusts' benefit). This discrepancy is largely attributable to the approximately $9 million recovered from whole loan repurchase claims that Goldman Sachs made related to 17 large balance loans originated by PHH Mortgage. If those 17 loans are excluded, then Goldman Sachs recovered approximately 20% of the whole loan claims the firm made.

**Supplemental Response Received From Goldman Sachs**



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66051.095

**Confidential Treatment Requested by Goldman Sachs**

Supplemental Request to Provide:

- Records of any instance that Goldman Sachs accessed the Federal Reserve Bank's discount window.

Since becoming a bank holding company, Goldman Sachs has had access to funding through the Federal Reserve Bank discount window. Goldman Sachs has, however, only used this access in order to test that all the necessary policies, procedures and operational capabilities required to access this funding were in place. The first such test was conducted on October 1, 2008. At that time, Goldman Sachs borrowed $2,500,000.00 in exchange for collateral pledged of $3,424,657.53. It returned the entire amount borrowed the next day. During 2009 and 2010, similar tests were conducted.

**Supplemental Response Received From Goldman Sachs**



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**Confidential Treatment Requested by Goldman Sachs**

Supplemental Request to Provide:

- Records (presumably minutes, notes or other memoranda) of board meetings prior to September 21, 2008, during which participants possibly converting Goldman Sachs into a bank holding company.

Goldman Sachs encloses a presentation made to the Board of Directors in June 2008 (bearing production numbers GS MBS 0000038868-38939) in which the Board discussed the possibility of converting to bank holding company in the context of its overall business strategy, as well as minutes of the meeting reflecting the presentation (bearing production numbers GS MBS 0000038862-38867). Goldman Sachs notes that while the firm has reviewed at senior levels, in the context of its overall business strategy, the possibility of becoming a bank holding company for at least a decade, dating back to the period after passage of the Financial Services Modernization Act in 1999, to the extent any of those discussions occurred at the Board level, the firm has not identified any minutes or presentations reflecting such discussions. Goldman Sachs also notes that over the years the Board did examine, as part of the Board's annual strategy review, the attractiveness of potential transactions that would have resulted in the firm becoming a bank or bank holding company, including merging with or acquiring a commercial bank. Goldman Sachs encloses, by way of example, a copy of one such presentation to the Board in June 2003 (bearing production numbers GS MBS 0000038944-38983).

**Supplemental Response Received From Goldman Sachs**



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**Goshorn, Daniel (HSGAC)**

Goldman Sachs

**From:** Fredman, Sheara [Fin] [Sheara
**Sent:** Friday, August 20, 2010 10:07 AM
**To:** 'daniel_goshorn@hsgac.senate.gov'
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Fredman, Sheara [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Subject:** Response to PSI

**Follow Up Flag:** Follow up
**Flag Status:** Completed

Dan –

In response to an email received from Bob Roach on August 10, 2010, we are providing the wire transfer numbers in conjunction with our testing of the Federal Reserve Bank discount window. As we described in our response sent on July 14, 2010, we only used this access to test that all the necessary policies, procedures and operational capabilities required to access this funding were in place. The small amounts borrowed were returned in their entirety the next day.

| Borrow Date | Return Date | Collateral Pledged | Amount Borrowed | Reference Number |
|---|---|---|---|---|
| 10/1/2008 | 10/2/2008 | 3,424,657.53 | $ 2,500,000.00 | F0582750120001 |
| 10/23/2008 | 10/24/2008 | 5,759,492.57 | $ 5,000,000.00 | F058297007C601 |
| 9/9/2009 | 9/10/2009 | 366,246,381.87 | $ 1,000,000.00 | 240121272053940100519 |
| 1/11/2010 | 1/12/2010 | 294,094,297.18 | $ 1,000,000.00 | 240101006002010011100 |
| 3/18/2010 | 3/19/2010 | 268,451,699.00 | $ 1,000,000.00 | 240101004023310031800 |

Please note the following:

The information requested by the Subcommittee includes confidential internal documents and proprietary business records that Goldman Sachs does not make available to the general public. Goldman Sachs is producing these documents pursuant to Senate Rule XXVI and formally requests that these materials be treated as confidential business records. Accordingly, should you wish to publicly release any of these documents, Goldman Sachs respectfully requests reasonable notice of your intent to do so and the opportunity to object to such a release.

Goldman Sachs used various technology and manual resources to generate some of the documents for production to you in response to your Requests. While Goldman Sachs believes that these documents are reasonably accurate, we cannot make an absolute representation that it is complete or that there are not some inadvertent errors in the preparation of the spreadsheet. We will provide further updates or corrections if we discover missing information or errors.

Please confirm receipt.

Thanks,

Sheara

Goldman, Sachs & Co.
200 West Street | New York, New York 10282
Tel: (212) 357-3579
e-mail: sheara.fredman@gs.com

**Sheara Fredman**
Managing Director
Finance Division
Goldman Sachs





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Supplemental Response Received From
Goldman Sachs

Goldman Sachs

# Presentation to the Board of Directors
# Strategy Discussion Materials
## June 22, 2003



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Goldman Sachs

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I. Overview of GS Strategy

II. Update on Environment and GS Performance

III. Overview of the Competitive Landscape

IV. Strategic Alternatives



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Goldman Sachs

# I. Overview of GS Strategy



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Goldman Sachs

# Current Strategy

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## Business

- Three core businesses
- Advisor of choice to:
  - Leading corporations and governments
  - Major institutional investors and wealthy individuals
- Leading participant in global financial markets

## Financial

- Provide superior returns to shareholders –[redacted]
- [redacted] growth over the cycle





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# Track Record of Success

- Successful track record of largely organic growth
- Premier global franchise in investment banking and securities
  - — Leading market share across core businesses
  - — Global footprint largely in place
- Emerging profitability of asset management business
- Strong financial performance, even at trough of cycle
- Leading destination for intellectual capital
- Positively differentiated reputation, despite difficult regulatory environment
- GS franchise continues to command a premium multiple

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Goldman Sachs

# Vision for the Future

- Pre-eminent global provider of advisory and risk management services to institutions, governments and high net worth individuals
  - — Advisor of choice with strongest senior decision maker relationships
  - — Leading participant in each of the most important global markets
  - — Premier principal business with best-in-class risk management skills
- Recognized destination for top intellectual talent
- Leader in market innovation and new product development
- Top-tier financial performer as measured by return on equity, earnings growth and total return to shareholders
- Unparalleled reputation for commitment to quality and integrity with culture of teamwork and client service
- True meritocracy for all employees with a diverse workforce at all levels of seniority



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Goldman Sachs

# Current Challenges

- Relative scale in a consolidating market and currently increased capital intensity of core businesses
  - — Continued pressure to extend credit
  - — Impact on traditional agency business
  - — Emergence of Citigroup
- Ability to achieve [redacted] target in a low growth, low interest rate environment
- Greater reliance on trading activities
  - — Unpredictability / volatility
  - — Potential for missteps
- Ability to develop or acquire significant, additional uncorrelated earnings streams
- Safeguarding reputation in environment of reduced business and greater scrutiny
- Optimizing global footprint
- Improving underperforming areas (e.g. private wealth management)

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# II. Update on Environment and GS Performance



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Goldman Sachs

# Economic Outlook

| | United States | | Euroland | | Japan | |
|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 |
| Real GDP Growth | 2.2% | 2.5% | 0.7% | 2.6% | 1.3% | 0.2% |
| Change in Consumer Prices | 2.2 | 1.2 | 1.9 | 1.3 | (0.2) | (0.1) |
| Short-Term Interest Rates[a] | 1.0 | 1.1 | 1.7 | 3.3 | 0.1 | 0.1 |
| 10-Year Bond Yields[a] | 4.1 | 4.2 | 4.2 | 5.2 | 0.6 | 0.8 |

(a) As of year-end.



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Goldman Sachs

# Pre-Tax Profit by Division
## ($ millions)

| | 2000 | | 2001 | | 2002 | | 1H 2003 | |
|---|---|---|---|---|---|---|---|---|
| | $ | Percent of Total[(a)] | $ | Percent of Total[(a)] | $ | Percent of Total[(a)] | $ | Percent of Total[(a)] |
| [redacted] | | | | | | | | |
| [redacted] | | | | | | | | |
| FICC | 1,034 | 19 | 2,187 | 56 | 2,871 | 72 | 2,757 | 74 |
| [redacted] | | | | | | | | |
| [redacted] | | | | | | | | |
| [redacted] | | | | | | | | |
| [redacted] | | | | | | | | |

(a) Percent of total divisional pre-tax earnings. Excludes unallocated charges.
(b) [redacted]



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Goldman Sachs

# Overview of Key Businesses

| | 2002 Pre-Tax Profit | | 2002 Competitive Metric |
|---|---|---|---|
| | Value ($mm) | % of Total | |
| [redacted] | [redacted] | [redacted] | [redacted] |
| Currencies | [redacted] | [redacted] | [redacted] |
| Global Securities Serv. | [redacted] | [redacted] | [redacted] |
| Mortgage Backed | 539 | 17 | ■ #4 lead manager of CMBSs<br>■ #3 lead manager of CMOs |
| Mergers | [redacted] | [redacted] | [redacted] |
| Global Credit | [redacted] | [redacted] | [redacted] |
| US Shares | [redacted] | [redacted] | [redacted] |
| Equity Derivatives | [redacted] | [redacted] | [redacted] |
| Commodities | [redacted] | [redacted] | [redacted] |
| Real Estate PIA | 182 | 6 | ■ Second largest real estate fund complex with $2.5bn in AUM |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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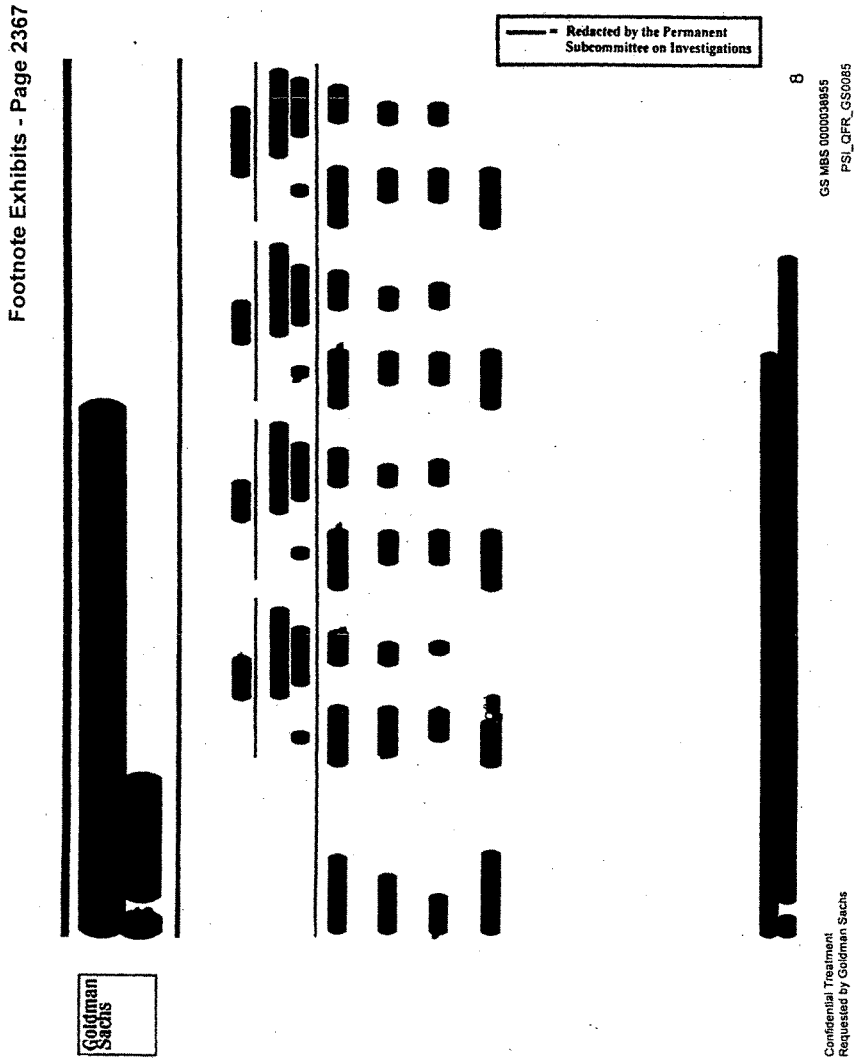
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Goldman Sachs

# Employees by Division

| | 2001 | | 2002 | | 1H 2003 | |
|---|---|---|---|---|---|---|
| | Number | Year-on-Year Change | Number | Year-on-Year Change | Number | Year-on-Year Change |
| IBD | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Merchant Bank | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| FICC | 2,441 | 2 | 2,380 | (2) | 2,301 | (3) |
| Equities | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| IMD | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Investment Research | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Federation[a] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Total Firm | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

(a) Includes Technology, Operations & Administration, Finance, HCM, Risk, Legal, Compliance & MCD and Executive Administration.



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Requested by Goldman Sachs



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10 [redacted] 11

GS MBS 0000038957 [redacted] GS MBS 0000038958

PSI_QFR_GS0087 [redacted] PSI_QFR_GS0088

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Goldman Sachs

# Fixed Income, Currency and Commodities

- Current market environment has provided outstanding opportunities for the FICC franchise
  - Downward trending rates
  - High degree of volatility, particularly in commodities and currencies
  - Significant growth in underlying markets
- Breadth and diversity of business model enabled FICC to fully capitalize on market opportunity
  - Both the customer business and proprietary trading have performed at record levels
  - All major products (interest rates, credit, mortgages, currency and commodities) have contributed strong results
- GS has outperformed, but the performance of virtually all our competitors has been strong
- Product innovation has contributed meaningfully
- Increased profitability has come with increased risk



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Goldman Sachs

# III. Overview of the Competitive Landscape



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17 [redacted] 21

GS MBS 0000038965 [redacted] GS MBS 0000038969

PSI_QFR_GS0095 [redacted] PSI_QFR_GS0099

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Goldman Sachs

# IV. Strategic Alternatives



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Goldman Sachs

# Overview of Strategic Alternatives

- Continue to pursue our current business model with our existing underlying business lines
- Seek to identify and develop, through organic growth or acquisition, significant new lines of business closely related to, but distinct from, current businesses
- Pursue transformational transaction to achieve potential benefits of combining with significantly larger institution





Confidential Treatment
Requested by Goldman Sachs

Goldman Sachs

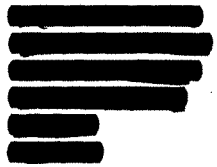
# Capitalizing on Opportunities

## People, brand and relationships capturing emerging opportunities

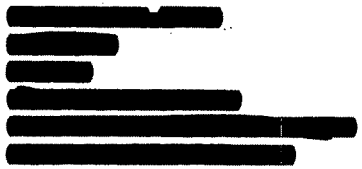
### Fixed Income, Currency & Commodities

Exotics (1993)
Distressed Loans (1994)
ASSG (1997)
Credit Derivatives (1998)
Electricity Trading / Joint Venture (2001)

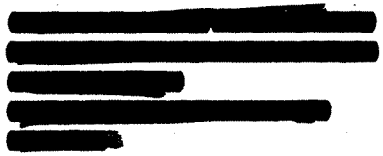
### Equities



### Investment Banking / Merchant Bank



### Investment Management



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Goldman Sachs

# New Business Development / Acquisition

## Rationale

- Develop significant, additional uncorrelated earnings streams
- Capitalize on large adjacent revenue pools
- Leverage core risk management skills and client relationships
- Satisfy client demand for capital commitment and risk transfer
- Achieve synergies with existing businesses

## Challenges

- Tolerance for increased balance sheet liquidity risk and managing risk through diversification
- New business activities may be volatile and may not reduce GS risk profile
- Not enough change relative to transformational transaction
- GS needs to be disciplined, investing in businesses and withdrawing capital opportunistically as market conditions warrant
  - Non-opportunistic market participants suffer from sub-par ROEs
- Short-term dilution and financial risk of organic growth
- Acquisition of someone else's legacy issues
- Cultural dynamics



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Footnote Exhibits - Page 2378

**Redacted By The Permanent Subcommittee on Investigations**

25 [redacted] 34
GS MBS 0000036974 [redacted] GS MBS 0000036983
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Goldman Sachs

Footnote Exhibits - Page 2379

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**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF THE GOLDMAN SACHS GROUP, INC.**

A meeting of the Board of Directors of The Goldman Sachs Group, Inc., a Delaware corporation (the "Corporation"), was held at the Hotel Astoria, St. Petersburg, Russia on June 28, 2008 at 9:45 a.m., St. Petersburg time, recessing at approximately 11:45 a.m., St. Petersburg time, reconvening at approximately 1:15 p.m., St. Petersburg time, recessing for the day at approximately 2:15 p.m., St. Petersburg time, and reconvening on June 29, 2008 at 9:00 a.m., St. Petersburg time. There were present for all or a portion of the meeting Lloyd C. Blankfein, Gary D. Cohn, Jon Winkelreid, John H. Bryan, Claes Dahlbäck, Stephen Friedman, William W. George, Rajat K. Gupta, James A. Johnson, Lois D. Juliber, Edward M. Liddy, Lakshmi N. Mittal (after his appointment as Director at the meeting) and Ruth J. Simmons, being all of the Directors and constituting a quorum.

Also in attendance at the request of the Board of Directors for all or a portion of the meeting were J. Michael Evans, Michael S. Sherwood, John F. W. Rogers, Gregory K. Palm, David A. Viniar and Timothy J. O'Neill; and Alexander C. Dibelius, David A. Schwimmer, Christopher M. Barter and Edward K. Eisler (each for the Goldman Sachs in Russia presentation only).

Mr. Blankfein chaired the meeting and Mr. Rogers acted as Secretary of the meeting.

Mr. Blankfein called the meeting to order with each of the Directors (excluding Mr. Mittal) and Messrs. Rogers and Palm in attendance.

[redacted]

On motion duly made and seconded, the following resolutions were unanimously adopted:



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Footnote Exhibits - Page 2380

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GS MBS 0000038863 [redacted] GS MBS 0000038865
PSI_QFR_GS0115 [redacted] PSI_QFR_GS0117

The Board reconvened its meeting at approximately 1:15 p.m., St. Petersburg time, on June 28, 2008.

Mr. Blankfein called the meeting to order and presented his oral CEO report. A discussion followed.

The Board then adjourned the meeting until the following day.

* * *

The Board reconvened its meeting at 9:00 a.m., St. Petersburg time, on June 29, 2008.

Mr. Blankfein called the meeting to order with each of the Directors and Messrs. Evans, Sherwood, Rogers, Palm, Viniar and O'Neill in attendance. Mr. O'Neill was asked to lead a strategy review, materials for which were distributed to the Directors in advance of the meeting. A discussion followed.

Mr. Blankfein then asked the Directors to give consideration to the draft minutes of the meetings of the Board held on April 9-10, 2008, copies of which had been distributed to the Directors in advance of the meeting. On motion duly made and seconded, the draft minutes were unanimously approved as presented.

Messrs. Liddy, Johnson and Bryan then indicated that oral reports regarding the meetings of the Audit, Compensation and Corporate Governance and Nominating Committees held earlier were unnecessary considering all Directors had been present at such meetings.

Mr. Rogers then addressed the approval of certain Board and committee meeting dates, material for which had been distributed to the Directors in advance of the meeting. A discussion followed.

Mr. Palm next gave an update on regulatory and legal matters. Mr. Palm directed the Board's attention to the materials that had been distributed in advance of the meeting. A discussion followed.

Mr. Palm then discussed the approval of removals from and an appointment to offices of the Corporation, material for which had been distributed to the Directors in advance of the meeting. A brief discussion followed.

On motion duly made and seconded, the following resolutions were unanimously adopted:

**Approval of Board and Committee Meeting Dates**

**RESOLVED**, that meetings of this Board of Directors and the Committees of the Board originally scheduled to take place on Thursday, March 26, 2009 & Friday, March 27, 2009 shall take place on Tuesday, April 7, 2009 & Wednesday, April 8, 2009.



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Footnote Exhibits - Page 2382
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**RESOLVED**, that regular meetings of this Board of Directors and the Committees of the Board shall take place on the following dates:

Thursday, January 21, 2010 & Friday, January 22, 2010

Thursday, April 1, 2010 & Friday, April 2, 2010

Thursday, June 17, 2010 - Monday, June 21, 2010

Thursday, September 30, 2010 & Friday, October 1, 2010

Thursday, November 18, 2010 & Friday, November 19, 2010

**RESOLVED**, that the specific times and locations of the foregoing meetings and of any additional meetings of the Board or of Committees of the Board shall be set forth in a notice to the Directors from the Chairman of the Board, Chief Executive Officer or a President, or, in the case of a Committee meeting, any of the foregoing persons or the Committee Chair, in each case with such notice to be provided a reasonable time prior to the meeting.

**Approval of Removals from and Appointment to Offices of the Corporation**

[redacted]

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There being no further business, upon motion duly made, seconded and unanimously adopted, the meeting thereupon was adjourned.



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Supplemental Response Received From
Goldman Sachs




# Strategy Review

## Presentation to the Board of Directors of The Goldman Sachs Group, Inc.

**June 2008**



D1

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Board of Directors

## Presentation at a Glance

I. Executive Summary (page D4)

II. Update on GS Strategy – Integrating Advice and Capital (pages D6 – D8)

III. Key Elements of GS Strategy (pages D10 – D17)

IV. Issues to Consider
- (a) Does GS Need to Be a Commercial Bank? (pages D20 – D22)
- (b) How Are Commercial Banks Regulated? (pages D24 – D31)
- (c) What Are the Benefits of Being a Commercial Bank? (pages D33 – D34)
- (d) Does GS Need Bank Deposits as a Funding Source? (pages D36 – D41)
- (e) Can GS Use Bank Deposits to Fund Its Core Businesses? (pages D43 – D44)
- (f) What Bank Deposits Does GS Currently Have? (pages D46 – D50)
- (g) Can GS Grow Its Deposit Base Organically? (pages D52 – D53)
- (h) Should GS Grow Its Bank Deposits by Acquiring a Commercial Bank? (pages D55 – D58)

V. What Other Opportunities Exist to Leverage GS' Strong Competitive Position? (pages D60 – D66)

VI. Key Takeaways (page D68)

VII. Appendix (pages D70 – D72)



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# Executive Summary





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Board of Directors

# Executive Summary

- What is GS' strategy?
  - GS' strategy remains consistent: to integrate advice and capital via a business model that brings together GS' three roles as advisor, financier and principal
  - GS' strong financial performance on a stand-alone basis and relative to its peers illustrates the validity of this strategy
- What are the key elements of GS' strategy?
  - This is a growth strategy; GS believes global wealth, markets and opportunities are growing and the firm's share of these can be realized through:
    - Global expansion – new markets offer opportunities to replicate GS' business model and drive growth as clients become increasingly global
    - Diversification of the firm's business portfolio
    - Size – GS must have a sizeable presence across its existing businesses to satisfy client demands for sophisticated multi-product solutions, in particular as its roles as financier and principal require the commitment of additional capital
    - People – A significant human capital investment is required outside the U.S., with particular emphasis on business leadership, control functions and risk management
- As GS executes on its strategy, it faces issues with respect to liquidity, potential new regulation by the Federal Reserve and funding asset growth. These issues are addressed by posing and answering the following questions
  - Does GS need to be a commercial bank? No, the firm's conservative liquidity management programs and the potential support of the Fed will adequately protect it from a Bear Stearns-like collapse
  - How are commercial banks regulated? All activities of commercial banks, not just banking activities, are regulated and restricted. Commercial banks are also subject to limitations on leverage, capital requirements and comprehensive ongoing examinations
  - What are the benefits of being a commercial bank? The primary benefit of being a commercial bank is the commercial bank's ability to finance its businesses with deposits insured by the federal government at a cost that is often lower than capital markets funding
  - Does GS need bank deposits as a funding source? Continued growth in the size of GS' balance sheet may require diversified adjunct sources of funding. Deposits are a potential source of additional funding
  - Can GS use bank deposits to fund its core businesses? GS' ability to use deposits to fund its businesses is constrained by regulatory requirements regarding asset quality, lending to affiliates and local lending
  - What deposits does GS currently have? GS has two deposit taking banks: one located in Utah with deposits of approximately $22bn and one located in Ireland with approximately $7bn in deposits. These deposit balances were built largely by sweeping PWM brokerage account free cash balances
  - Can GS grow its deposit base organically? GS' deposit base is projected [redacted]
  - Should GS grow its bank deposits by acquiring a commercial bank? Commercial banking is an operationally intense, low ROE business. GS' current business model has yielded stronger results than JPMorgan Chase, the best-in-class commercial bank, in terms of ROE, price-to-book valuation and stock price performance. Commercial banking appears to be unattractive as a large scale strategic initiative



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Board of Directors

# Update on GS Strategy – Integrating Advice and Capital



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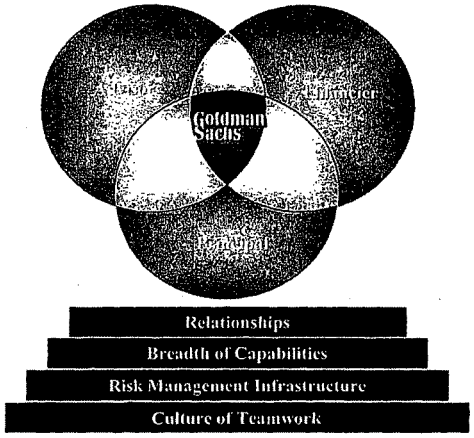
Board of Directors

## Update on GS Strategy – Integrating Advice and Capital

- GS plays three roles in the global capital markets:
  - Financial advisor
  - Market intermediary or financier
  - Capital provider or principal
- GS remains fully committed to this business model
- The keys to GS' success continue to be:
  - An unparalleled network of global relationships
  - A unique breadth of capabilities
  - A best-in-class risk management infrastructure
  - A culture of teamwork
- The firm's strategic focus today is to increase the firm's absolute revenue opportunity by extending this business model in existing markets (grow larger) and export the business model to new markets (become more global)



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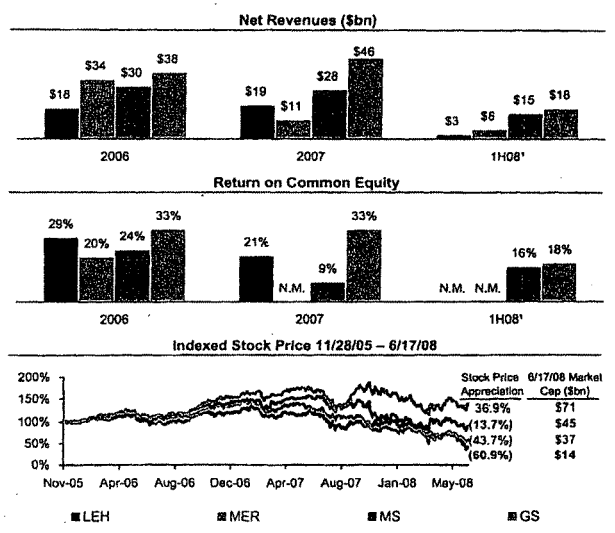
Board of Directors

# Update on GS Strategy – Integrating Advice and Capital

## Strong Recent Performance

- Our competitors, through imitation, and the public equity markets, through value accretion, have affirmed the validity of GS' strategic model
- During 2006 and 2007, GS outperformed its broker / dealer competitors in terms of net revenues and return on common equity
- The firm's overall pace of growth is not driven by the success of any individual business, but rather by the cumulative impact of many strategic initiatives
- While certain of the firm's businesses have entered a period of cyclical slowing in 2008, GS' clients continue to place a premium on the firm's advice and commitment in more difficult times




* *Merrill Lynch figures assume 2Q 2008 net revenues are identical those generated in 1Q 2008.*



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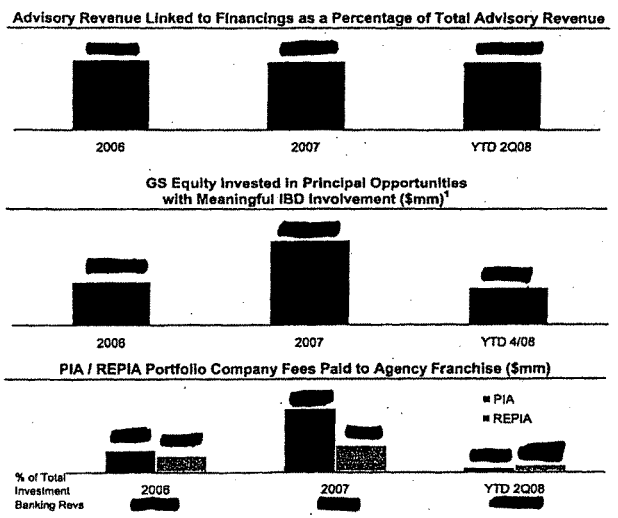
Board of Directors

# Update on GS Strategy – Integrating Advice and Capital

## Link between Financing, Advisory, and Principalling Remains Strong

- GS has strengthened the connection between the firm's financing, advisory and principalling activities over the last two years
- Of the [redacted] deals GS completed during 2007 and 2008 YTD, financing was provided by GS on [redacted]
- [redacted]
- IBD bankers have played a meaningful role [redacted] opportunities for GS principalling groups (PIA, SSG, and GSPS) over the last 3 years, accounting for nearly [redacted]
- Fees received from PIA / REPIA portfolio companies aggregated to nearly [redacted]
- As with principalling, there is risk associated with financing (e.g., providing leverage for portfolio companies)




[1] Includes PIA, SSG, GSPS and FICC investments.



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# Key Elements of GS Strategy





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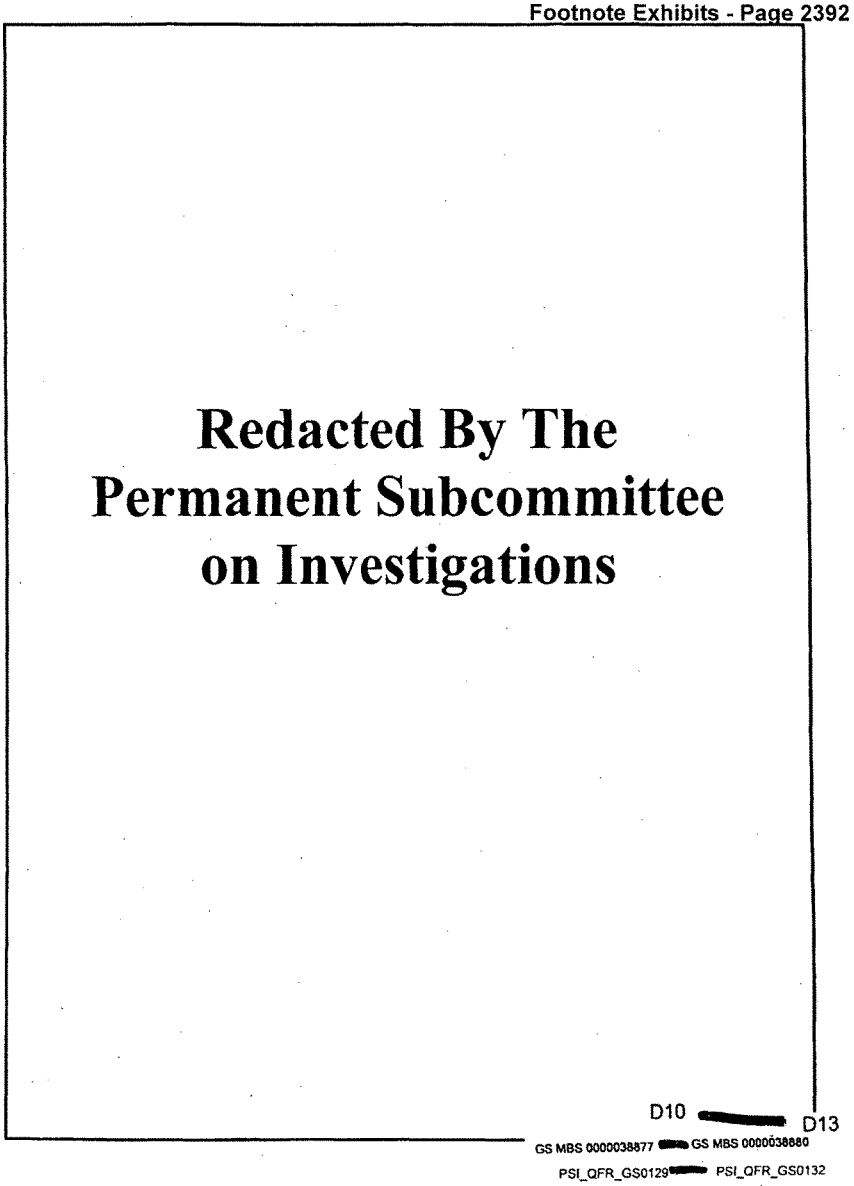
Footnote Exhibits - Page 2392



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Board of Directors

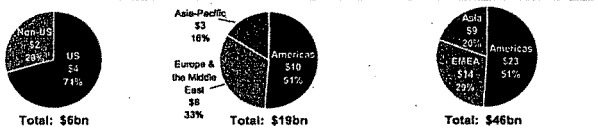
# Key Elements of GS Strategy: Diversified Business Portfolio

- Certain of GS' competitors, including Bear Stearns, had significant exposure to the poorly-performing mortgages business
  - In Bear Stearns' case, this exposure was further enhanced by its failure to diversify its business portfolio. Bear Stearns did not have a strong competitive position in its various businesses
- Bear Stearns also was not geographically diversified. 71% of Bear's revenues in 2007 were derived from the U.S., as compared with 51% of GS' revenues
- Lehman Brothers is more geographically diversified than Bear Stearns, but its competitive position across its businesses is also not as strong as GS' position
- GS diversifies across businesses and geographies to protect the franchise from volatility in individual businesses and geographies

**2007 Global Rankings (with Market Share where Available)**

| | Bear Stearns | Lehman Brothers | Goldman Sachs |
|---|---|---|---|
| **IBD** | | | |
| M&A Advisory | > #25 | #9 / 17.3% | #1 / 32.0% |
| **MBD** | | | |
| Funds Raised to Date[1] | > #50 | #25 / 1.5% | #2 / 6.1% |
| **Securities** | | | |
| Non-Agency Mortgage-Backed Securities Issuance | #5 / 5.4% | #2 / 7.0% | #12 / 3.0% |
| Prime Brokerage[2] | #6 | #9 | #2 |
| Equity Trading[2] | #5 | #7 | #1 |
| Debt Trading[3] | > #20 | #12 / 1.62% | #1 / 7.09% |
| **IMD** | | | |
| Assets Under Management[4] | #100 | #34 | #13 |

**2007 Net Revenues ($bn)**




[1] *Capital raised over the last five years by PIA only. Market share expressed as percentage of the top 50 private equity managers.*
[2] *Alpha Magazine ranking.*
[3] *Euromoney Poll, Nov 2007. Includes, among other products, Inv. grade corporates, asset-backed, cover bonds, high yield corps, CDS inv. grades, other high yield, AAA-rated, govs and supranationals.*
[4] *Source: Institutional Investor Survey (July 2007). Data as of December 31, 2006.*



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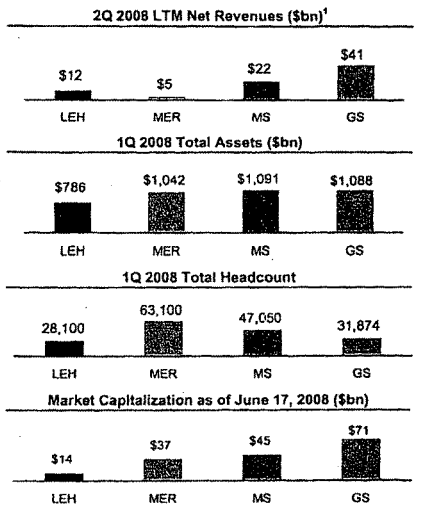
Board of Directors

# Key Elements of GS Strategy: The Importance of Size

- GS must maintain a sizeable presence across existing businesses to satisfy client demands for sophisticated multi-product solutions
- The firm's financing and principalling activities, which also drive its advisory revenues, require GS to commit an increasing amount of its capital to risk positions
- By achieving significant absolute scale and maintaining diversification across its businesses, the firm is less susceptible to firmwide crises resulting from abnormally poor performance in individual risk positions or businesses
- GS is now the largest independent broker / dealer measured by market capitalization




**Net Revenue CAGR**

| | '99 - 2Q '08 | '06 - 2Q '08 |
|---|---|---|
| LEH | 22.3 % | (24.5)% |
| MER | (7.7)% | (79.8)% |
| MS[2] | 5.0 % | (17.5)% |
| GS | 15.7 % | 5.5 % |

**Total Assets CAGR**

| | '99 - 1Q '08 | '06 - 1Q '08 |
|---|---|---|
| LEH | 23.3 % | 42.8 % |
| MER | 15.0 % | 18.7 % |
| MS[2] | 14.9 % | (2.2)% |
| GS | 20.8 % | 32.3 % |

**Total Headcount CAGR**

| | '99 - 1Q '08 | '06 - 1Q '08 |
|---|---|---|
| LEH | 17.2 % | 6.6 % |
| MER | (0.8)% | 9.7 % |
| MS[2] | 1.5 % | 7.2 % |
| GS | 9.3 % | 16.0 % |

**Ann. Stock Price Apprec.**

| | 5/99 - 6/08 | '06 - 6/08 |
|---|---|---|
| LEH | 7.3 % | (30.4)% |
| MER | (0.6)% | (20.4)% |
| MS[2] | 4.2 % | 6.2 % |
| GS | 10.8 % | 13.4 % |

[1] *Merrill Lynch figures based on 1Q08 results.*
[2] *Morgan Stanley CAGRs adjusted for Discover spin-off. Assumes 13,769 of MS' employees in 1999 related to Discover based on assumed constant net revenues per employee through 2005. MS annualized stock price appreciation includes performance of Discover post spin-off.*



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# Issues to Consider





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## Does GS Need to Be a Commercial Bank?



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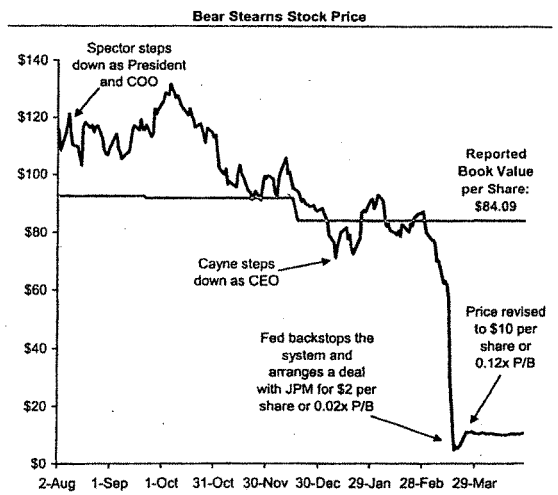
Board of Directors

# Does GS Need to Be a Commercial Bank?

## Recent Events

- Bear Stearns' collapse has exposed the liquidity risks faced by investment banks
- Bear's capital position was strong immediately prior to the collapse
  - The SEC emphasized that Bear was well capitalized with a 13.5% total capital ratio (total capital as a % of risk-weighted assets)
- Bear faced a classic run on the bank, as its counterparties and creditors became concerned that it could not access sufficient liquidity to meet its cash obligations
- Lehman Brothers has recently been the subject of similar liquidity rumors



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Board of Directors

# Does GS Need to Be a Commercial Bank?

## Investment Banks' Access to the Discount Window

- On March 17, 2008, in connection with the crisis at Bear Stearns, the Fed, for the first time since the Great Depression, provided liquidity to investment banks through the Primary Dealer Credit Facility ("PDCF")
- The PDCF has successfully reduced investor nervousness about liquidity issues at investment banks
- The PDCF allows investment banks to borrow cash against eligible collateral which includes:
  - US Treasuries
  - Federal agency debt
  - Federal agency residential mortgage pass-throughs
  - Investment-grade corporate securities
  - Municipal securities
  - Mortgage-backed securities
  - Asset-backed securities for which a price is available
- The PDCF was originally intended to be open until September 2008
  - Permanent access by investment banks to the discount window would require a statutory amendment

**Section 13(3) of the Federal Reserve Act (12 U.S.C. § 343)**

***In unusual and exigent circumstances, the Board of Governors of the Federal Reserve System... may authorize any Federal reserve bank... to [open the discount window] for any individual, partnership, or corporation [if they are] unable to secure adequate credit accommodations from other banking institutions.***

**Federal Reserve Board of Governors press release dated March 16, 2008**

***The Federal Reserve Board voted unanimously to authorize the Federal Reserve Bank of New York to create a lending facility to improve the ability of primary dealers to provide financing to participants in securitization markets. This facility will be available for business on Monday, March 17. It will be in place for at least six months and may be extended as conditions warrant.***



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Board of Directors

## Does GS Need to Be a Commercial Bank?

- To prevent the type of liquidity crises faced by Bear Stearns and Lehman Brothers, GS has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both GS-specific and broader market events, including:
  - Excess liquidity: GS maintains substantial excess liquidity [redacted]
  - Asset-liability management: GS maintains funding sources that are sufficiently long-term to withstand a stressed environment without relying on asset sales
  - Conservative liability structure: GS accesses funding across a diverse range of markets, products and counterparties
  - Crisis planning: [redacted]
- The Federal Reserve's willingness to intervene in the Bear Stearns crisis, along with its establishment of the PDCF, have signaled to the market that it will not allow important players in the financial system to fail
  - This implicit support will likely continue beyond the closing of the PDCF
- Even if GS endured a period of underperformance relative to competitors, the firm believes that its conservative liquidity pre-funding strategy and the potential support of the Federal Reserve will adequately protect GS from a Bear Stearns-like collapse
- While GS does not need to be a commercial bank, it may still find certain aspects of commercial banking attractive. To make that determination, the following questions must be asked:
  - How are commercial banks regulated?
  - What are the benefits of being a commercial bank?
  - Does GS need bank deposits as a funding source?
  - Can GS use bank deposits to fund its core businesses?
  - What bank deposits does GS currently have?
  - Can GS grow its deposit base organically?
  - Should GS grow its deposit base by acquiring a commercial bank?

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## How Are Commercial Banks Regulated?





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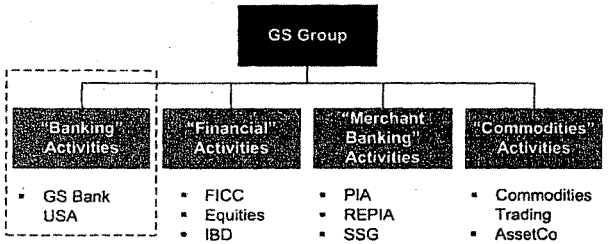
Board of Directors

# How Are Commercial Banks Regulated?

## Different Regulatory Regimes for Commercial Banks and Investment Banks

- The collapse of Bear Stearns and the provision by the Fed of liquidity to investment banks through the PDCF has raised the issue of whether the Federal Reserve will impose some form of regulation on GS and other investment banks
- In the U.S., commercial banks and investment banks are governed by different regulators and subject to different rules and restrictions
  - The Federal Reserve ("Fed") is the principal regulator for the nation's commercial banks
  - The SEC is the principal regulator for the nation's investment banks
- The only GS activities that are regulated by banking regulators are its banking activities
- A commercial bank's banking activities are regulated by the Federal Reserve and its non-banking activities are regulated by the Federal Reserve and the SEC
  - The Federal Reserve's regulations restrict the commercial banks ability to engage in these non-banking activities




How Are Commercial Banks Regulated? D24

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Board of Directors

# How Are Commercial Banks Regulated?

## Different Regulatory Regimes for Commercial Banks and Investment Banks (Cont'd)

- There are a number of differences between the regulations imposed on commercial banks by the Federal Reserve and those imposed on investment banks by the SEC
- The most meaningful differences from GS' perspective are the Fed's imposition of consolidated leverage requirements, limitations on non-banking activities and comprehensive ongoing examinations
- While commercial banks are regulated in ways investment banks are not, commercial banks have several critical advantages generally not available to investment banks
  - Commercial banks have permanent access to the discount window as a means of funding their core businesses
  - Commercial banks also have access to significant funding via federally insured bank deposits

| | SEC (Investment Banks) | Federal Reserve (Commercial Banks) |
|---|---|---|
| Capital requirements | ✓ | ✓ |
| Leverage requirements | ✗ | ✓ |
| Activities limitations | ✗ | ✓ |
| Comprehensive ongoing examinations | ✗ | ✓ |
| Fair value accounting treatment[1] | ✓ | ✗ |
| Permanent access to discount window as a means of funding core businesses | ✗ | ✓ |
| Significant funding via insured bank deposits | ✗ | ✓ |

[1] *While commercial banks account for some assets using fair value accounting, the majority of their assets are accounted for under the held to maturity and available for sale treatments.*



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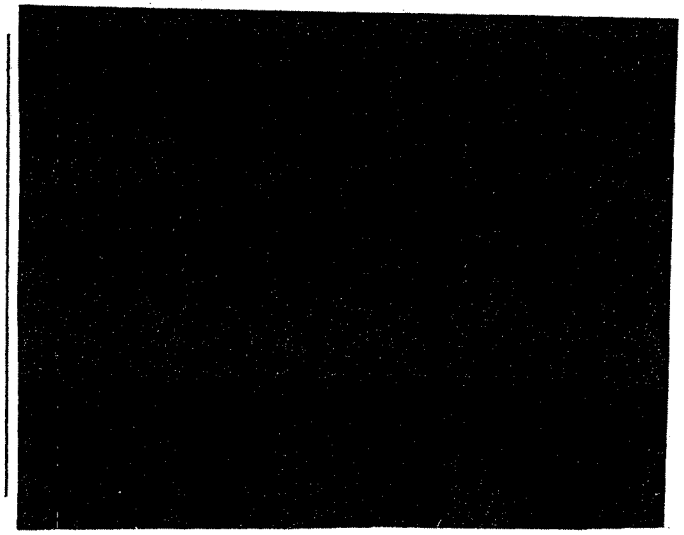
# How Are Commercial Banks Regulated?

## Capital Requirements

- Both the Federal Reserve and the SEC impose capital requirements on their regulated firms
- For these regulatory purposes, a firm's primary qualifying capital is classified as Tier 1 capital
- Tier 1 capital is similar in concept to tangible equity capital and includes common equity, preferred stock and certain hybrid instruments
  - Any goodwill on the firm's balance sheet is deducted from these sources of funding when calculating Tier 1 capital
  - Tier 1 capital is considered the most reliable portion of financial capital for purposes of protecting creditors against losses



[1] Includes $182,051mm of unsecured borrowings and $25,922 of secured borrowings.
[2] Includes $2,750mm of trust preferred securities and $32,250mm of Automatic Preferred Enhanced Capital Securities (APEX).



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Board of Directors

# How Are Commercial Banks Regulated?

## Capital Requirements (Cont'd)

- Tier 1 capital levels are compared to the firm's total risk-weighted assets ("RWA") for purposes of assessing capital adequacy
- The firm's total RWA are calculated by applying risk-weightings to each asset on the balance sheet (and certain off-balance sheet obligations) based on the perceived credit risk, market risk and operational risk of each asset
  - The SEC requires investment banks to calculate RWA and capital ratios using the Basel II framework. The Fed currently follows the Basel I framework, but is in the process of transitioning to Basel II
- To be considered "well capitalized", the Fed requires commercial banks and each of their depository subsidiaries to maintain Tier 1 capital equal to 6% of RWA
- While the SEC does not require investment banks to meet these levels, GS has maintained its Tier 1 capital levels above the Fed's well capitalized threshold since it began calculating these ratios in 2004

[redacted]

[1] The Federal Reserve's regulatory minimum Tier 1 capital ratio threshold for commercial banks is 4%. As a matter of policy, the Fed requires commercial banks to meet the "well capitalized" requirement of 6%.



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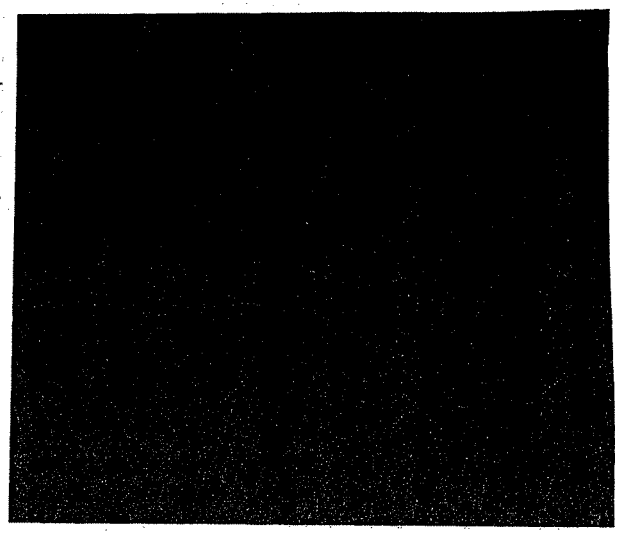
Board of Directors

# How Are Commercial Banks Regulated?

## Leverage Requirement

- Unlike the SEC, the Federal Reserve imposes a consolidated leverage requirement on commercial banks. This requirement is unique among the world's major central banks / bank regulators
- For purposes of calculating the Fed's leverage ratio, Tier 1 capital is compared to the firm's average total assets
  - The Fed's leverage ratio ignores the risk of the firm's underlying instruments and securities (a firm could be levered 10x to U.S. Treasuries and 3x to CDOs)
- To be considered "well capitalized", the Fed requires commercial banks to maintain Tier 1 capital equal to 4-5% of average total assets
- GS has historically maintained a Tier 1 capital / total assets ratio below the Fed's comfort level
  - If commercial banks valued their loan portfolios using the fair value methodology, which is the accounting methodology used by GS, a large number of banks that are currently classified as "well-capitalized" would fail to meet the threshold, as fair value writedowns to the banks' assets would reduce equity and Tier 1 capital and, therefore, result in lower ratios



[1] *The Federal Reserve's regulatory minimum leverage ratio threshold for commercial banks is 3 – 4%. As a matter of policy, the Fed requires commercial banks to meet the "well capitalized" requirement of 4 – 5%.*



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Board of Directors

# How Are Commercial Banks Regulated?

## Activities Limitations

- The BHCA generally prohibits bank holding companies ("BHCs") and entities they directly or indirectly "control" (very broadly defined) globally from engaging in any activities other than banking. BHCs and entities they control must obtain prior Fed approval to acquire greater than 5% of any class of voting securities of another bank (for investment banks and other non-BHCs, the threshold is 10%)
- BHCs that are "well capitalized" and deemed to be "well managed" by the Fed can elect to be treated as Financial Holding Companies ("FHCs"), allowing them to engage in a broader range of activities than those permitted for non-FHC BHCs. All investments of 5%+ and all non-banking activities must qualify for one of three permissions: permitted financial activities, merchant banking or commodities

| | |
|---|---|
| **Permitted Financial Activities** | ■ FHCs may engage in or invest in entities that engage predominately (> 85% of assets / revenues) in non-banking financial activities including: providing financial or investment advisory services; dealing, underwriting and market making; merchant banking; fund administration; insurance; and other activities deemed to be incidental or complementary to financial activities, which do not pose a "substantial risk to the safety and soundness of depository institutions"<br>■ All non-permitted activities must be discontinued within 2 years of acquisition / investment |
| **Merchant Banking Exemption** | ■ FHCs and entities they directly or indirectly control may own interests greater than 5% in aggregate in non-financial businesses (i.e., < 85% of assets / revenues) subject to the following restrictions:<br>— Investment may not be held for more than 10 years<br>— The FHC may not be engaged in the "routine management or operation" of the business, such as an employee of the FHC serving as an employee of the business, an employee of the business reporting directly to an employee of the FHC (other than as a board member) or via covenants or contracts with the business restricting the business's day-to-day operations<br>■ Exemption does not apply to entities engaged predominately (> 85% assets / revenues) in permitted financial activities |
| **Commodities Exemptions** | ■ FHCs are generally permitted, if Fed permission is obtained, to hold only physical commodities authorized by the CFTC for trading, and only with aggregate value up to 5% of the FHC's Tier 1 capital<br>■ A special exemption would likely permit GS to own commodities assets not otherwise approved for FHCs (potentially including investments in commodity-focused operating entities such as power plants) with aggregate value up to 5% of its total assets<br>■ At 1Q08, GS held CFTC-authorized physical inventory equal to 3.5% of total Tier 1 capital and total commodities assets (including authorized inventory, non-authorized inventory and investments in operating entities) equal to 0.5% of total assets |
| **Compliance Responsibility** | ■ The FHC will be responsible for regulatory and compliance breaches at any controlled entity, including potentially where the FHC is relying on the merchant banking exemption, even if the FHC does not in fact have the ability to exercise any practical control over the problematic activities<br>■ Any financial business deemed to be controlled by an FHC becomes subject to the Fed's onerous regulatory and compliance oversight, activities limitations and prohibitions on acquiring more than 5% of any class of a bank's shares<br>— These limitations could make GS a less attractive bidder / investor compared to its non-BHC competitors in situations where GS would acquire control; a limited ability to obtain veto rights and board seats may make certain investments unattractive to GS |



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Board of Directors

# How Are Commercial Banks Regulated?

## Comprehensive Ongoing Examinations

- The Federal Reserve's supervision of a BHC is generally extensive and comprehensive
  - The BHC's depository subsidiaries continue to be supervised by their primary federal and state regulators (e.g., FDIC, OCC, OTS), but the Fed also has examination authority
  - In the case of large banks, 50 – 70 Fed staff are on the bank's premises at all times
- Bank regulators rate each of the depository subsidiaries of the BHC along 6 core measures: the CAMELS[1]
  - Capital adequacy
  - Asset quality
  - Management quality
  - Earnings
  - Liquidity
  - Sensitivity to market risk
- Failure to receive strong ratings in the CAMELS examination may cause the Federal Reserve to impose restrictions on the BHC's non-banking activities, and eventually may lead it to take control of the BHC's depository subsidiaries
- The Federal Reserve generally closely examines only those BHC controlled entities that are not already regulated by respected regulators
  - Registered broker / dealers, state regulated insurance entities, registered investment advisors, FDIC-regulated ILCs and foreign bank subsidiaries are likely to be less closely scrutinized by the Fed
- Investment banks regulated by the SEC are examined annually, with approximately 25 SEC staff on premises for several months
  - SEC examiners review investment banks' market, credit and other risks closely throughout the year

*[1] GS Bank USA is rated using the same criteria; however, low marks at GS Bank USA do not result in the imposition by the Fed of restrictions on GS' other activities.*



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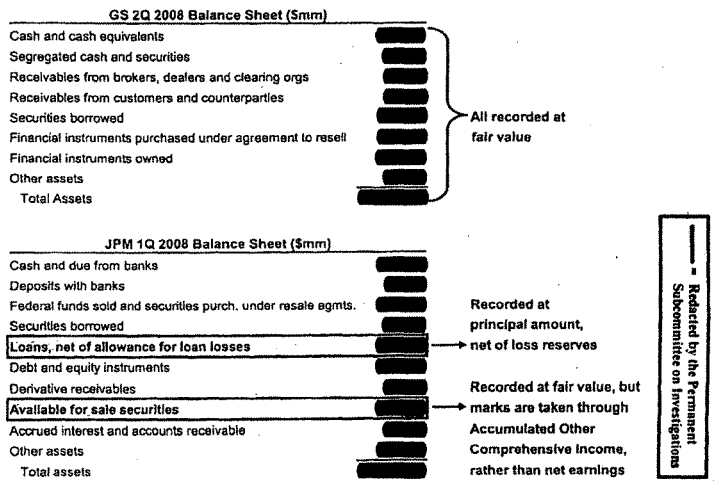
Board of Directors

# How Are Commercial Banks Regulated?

## Accounting

- SEC-regulated investment banks, including GS, record and mark substantially all of their balance sheet assets to fair value with unrealized gains and losses included in net income
- Fed-regulated commercial banks hold a significant portion of their assets, including their loan portfolios, at the principal amount outstanding net of loss reserves, regardless of the fair market value of those loans
  - Loss reserves are intended to reflect impairment to a loan's future cash flows, whereas fair value is intended to reflect current market value
- Given current market valuations, the GAAP carrying value of many commercial banks' asset portfolios and shareholders' equity are likely overstated relative to fair market value

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## What Are the Benefits of Being a Commercial Bank?



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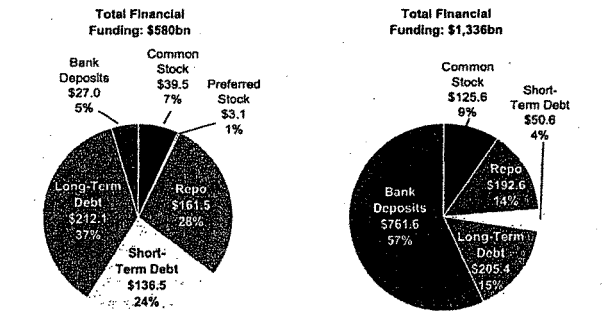
Board of Directors

# What Are the Benefits of Being a Commercial Bank?

## Funding with Insured Deposits

- Commercial banks, such as JPMorgan, finance many of their businesses with customer deposits
  - The ability of commercial banks to gather deposits is dependent on various government-backed guarantees, including insurance from the FDIC and permanent access to the Federal Reserve's discount window
- Investment banks such as Goldman Sachs finance their activities almost entirely in the capital markets and have not historically received any direct guarantees from the federal government

**1Q 2008 Sources of Financial Funding ($bn)**



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# What Are the Benefits of Being a Commercial Bank?

## Cost Savings of Funding via Deposits

- The ability to source significant insured bank deposit liabilities would not only increase GS' overall funding capacity but could also provide a lower weighted average cost of funding for certain assets
- The firm's financial inventory is currently funded with a combination of secured liabilities (largely repo), unsecured debt and equity
  - Secured liabilities are used only to the level GS expects would be available in a liquidity crisis (term repo can be used to a higher level than overnight repo)
  - Amount of equity funding is determined by the firm's economic capital model and the SEC's CSE requirements
  - Remainder of asset value is funded with unsecured debt
- GS could lower its cost of funding by replacing some portion of its secured and unsecured debt with bank deposit liabilities
  - The amount and type of inventory that could be funded with bank deposit liabilities will be limited by a number of regulatory and other constraints
- In the illustrative example below, the after-tax cost of funding is reduced by [redacted] when funded primarily with bank deposit liabilities vs. the firm's current capital markets funding

| Funded in Capital Markets | | Funded with Bank Deposits | |
|---|---|---|---|
| **Assets** | | **Assets** | |
| Residential Prime Mortgage Whole Loans | [redacted] | Residential Prime Mortgage Whole Loans | [redacted] |
| Liquid Assets (i.e., CP, Treasuries, Agencies) | | Liquid Assets (i.e., CP, Treasuries, Agencies) | |
| **Total Assets** | | **Total Assets** | |
| **Funding**[1] | | **Funding**[2] | |
| Secured Money Markets Funding (FF+11bps; 2.11%)[3] | [redacted] | Bank Deposits (FF-15bps; 1.85%) | [redacted] |
| | | Bank Regulatory Capital ($5.0bn total) | |
| Long-Term Debt (4.58% all-in)[4] | [redacted] | Funded with GS Long-Term Debt (4.58% all-in)[4] | [redacted] |
| Equity (assumes 20.0% required ROE) | | Funded with GS Equity (assumes 20.0% required ROE) | |
| **Total Funding** | | **Total Funding** | |
| WACC (31.0% tax rate) | [redacted] | WACC (31.0% tax rate) | [redacted] |

[1] *Equity requirement based on the mortgages and money markets (proxy for liquid assets) departments' 1Q2008 CSE allocation and 1Q2008 LTM average assets. Residential prime mortgage whole loans are funded, on average, with [redacted]. Liquid assets generally are funded with [redacted]*

[2] *Consolidated CSE equity requirement assumed to be unchanged from capital markets scenario. Difference between total bank regulatory capital requirement [redacted] and assumed consolidated CSE equity requirement is assumed to be funded at the GS level by unsecured long-term debt. Remaining funding is sourced via bank deposits.*

[3] *Secured funding spread over Fed Funds is assume[redacted] residential mortgage whole loans and [redacted] for liquid assets.*

[4] *One-year new issue rate used for long-term debt to minimize the impact on the analysis caused by benchmark rate mismatch between bank deposits (Fed Funds) and long-term debt (term swap rate).*

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## Does GS Need Bank Deposits as a Funding Source?





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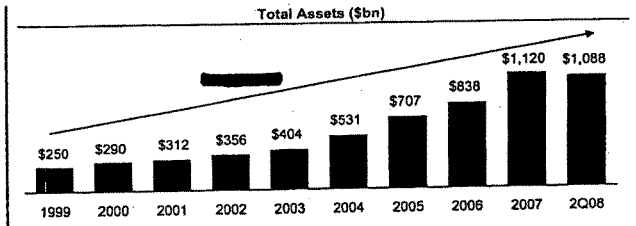
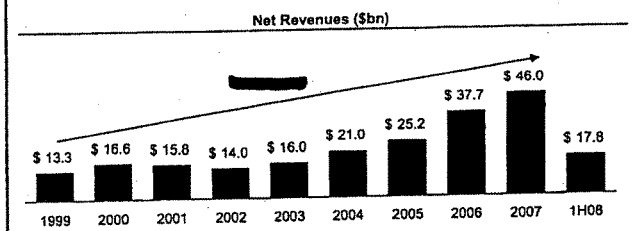
Board of Directors

# Does GS Need Bank Deposits as a Funding Source?

## GS Balance Sheet Continues to Grow

- Since becoming a publicly listed company, GS' balance sheet has grown rapidly
  - —
- During that same time, net revenues grew
- The firm's net revenue performance has been
- GS must continue to grow its balance sheet to maintain a sizeable presence across existing businesses while also expanding geographically
  - — In addition, GS is increasingly called upon to commit its own capital to client and principal transactions
- As the balance sheet grows, the firm must source additional funding for that asset growth



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# Does GS Need Bank Deposits as a Funding Source?

## GS Balance Sheet Continues to Grow (Cont'd)

- Financial inventory is funded with secured liabilities (largely repo), unsecured debt and equity
- Other revenue-generating assets are financed largely with payables and offsetting short positions
- The Global Core Excess is financed with unsecured debt and equity

**2Q 2008 GS Balance Sheet ($mm)**

| Assets | | Liabilities and Equity | |
|---|---|---|---|
| **Funding Requirement** | **Amount** | **Funding Source** | **Amount** |
| FICC | [redacted] | Common Equity | [redacted] |
| Equities | | Preferred Stock | |
| Long Matched Book | | Repo Funding | |
| Global Core Excess | | Short-Term Borrowings | |
| GSS | | Bank Deposits | |
| IMD | | Long-Term Borrowings[1] | |
| Merchant Banking | | **Total Financial Funding** | |
| Other | | Payables | |
| **Total Assets** | | Open Short Positions | |
| | | Other Liabilities | |
| | | **Total Liabilities and Equity** | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[1] Includes $162,051mm of unsecured borrowings and $25,922 of secured borrowings.



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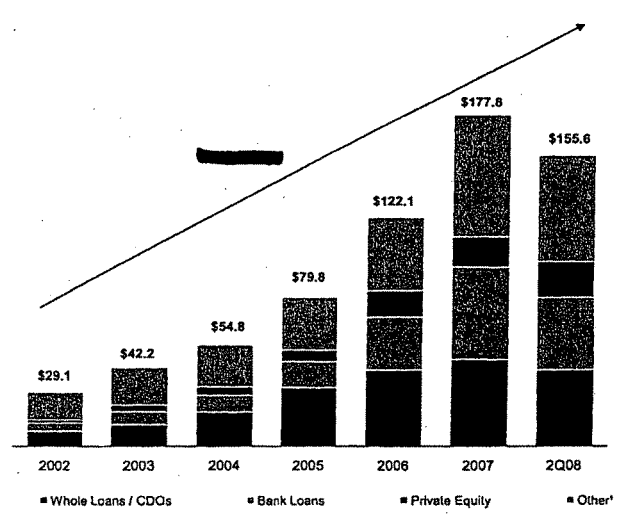
# Does GS Need Bank Deposits as a Funding Source?

## Growth in More Difficult-to-Finance Assets ($ in billions)

- In recent years, an increasing share of GS' earnings have been generated by capital intensive businesses
- Certain more difficult to finance asset classes such as whole loans, bank loans and private equity have grown at a faster pace than the rest of the balance sheet
  - [redacted]
- Secured funding markets for these more difficult to finance assets are less deep and reliable than for other assets, resulting in relatively high stressed funding haircuts that must be funded with long-term debt and equity




¹ Includes restricted equity, high yield debt, emerging markets securities, goodwill, PP&E and other assets.



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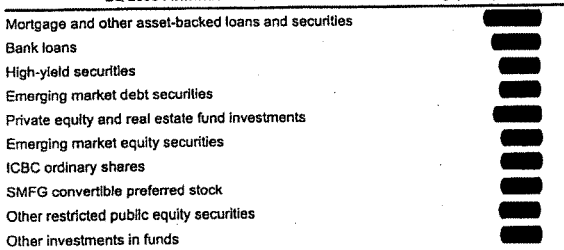
Board of Directors

# Does GS Need Bank Deposits as a Funding Source?

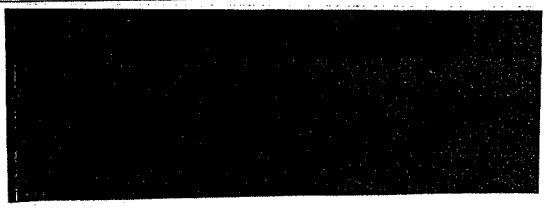
## GS More Difficult to Finance Assets

- GS' inventory of more difficult to finance assets includes
  - Loan assets such as mortgage and other asset-backed loans and securities and bank loans
  - Certain traded securities such as high-yield securities, emerging market debt securities and emerging market equity securities
  - Large equity positions such as ICBC ordinary shares and SMFG convertible preferred stock
  - Other illiquid investments such as private equity and real estate fund investments, other restricted public equity securities and other investments in funds
- [redacted]
- [redacted]

**2Q 2008 Firmwide More Difficult to Finance Inventory ($mm)[2]**




**2Q08 GS Total Assets[1]** | **2Q08 GS More Difficult to Finance Assets[1]**



[1] *Geographic split based on legal domicile of GS Group entity in which assets are currently held.*
[2] *Represents entire inventory for each broad asset class, including portion that can be funded in secured markets.*

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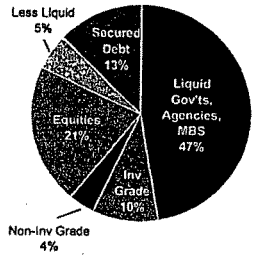
Board of Directors

# Does GS Need Bank Deposits as a Funding Source?

## Principal Funding Sources: 2Q2008

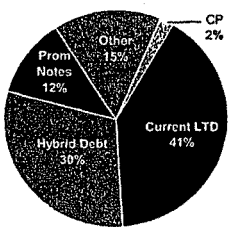
### Repo / Secured Financing: [redacted]




**Characteristics**

- Relatively stable and low cost funding source
- Focus on terming out repo arrangements
- Focus on counterparty diversity; GS deals with 1,000+ repo counterparties worldwide [redacted]
- GS is exposed to rollover risk, haircut adjustments and margin calls

### Unsecured Short-Term Debt: [redacted]

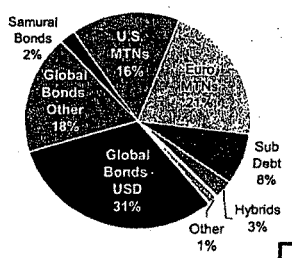



| Ratings | Moody's | S&P | Fitch |
|---|---|---|---|
| | P-1 | A-1+ | F1+ |

**Characteristics**

- Emphasize use of promissory notes to increase stability in short-term funding
- Investor concentration limits in place; approximately [redacted]
- GS is exposed to rollover risk

### Unsecured Long-Term Debt: [redacted]




| Ratings | Moody's | S&P | Fitch |
|---|---|---|---|
| | Aa3 | AA- (neg) | AA- |

**Characteristics**

- Weighted average life is ~8 years
- [redacted]
- Significant focus on diversifying investor base
- [redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Does GS Need Bank Deposits as a Funding Source? D40

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Board of Directors

# Does GS Need Bank Deposits as a Funding Source?

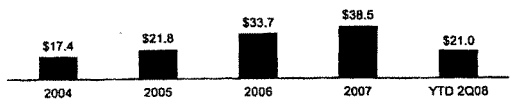
## Long-Term Unsecured Debt

- As GS' balance sheet has grown, the firm has become increasingly reliant on funding its financial inventory with unsecured long-term borrowings
- While there are no present concerns, there may be times when general market conditions, GS specific events or leverage constraints limit the amount of long-term unsecured funding that GS can access in the capital markets
  - GS is currently the 17th largest issuer of outstanding long-term debt globally

**Ranking of Long-Term Debt Issuers by Amount Outstanding ($bn)[1]**

| | | |
|---|---|---|
| 1 | GE | $ 380.2 |
| 2 | Landesbank Baden-Wuerttemberg | 378.3 |
| 3 | Commerzbank AG | 329.2 |
| 4 | Deutsche Bank AG | 295.1 |
| 5 | HSBC Holdings PLC | 269.8 |
| 6 | Citigroup Inc | 258.7 |
| 7 | Dexia SA | 256.6 |
| 8 | Banco Santander SA | 252.1 |
| 9 | Merrill Lynch & Co Inc | 238.4 |
| 10 | JPMorgan Chase & Co | 222.0 |
| 11 | HBOS PLC | 209.8 |
| 12 | Credit Agricole SA | 204.9 |
| 13 | Bank of America Corp | 199.6 |
| 14 | Morgan Stanley | 193.9 |
| 15 | Barclays PLC | 185.7 |
| 16 | Groupe Caisses d'Epargne | 183.7 |
| 17 | Goldman Sachs Group Inc | 182.1 |
| 18 | Rabobank | 173.2 |
| 19 | BNP Paribas SA | 171.8 |
| 20 | Hypo Real Estate Holding AG | 156.9 |

**GS Unsecured Long-Term Debt Issuance ($bn)**




[1] Source: Bloomberg. As of May 30, 2008.



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## Can GS Use Bank Deposits to Fund Its Core Businesses?



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Board of Directors

# Can GS Use Bank Deposits to Fund Its Core Businesses?

## Regulatory Constraints will Limit GS' Ability to Use Deposits to Fund Its Core Businesses

- Under certain circumstances, a bank may be able to fund GS businesses by lending to GS or by owning GS assets directly in the bank
  - While each approach is subject to a number of constraints that impacts the relative attractiveness of bank deposit liabilities vs. traditional funding sources, restrictions on affiliate transactions would make it difficult for a U.S. bank to fund GS assets in any meaningful size unless those assets were originated by, moved into or otherwise owned by the bank
- A number of constraints limit a U.S. bank's ability to own the assets that are most attractive to GS from a funding perspective

| | |
|---|---|
| **Legal Lending Limits** | ■ A U.S. bank cannot lend more than 15% of its total capital to any one borrower; non-U.S. jurisdictions may have similar restrictions |
| **Affiliate Restrictions** | ■ U.S. banking regulations prohibit a bank's transactions with any one affiliate from representing more than 10% of its capital and transactions with all of its affiliates in the aggregate from representing more than 20% of its capital; similar restrictions may exist in certain non-U.S. jurisdictions<br>■ The Federal Reserve's broad definition of affiliate will limit the bank's ability to lend to companies in which a Goldman Sachs entity is an investor |
| **Asset Quality** | ■ The Fed, like most banking regulators, examines each bank's asset portfolio for safety and soundness from a depositor's perspective. Diversification by issuer, geography and product is also required<br>■ The Fed generally limits a bank's holdings of non-investment grade assets; the amount of permitted non-investment grade assets will vary by bank, but outside counsel has advised that 10% is a reasonable assumption for a bank that receives high examination marks from the Fed in other areas<br>— Banks generally would not be permitted to purchase non-performing loans, though banks may hold originated loans that becoming non-performing |
| **Prohibition on Owning Certain Asset Classes** | ■ U.S. banks are prohibited from owning equities, unless received upon restructuring of a loan or foreclosure of a loan secured by equity, and from owning most physically-settled equity derivatives<br>■ Similar restrictions apply to a bank's ability to hold real estate and commodity assets |
| **Restriction on Market Making** | ■ U.S. banks cannot make markets in securities, including both equity and fixed income products, making it inefficient to move certain GS asset portfolios into a bank |
| **Local Lending** | ■ We have been advised that the Fed is unlikely to approve an acquisition strategy that greatly diminishes a U.S. target bank's local lending activities; these assets often represent over 80% of a traditional regional bank's asset portfolio and 50 – 75% of the largest national banks' asset portfolios<br>■ GS could seek approval from the Fed of a business plan that envisions transitioning the existing retail bank to a wholesale bank model, thereby reducing local lending requirements |
| **Increased Regulatory Oversight** | ■ Bank regulators such as the Fed are generally more intrusive than the SEC and GS' other current regulators<br>■ Banks are often required to file more detailed disclosure forms, thereby providing competitors with greater insight into GS businesses conducted within a bank |
| **Moving Assets** | ■ Moving existing GS assets / businesses into a bank will likely require regulatory approval |



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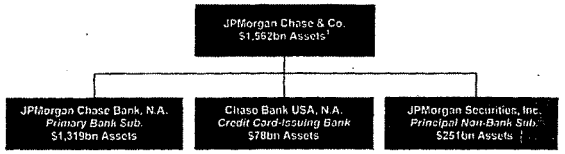
Board of Directors

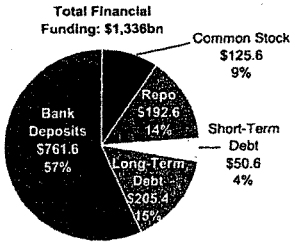
# Can GS Use Bank Deposits to Fund Its Core Businesses?

## JPMorgan Chase Uses Bank Deposits to Fund a Portion of its Investment Banking Businesses

- The diagram to the right is a simplified organizational chart of JPMorgan's two primary bank subsidiaries and primary non-bank subsidiary
- JPMorgan discloses that its Investment Banking business segment had $701bn average assets in 2007, implying that a substantive portion of investment bank balance sheet is at the main bank subsidiary because the non-bank sub only had approximately $250bn in assets
- JPMorgan Chase Bank, N.A.'s call reports contain significant line items that indicate a substantive portion of the investment banking business is conducted in the bank
  - — $8.0bn trading revenue
    - – Compared to $11.6bn trading revenue disclosed for the investment bank segment in the 10K
  - — $3.7bn investment banking, advisory and underwriting fees and commissions
    - – Compared to $6.6bn investment banking fees for advisory and underwriting services disclosed for the investment bank segment in the 10K
- JPMorgan Chase Bank, N.A. is a counterparty to GS on a variety of credit, rate, currency and commodity products




**JP Morgan 1Q08 Financial Funding ($bn)**




[1] *As of December 31, 2007. Certain assets of subsidiaries are eliminated in consolidation.*



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## What Bank Deposits Does GS Currently Have?



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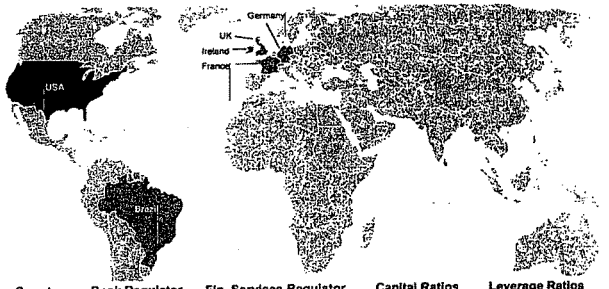
Board of Directors

# What Bank Deposits Does GS Currently Have?

## Geographic Location of GS Bank Licenses

- GS currently holds 11 bank licenses worldwide
  - One or more licenses held in each of the United States (3), Ireland (2), Switzerland, United Kingdom, France, Germany (2) and Brazil[1]
- Of these banks, 2 are active deposit taking institutions that are funding some portion of the firm's business
  - GS Bank USA (Utah)
  - GS Bank Europe (Ireland)
- Remainder of bank licenses are used primarily to facilitate firm and customer securities businesses




| Country | Bank Regulator | Fin. Services Regulator | Capital Ratios | Leverage Ratios |
|---|---|---|---|---|
| U.S. | Federal Reserve | SEC | Yes | Total leverage[2] |
| U.K. | FSA | FSA | Yes | None |
| Ireland | FSRA | FSRA | Yes | None |
| France | CECEI | CECEI / AMF[3] | Yes | None |
| Germany | BaFin / Bundesbank | BaFin | Yes | None |
| Brazil | Banco Central do Brasil / CMN | Banco Central do Brasil / CMN / Securities Com. | Yes | None |
| Switzerland | FINMA / SFBC[4] | FINMA | Yes | None |

*[1] GS International Bank (United Kingdom) has a branch in South Korea. GS holds three licenses in the United States (GS Bank USA, GS Trust Company NA, and GS Trust Company of Delaware), two in Germany (Goldman Sachs & Co. oHG and Delmora Bank GMBH) and two in Ireland (GS Bank Europe and GS Private Bank Ltd.). GS Trust Company NA and GS Trust Company of Delaware perform trust and estate fiduciary functions not currently performed by GS Bank USA. Delmore Bank license was acquired by ESSG as part of a distressed portfolio investment and is now used in connection with a servicing platform. GS is in the process of surrendering the GS Private Bank Ltd. license.*

*[2] U.S. leverage ratio test applies only to bank entities unless the bank's holding company is regulated by the Federal Reserve as a Bank Holding Company.*

*[3] Regulates asset managers only.*

*[4] The current Swiss bank regulator, SFBC, will be merged into FINMA, the newly created comprehensive financial supervisor, on January 1, 2009.*



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Board of Directors

# What Bank Deposits Does GS Currently Have?

## GS Bank USA

- GS Bank USA was established in July 2004 and is headquartered in Salt Lake City, Utah
  - — Active operations began in 2006
- Chartered as a Utah Industrial Loan Corporation ("ILC")
  - — Prohibited from taking commercial demand deposits
  - — Restrictions on its ability to branch in states other than Utah
- Regulated by the FDIC and Utah Department of Financial Institutions ("DFI"), not the Federal Reserve
- Approx. $22.4bn in customer deposits
  - — $21.0bn overnight deposits
  - — $1.3bn brokered CDs
- Long term credit rating of Aa3 (Moody's)
- Offers cash management products for PWM clients, such as overnight deposits in the form of Money Market Demand Accounts ("MMDA") and Negotiable Order of Withdrawals ("NOW") and a full suite of payment services
  - — Deposit balances built by sweeping PWM brokerage account free cash
- Sells CDs through third-party broker network
- While GS Bank USA is one of the larger U.S. banks, its balance sheet is small when compared to GS

| Balance Sheet ($mm) | 05/08 |
|---|---|
| ***Assets*** | |
| Liquidity portfolio | [redacted] |
| Investment securities, owned at fair value | |
| Private bank loans, net | |
| Warehouse loans, net unearned income | |
| Variable funding notes | |
| Mortgage loans | |
| Premium finance loans | |
| Corporate loans | |
| Litton assets | |
| Other assets | |
| **Total assets** | |
| ***Liabilities and Equity*** | |
| Deposits | [redacted] |
| Other liabilities and accrued expenses | |
| **Total liabilities** | |
| Common stock | |
| Retained earnings (accumulated deficit) | |
| **Total equity** | |
| **Total liabilities and equity** | |

| Income Statement ($mm) | FY2007[1] | YTD 05/08[1] |
|---|---|---|
| ***Revenues*** | | |
| Liquidity portfolio | [redacted] | [redacted] |
| Investment portfolio | | |
| Private bank lending | | |
| Warehouse lending | | |
| Variable funding notes | | |
| Mortgages | | |
| Premium Finance | | |
| Corporate loans | | |
| **Total interest income** | | |
| Interest Expense | | |
| **Net interest income** | | |
| Investment portfolio | [redacted] | [redacted] |
| Warehouse lending | | |
| Variable funding notes | | |
| Mortgages | | |
| Private bank | | |
| Premium Finance | | |
| Corporate loans | | |
| Time Deposits | | |
| Litton Fee Income | | |
| **Non-interest income/(Loss)** | | |
| ***Expenses*** | | |
| Provision for loan losses | [redacted] | [redacted] |
| **Total Operating Expenses** | | |
| Pretax Income (Loss) | [redacted] | [redacted] |
| Provision For Income Taxes | | |
| **Net Income (Loss)** | | |

[1] *Calculated using GS Group's fiscal calendar.*

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Board of Directors

# What Bank Deposits Does GS Currently Have?

## GS Bank USA

- GS Bank USA is the 47th largest US bank based on size of customer deposit base
- GS Bank USA has been able to achieve this scale with few employees (30) and no branch network
  - Leverages PWM client relationships and infrastructure, thereby allowing GS to avoid the operational complexity, high cost structure and regulatory burdens (including the BHCA) typically associated with commercial banking

**Top US Banks by Deposits as of March 31, 2008 ($mm)**

| Rank | Institution | Deposits | Branches | Market Cap[1] |
|---|---|---|---|---|
| 1 | JPMorgan Chase Bank, National Association | $806,319 | 3,188 | $133,776 |
| 2 | Bank of America, National Association | 792,879 | 6,142 | 130,199 |
| 3 | Citibank, National Association | 786,392 | 1,061 | 104,060 |
| 4 | Wachovia Bank, National Association | 453,878 | 3,370 | 37,059 |
| 5 | Wells Fargo Bank, National Association | 355,015 | 3,395 | 83,887 |
| 6 | Washington Mutual Bank | 184,059 | 2,231 | 6,549 |
| 7 | U.S. Bank National Association | 143,101 | 2,621 | 53,383 |
| 8 | HSBC Bank USA, National Association | 123,635 | 475 | n/a |
| 9 | SunTrust Bank | 118,618 | 1,791 | 14,258 |
| 10 | State Street Bank and Trust Company | 107,340 | 2 | 28,766 |
| 11 | National City Bank | 101,268 | 1,556 | 3,835 |
| 12 | The Bank of New York | 94,013 | 46 | 46,450 |
| 13 | Regions Bank | 91,297 | 1,963 | 8,845 |
| 14 | Branch Banking and Trust Company | 87,824 | 1,500 | 14,371 |
| 15 | PNC Bank, National Association | 80,573 | 1,221 | 20,108 |
| 16 | RBS Citizens, National Association | 73,985 | 1,656 | 24,172 |
| 17 | Capital One, National Association | 69,453 | 731 | 16,460 |
| 18 | Keybank National Association | 66,274 | 999 | 5,531 |
| 19 | ING Bank, fsb | 64,951 | 1 | n/a |
| 20 | Countrywide Bank, FSB | 64,234 | 770[2] | 2,794 |
| 47 | Goldman Sachs Bank USA | 22,611 | 1 | n/a |
| 51 | IndyMac Bank, F.S.B. | 18,518 | 33 | 138 |

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*Source: FDIC Database*
*[1] Market capitalization as of June 17, 2008.*
*[2] Countrywide Bank FSB maintains only 2 branches, but obtains retail deposits through 194 of Countrywide Home Loan's financial centers and offers other financial services from the company's 770 total locations.*



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Board of Directors

# What Bank Deposits Does GS Currently Have?

## GS Bank USA's Cash Capital Treatment Limits its Ability to Fund GS' Long-Term Assets

- [redacted] are FDIC insured (insurance is capped at $100,000 per depositor)
- For "cash capital" calculation purposes, [redacted], as a result, only this "sticky" portion of GS Bank USA's deposit liabilities is used to fund GS long-term assets
- [redacted] they can only be used to fund short-term assets
- Because brokered CDs are generally offered to retail depositors in sizes less than $100,000, nearly all deposits qualify for FDIC insurance and are considered "sticky." As a result, GS currently assigns brokered CDs a 100% cash capital valuation
- Bank regulatory capital (equity) and select other liabilities also receive a 100% cash capital valuation

**2Q08 Sources of Cash Capital ($bn)**

| Source | Cash Capital Valuation | Amount |
|---|---|---|
| Core Deposits | [redacted] | [redacted] |
| Brokered CDs | [redacted] | |
| Bank Regulatory Capital | [redacted] | |
| Other Liabilities (23A Affiliate Collateral) | [redacted] | |
| **Total Sources of Cash Capital** | | |
| *Excess Cash Capital* | | |

**2Q08 Uses of Cash Capital ($bn)**

| Use | Amount |
|---|---|
| PWM Loans | [redacted] |
| Corporate Loans | |
| Mortgages | |
| Other Loans | |
| Liquidity Pre-Funding for Unfunded Commitments | |
| Litton Net Assets | |
| Other Assets / Cash at FRB | |
| Reconciliation to Target LT Funding | |
| **Total Required Cash Capital** | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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Board of Directors

# What Bank Deposits Does GS Currently Have?

## GS Irish Bank

- GS has established a deposit-taking bank in Ireland, GS Bank Europe, plc ("GSBE" or "GS Irish Bank")
- GS Irish Bank has accumulated over [redacted] of total deposits as of May 2008 [redacted]
- Regulated by the Irish Financial Services Regulatory Authority
  - Deposits up to €20,000 are insured
- The regulatory framework in Ireland allows GS Irish Bank to use a significant portion of its deposits to fund GS businesses
  - No Irish regulatory limitations on transactions with affiliates [redacted]
  - GS Irish Bank can lend up to 25% of its capital on an unsecured basis to a single client; no limit on collateralized loans
  - GS Irish Bank has outstanding repo lines of [redacted] with GSI and GSCP, respectively
  - GS Irish Bank has no regulatory minimum total leverage ratio
- As is the case with GS Bank USA, the portion of GS Irish Bank's deposits that can be used to fund the firm's long-term assets is limited by the cash capital valuation of those deposits [redacted]
  - A large portion of the remaining "non-sticky" assets are used to fund the firm via reverse repos with GSI and GSCP
- GS Irish Bank is subject to concentration limits on depositors: One entity cannot account for more than 15% of total deposits, and top 10 depositors cannot exceed 25% of total deposits
- GS Irish Bank receives favorable tax treatment in both Ireland and the United States
  - U.S. tax benefit would fall away if GS Irish Bank engaged in US trade or business
  - In certain circumstances without the tax advantage, GS Irish Bank could pay taxes in both Ireland and the U.S., resulting in a effective worldwide tax rate of up to 60%

**2Q08 Balance Sheet ($mm)**

| | |
|---|---|
| ***Assets*** | |
| Cash and cash equivalents | [redacted] |
| Cash & securities segregated | |
| GSI & GSCP reverse repo | |
| Other assets | |
| **Total assets** | |
| ***Liabilities and Equity*** | |
| Short term borrowings from affiliates | [redacted] |
| Securities sold under repo | |
| Deposits payable to PWM clients | |
| Payable to affiliates[1] | |
| Other liabilities | |
| **Total liabilities** | |
| **Total equity** | |
| **Total liabilities and equity** | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

[1] *Represents client cash deposited by other GS entities.*



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# Can GS Grow Its Deposit Base Organically?



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# Can GS Grow Its Deposit Base Organically?

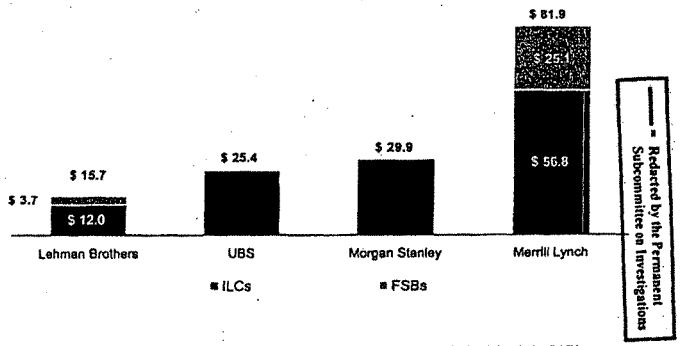
## GS Bank USA Organic Growth

- GS Bank USA deposits are expected [redacted] to approximately [redacted] billion by 2010
  - [redacted]
  - The portion of these deposits that can be used to fund GS' long-term assets will be limited by the cash capital valuation of the deposits [redacted]
- Assuming yields normalize to more attractive levels over the next year, GS Bank USA expects to issue up to [redacted] of brokered CDs by year-end 2010
  - GS Bank USA does not face a regulatory cap on its ability to issue brokered CDs, but GS might assign a lower cash capital value to the funding if issuance was increased significantly
- Several of GS' competitors have their own ILCs and "grandfathered" thrifts (which do not subject these competitors to BHCA regulations), with deposit bases ranging from $15.7bn to $81.9bn

**GS Bank USA Organic Growth Projections ($bn)**

| | 2Q08A | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Bank Deposits | [redacted] | [redacted] | [redacted] | [redacted] |
| *% of PWM Client Cash* | | | | |
| Brokered CDs | | | | |
| Total Cash Capital Funding Created[1] | | | | |

**Competitor Bank Deposits as of March 31, 2008 ($bn)**

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[1] Assumes 30% cash capital value for bank deposits and 100% cash capital value for brokered CDs. Excludes cash capital funding created by bank regulatory capital (equity) and other liabilities.



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# Can GS Grow Its Deposit Base Organically?

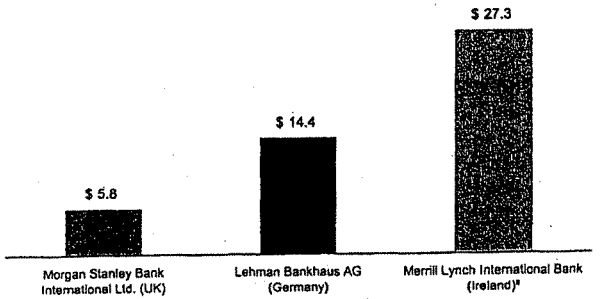
## GS Irish Bank Organic Growth

- [redacted]
- GS Irish Bank's deposits [redacted]
  - The portion of these deposits that can be used to fund GS' long-term assets will be limited by the cash capital valuation of the deposits [redacted]
- Several of GS' competitors have their own European banks, with deposit bases ranging from [redacted]

**GS Irish Bank Organic Growth Projections ($bn)**

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Bank Deposits | | | |
| *PWM Client Cash Deposited*[1] | | | |
| Total Cash Capital Funding Created | | | |

**Competitor Foreign Bank Deposits as of March 31, 2008 ($bn)**




[redacted] = Redacted by the Permanent Subcommittee on Investigations

[1] *The remainder of GS Irish Bank's deposits is sourced from affiliate deposits.*
[2] *Also includes deposits from Merrill Lynch International Bank's Swiss subsidiary.*



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## Should GS Grow Its Bank Deposits by Acquiring a Commercial Bank?





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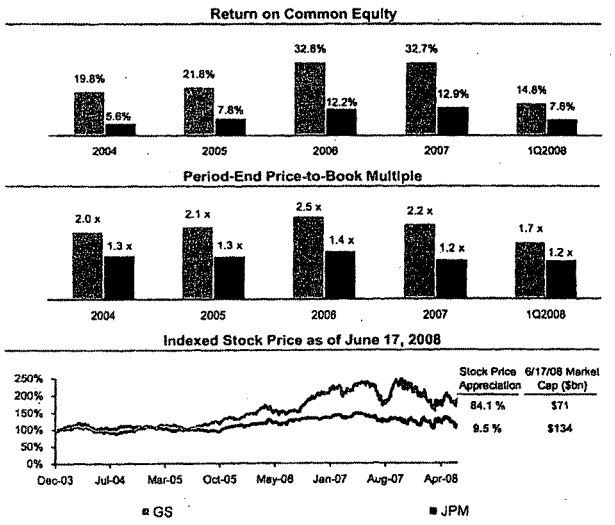
Board of Directors

# Should GS Grow Its Bank Deposits by Acquiring a Commercial Bank?

## Commercial Banking Appears to be Unattractive as a Large Scale Strategic Initiative

- Commercial banking is an operationally intense, low ROE business
- GS' current business model has yielded stronger results than the best-in-class commercial bank, JPMorgan Chase, in terms of ROE, price-to-book valuation and stock price performance
- Acquiring or building a large U.S. commercial bank would subject GS to direct regulation by the Fed as a BHC, including capital requirements, activities limitations and comprehensive Fed examination
  - — Could have a negative impact on a number of GS' existing businesses (particularly the principal investing businesses)
  - — May be avoided through certain ILC or foreign bank acquisitions
- Because commercial banking appears to be unattractive as a large scale strategic initiative, any acquisition must be fully justified by the benefits associated with bank deposits as an additional source of funding for GS



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Board of Directors

# Should GS Grow Its Bank Deposits by Acquiring a Commercial Bank?

## Economics of a Commercial Bank Acquisition

- For an acquisition to be economically attractive, GS must be able to justify any premium paid above the fair value of the target's equity
  - Given the large discrepancy in today's market environment between the fair value of bank asset portfolios and the reserves the banks have taken against their portfolios, many banks' reported GAAP assets and equity are overvalued relative to GS' estimate of fair market value
- The primary benefit that may justify GS paying a premium to fair market value when acquiring a bank is the funding benefit associated with bank deposit liabilities
- [redacted]
- If the target bank's capital ratios after write-downs are below desired levels, GS may need to raise additional capital. The cost of this additional capital raise will be dilutive to GS on an ROE and EPS basis and will reduce the acquisition premium that could be justified

[redacted]



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Board of Directors

# Should GS Grow Its Bank Deposits by Acquiring a Commercial Bank?

## Distressed Commercial Bank Acquisition

- While the funding benefits associated with bank deposit liabilities are meaningful to GS, it is unlikely that those benefits would justify paying the premium to a target bank's current market cap (and therefore a significant premium to the true fair market value of its equity) that would be required to complete a market-based acquisition
- GS likely would only be interested in acquiring a large U.S. commercial bank and its deposit liabilities in certain circumstances:
  - Extremely attractive purchase price in a distressed situation, such as just prior to or in FDIC receivership
  - In the context of a distressed situation, GS may be able to negotiate with the Federal Reserve to ease some of the restrictions of the BHCA

**Recent Distressed Acquisitions ($mm)**

| Date | Target Bank | Assets | Deposits Acquired | Deposits Acquiror |
|---|---|---|---|---|
| **Failed Banks** | | | | |
| 5/08 | First Integrity Bank | $55 | $50 | First International Bank and Trust |
| 5/08 | ANB Financial | 2,100 | 213 | Pulaski Bank and Trust Company |
| 3/08 | Hume Bank | 19 | 13 | Security Bank |
| 1/08 | Douglass National Bank | 59 | 54 | Liberty Bank and Trust Company |
| 10/07 | Miami Valley Bank | 87 | 62 | Citizens Bank Company |
| 9/07 | NetBank | 2,500 | 1,500 | ING Direct |
| 2/07 | Metropolitan Savings | 16 | 12 | Allegheny Valley Bank |
| **Near-Failed Banks** | | | | |
| 4/08 | Fremont General | $6,048 | $5,600 | CapitalSource |



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Board of Directors

# Should GS Grow Its Bank Deposits by Acquiring a Commercial Bank?

## Potential Foreign Targets

- If structured properly, an acquisition of a foreign commercial bank could allow GS to fund some portion of its non-U.S. assets without subjecting GS to the Bank Holding Company Act
  - [redacted]
- Any acquisition of a non-U.S. commercial bank would be subject to the valuation considerations previously discussed
- Practical considerations limit the number of attractive potential non-U.S. commercial bank acquisition targets
- 37 of the top 40 non-US commercial banks are already regulated by the US as Bank Holding Companies[5]. GS would therefore need to restructure those banks' operations upon acquisition to avoid becoming a BHC itself
- Several otherwise attractive jurisdictions, including China, India and Canada, explicitly prohibit foreign companies from owning domestic banks
- Other countries, such as Switzerland, France, Italy and Spain may deny regulatory approval for a foreign acquisition of a prominent domestic bank
  - — The banking industry in these countries is highly concentrated, so regulators may be hesitant to allow a significant portion of the nation's banking system to be controlled by foreigners
- Most attractive countries may be the UK, Japan, certain continental European countries, Mexico and Brazil

**Select Large Non-US Banks[1] ($mm)**

| Rank | Name | Primary Country | Deposits[2] | Market Cap[3] |
|---|---|---|---|---|
| 1 | [redacted] | UK | [redacted] | [redacted] |
| 2 | | Japan | | |
| 3 | | UK | | |
| 4 | | Japan | | |
| 5 | | Japan | | |
| 6 | | Germany | | |
| 7 | | UK | | |
| 8 | | UK | | |
| 9 | | Spain | | |
| 10 | | Japan | | |
| 11 | | UK | | |
| 12 | | Netherlands | | |
| 13 | | Sweden | | |
| 14 | | Belgium | | |
| 15 | | Germany | | |
| 16 | | Belgium | | |
| 17 | | Australia | | |
| 18 | | Australia | | |
| 19 | | UK / Asia | | |
| 20 | | Australia | | |
| 21 | | Australia | | |
| 22 | | Germany | | |
| 23 | | Germany | | |
| 24 | | Denmark | | |
| 25 | | South Korea | | |
| 26 | | Austria | | |

*[1] Excludes banks primarily domiciled in China, India, Canada, Switzerland, France, Italy and Spain.*
*[2] Deposits figures represent most recent available data.*
*[3] Market capitalization as of June 17, 2008.*
*[4] Does not include deposits recently acquired in ABN Amro transaction.*
*[5] Among top 40 largest non-US banks by deposits, only Credit Agricole (France), Bank of China (China), and Bank of Nova Scotia (Canada) are not BHCs. Credit Agricole and Bank of China currently have BHC applications pending.*



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Board of Directors

## What Other Opportunities Exist to Leverage GS' Strong Competitive Position?



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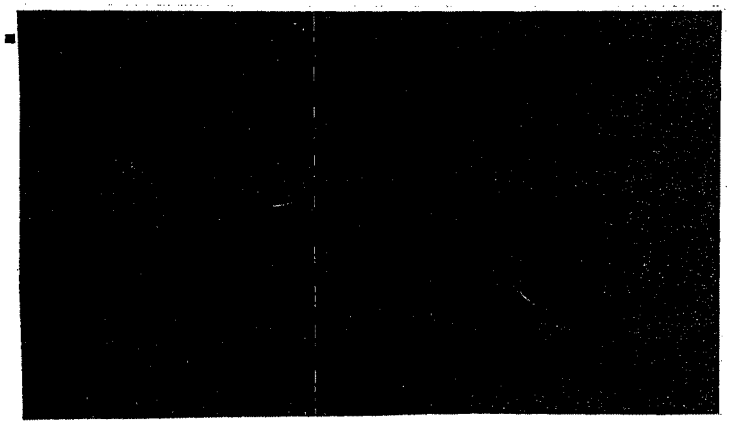
Board of Directors

## What Other Opportunities Exist to Leverage GS' Strong Competitive Position?





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Footnote Exhibits - Page 2439

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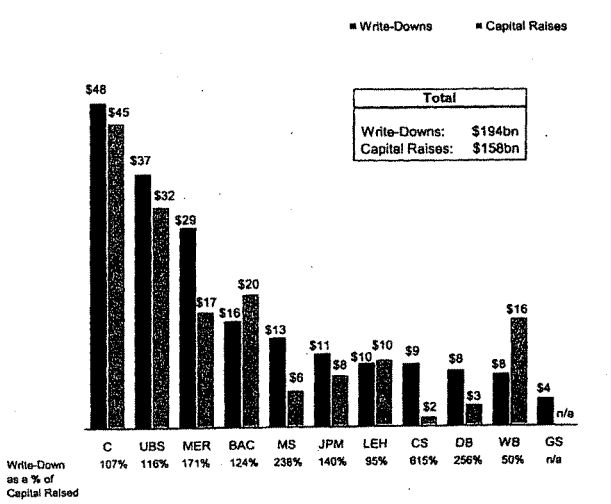
Board of Directors

## What Other Opportunities Exist to Leverage GS' Strong Competitive Position?

**Capital Write-Downs and Raises 2007 – 2008 YTD ($ in billions)**

- Many of GS' competitors have taken significant write-downs in the past year
- With the exception of GS, all major investment and commercial banks that have taken write-downs have subsequently raised additional capital
- These additional capital raises have largely been dilutive to existing shareholders
- GS has chosen not to raise equity capital in this depressed pricing environment




What Other Opportunities Exist to Leverage GS' Strong Competitive Position? D66

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# Key Takeaways





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Board of Directors

# Key Takeaways

- GS remains committed to its existing growth strategy and business model
- GS will continue to execute on this business model in the BRICs and, potentially, in the "Next 11"
- Successful implementation of the GS growth strategy will require global expansion, diversification of GS' business portfolio and continued growth of the GS balance sheet
- Capitalizing on international growth opportunities will require an increasing percentage of GS employees to be based outside the U.S.
- GS does not need to be a commercial bank; the firm's conservative liquidity management programs and the potential support of the Fed will adequately protect us from a Bear Stearns-like collapse
- All activities of commercial banks, not just banking activities, are regulated and restricted. Commercial banks are also subject to limitations on leverage, capital requirements and comprehensive ongoing examinations
- The primary benefit of being a commercial bank is the commercial bank's ability to finance its businesses with deposits insured by the federal government at a cost that is often lower than capital markets funding
- Continued growth in the size of GS' balance sheet may require diversified adjunct sources of funding. Deposits are a potential source of additional funding
- GS' ability to use deposits to fund its businesses is constrained by regulatory requirements regarding asset quality, lending to affiliates and local lending
- GS has two deposit taking branches, one located in Utah with deposits of approximately $22bn and one located in Ireland with approximately $7bn in deposits. These deposit balances were built by sweeping PWM brokerage account free cash balances.
- Commercial banking is an operationally intense, low ROE business. GS' current business model has yielded stronger results than JPMorgan Chase, the best-in-class commercial bank in terms of ROE, price-to-book valuation and stock price performance



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# Appendix



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Board of Directors

# JPMorgan Chase Bank, NA

## Balance Sheet as of March 31, 2008 ($ in millions)

| Assets | |
|---|---|
| **Real Estate:** | |
| Construction and Land Development | $8,751 |
| Total 1 - 4 Family Residential[1] | 156,937 |
| Multifamily Residential | 717 |
| Nonfarm Nonresidential Property | 13,770 |
| Unclassified | 2,083 |
| **Total Real Estate** | 180,258 |
| **Non-Real Estate:** | |
| Credit Cards | $25,226 |
| Commercial and Industrial | 137,354 |
| Consumer - Margin Loans | 9,769 |
| Agricultural Production | 530 |
| Loans to Depository Institutions | 18,429 |
| Other Consumer Loans & Revolving Credit Plans | 53,668 |
| Leases - Commercial and Consumer | 2,562 |
| Other | 59,149 |
| **Total Non-Real Estate** | 306,689 |
| Total Loans and Leases | $486,947 |
| Allowance for Loan Losses | 9,484 |
| **Net Loans and Leases** | 477,463 |
| **Securities** | |
| US Treasuries & US Govt Agency Obligation | $342 |
| MBS - Issued / Guaranteed by FNMA/FHLMC/GNMA | 75,990 |
| MBS - Other | 4,967 |
| Other | 12,956 |
| **Securities** | 94,255 |
| **Trading Assets** | |
| US Treasury Securities in Domestic Offices | $11,652 |
| US Govt Agencies in Domestic Offices | 742 |
| MBS in Domestic Offices - Issued / Guaranteed by FNMA/FHLMC/GNMA | 5,289 |
| MBS in Domestic Offices - Other | 1,267 |
| Derivatives with Positive Fair Value | 90,800 |
| Other | 270,488 |
| **Trading Assets** | 380,248 |
| Goodwill | 25,807 |
| Other Assets[2] | 429,795 |
| **Total Assets** | $1,407,568 |

| Liabilities & Equity | |
|---|---|
| **Deposits** | |
| *Domestic Deposits* | |
| NOW | $13,029 |
| Demand Deposits | 51,985 |
| Total Transaction | 65,014 |
| BOA and Savings | $287,031 |
| Time Deposits < $100k | 27,020 |
| Time Deposits ≥ $100k | 108,870 |
| Total Non-Transaction | 422,921 |
| Total Domestic Deposits | 487,935 |
| *Foreign Deposits* | |
| Individual Accounts | $230,100 |
| Institutional Accounts | 88,284 |
| Total Foreign Deposits | 318,384 |
| **Total Deposits** | 806,319 |
| **Other Borrowings & Liabilities** | |
| Fed Funds | $26,063 |
| Repurchase Agreements | 150,819 |
| Derivatives with Negative Fair Value | 77,877 |
| Liability for Short Positions | 60,289 |
| Other Borrowed Money | 81,707 |
| Other Liabilities | 65,883 |
| **Total Other Borrowings & Liabilities** | 464,458 |
| **Total Liabilities** | 1,270,777 |
| **Minority Investment** | 1,297 |
| **Capital** | |
| Subordinated Debt | 28,620 |
| Preferred Stock | - |
| Common Equity | 106,874 |
| **Total Capital** | 135,494 |
| **Total Liabilities and Capital** | $1,407,568 |

[1] *Includes home equity lines of credit in the amount of $68bn.*
[2] *Other assets includes cash, Fed funds sold and securities purchased under agreements to resell, fixed assets, REO, intangible assets, accrued interest receivable, interest only strips receivables, equity securities that do not have readily determinable fair value, life insurance assets and other unidentified assets.*

Appendix D70

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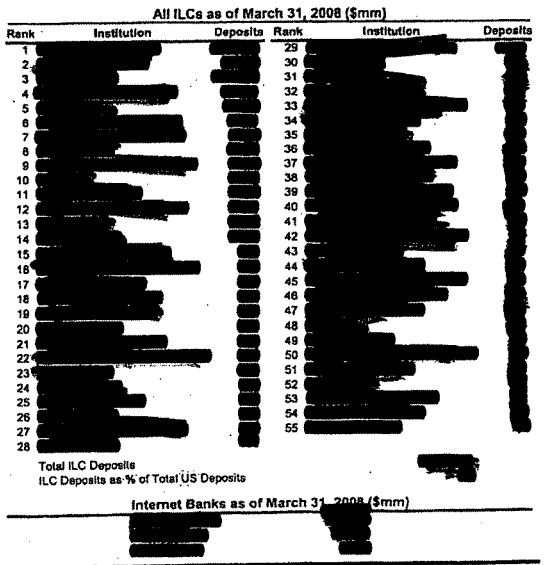
Subcommittee on Investigations

Board of Directors

# Potential GS Bank USA Acquisition Targets

- An acquisition of deposits into GS Bank USA should be structured so as to preserve the bank's exemption from the Bank Holding Company Act
- The consequences of becoming subject to the Bank Holding Company Act, described in detail in the section "How Are Commercial Banks Regulated?", are material to GS Group
- In order for an ILC to avoid becoming subject to the Bank Holding Company Act, it must generally refrain from establishing deposit-taking branches outside of its home state; an acquisition that resulted in GS Bank USA owning deposit-taking branches outside of Utah would potentially cause GS to become a Bank Holding Company unless those branches were shut down
- GS could grow deposits and avoid becoming a Bank Holding Company by acquiring an existing ILC, either inside of outside of Utah
  - Most sizeable ILCs, however, are owned by competitors of GS, such as Merrill Lynch and Morgan Stanley, and these ILCs often are strategic to these competitors (i.e. fund certain business, such as mortgages, or provide services to brokerage customers)
  - The other sizeable ILCs are owned by auto manufacturers and are strategic to these auto manufacturers as they provide financing for customers
  - A non-Utah ILC would be organized as a sister company of GS Bank USA, resulting in potential inefficiencies (e.g., inability to combine capital bases for purposes of calculating 15% legal lending limits)
- GS could also grow deposits by acquiring the assets and liabilities of an internet bank
  - Internet banks do not require physical branches to maintain their deposit balances
  - Three potential targets: [redacted]




Appendix D71
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GS MBS 0000036939

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GOLDMAN SACHS/LLOYD BLANKFEIN
RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD

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**LB 1(a)(ii)&(iii): Please provide the purchase or trade date for each asset and its original face value.**

In response to the Staff's follow-up question, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000087069) providing (i) the original face value and (ii) the purchase or trade date, for each asset referenced in GS MBS 0000027961.

**Supplemental Response Received From Goldman Sachs**



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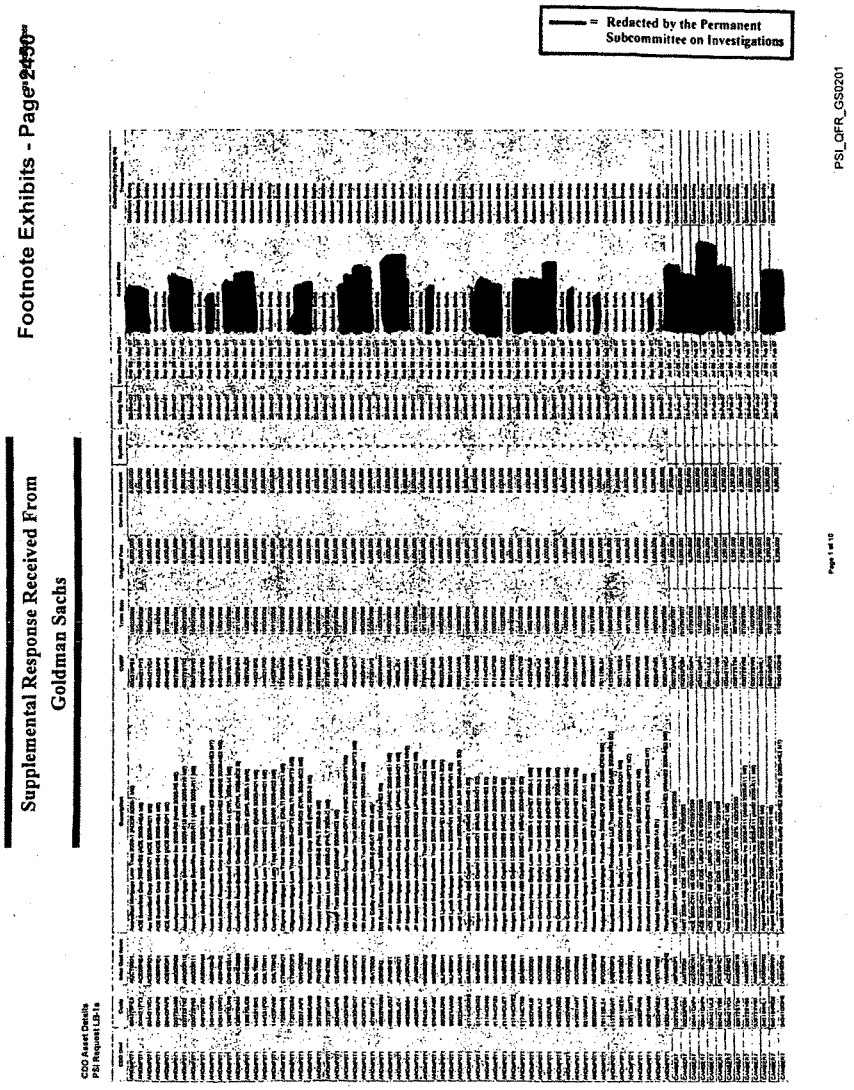
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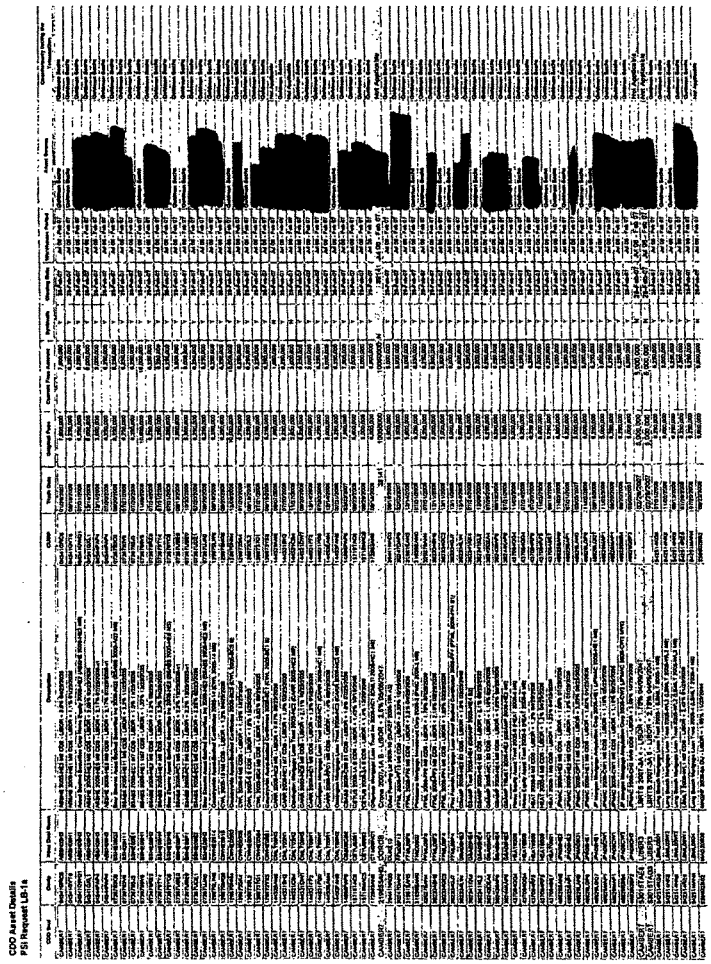

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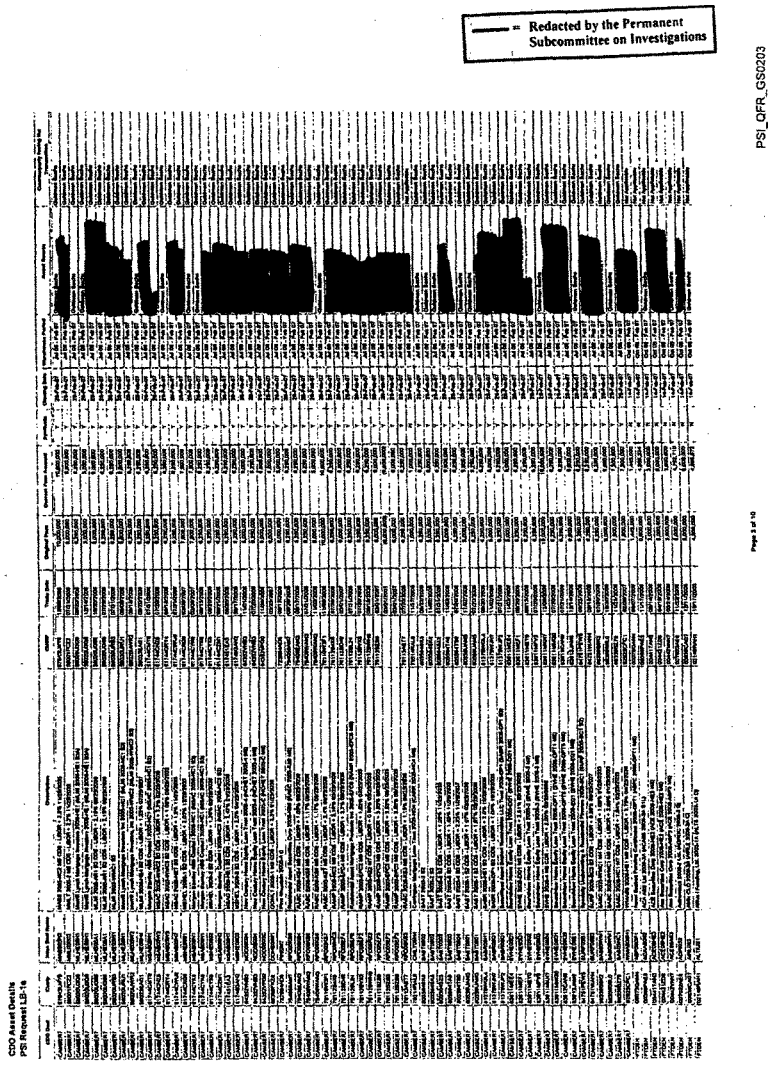

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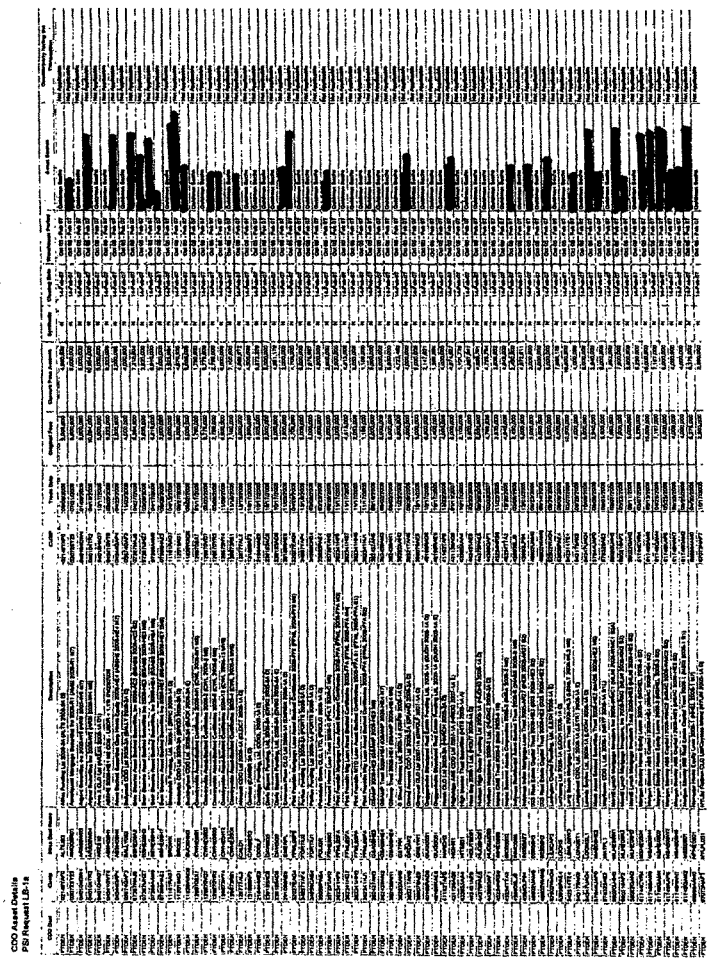

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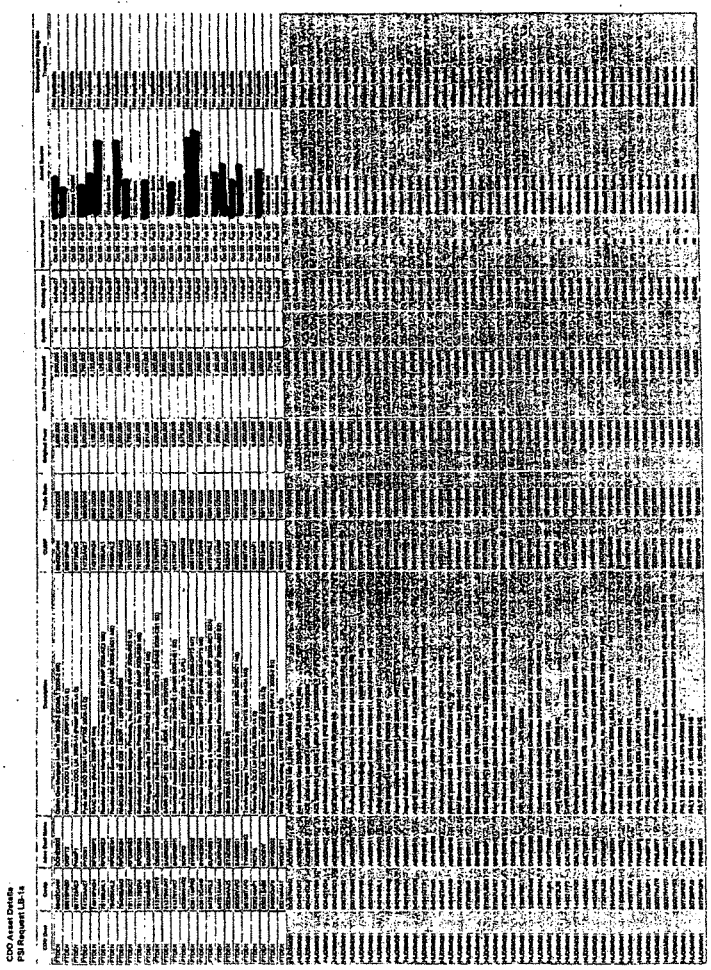

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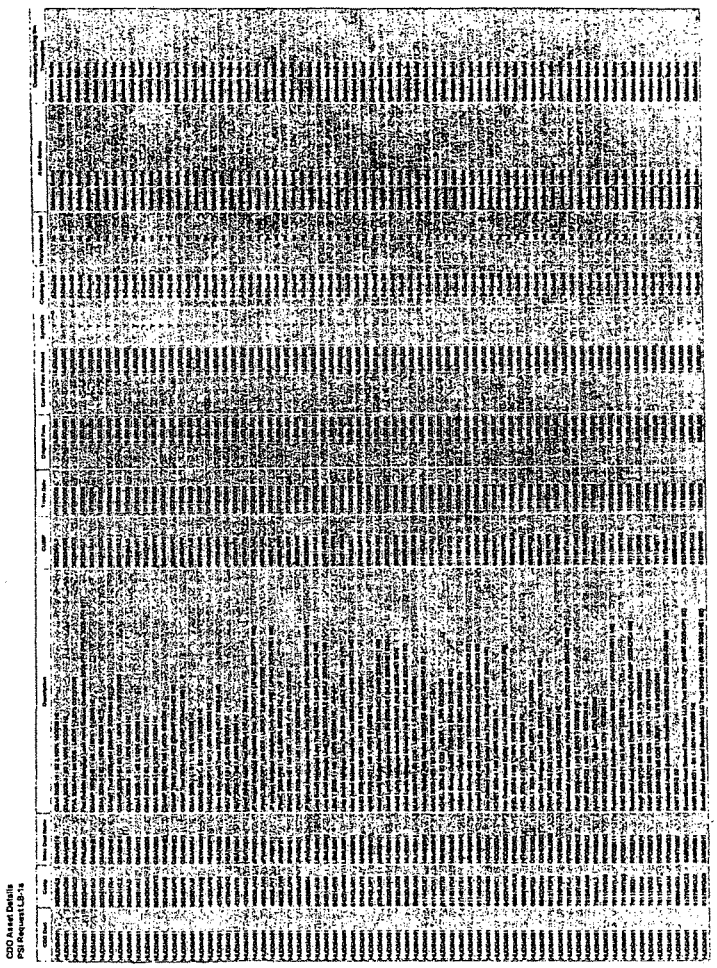

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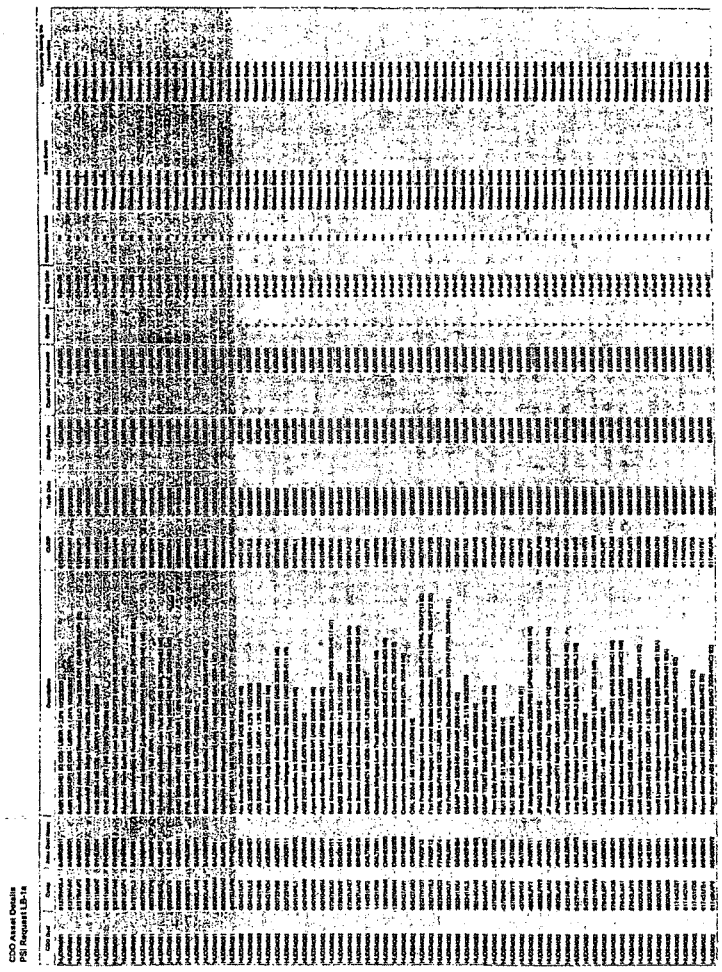

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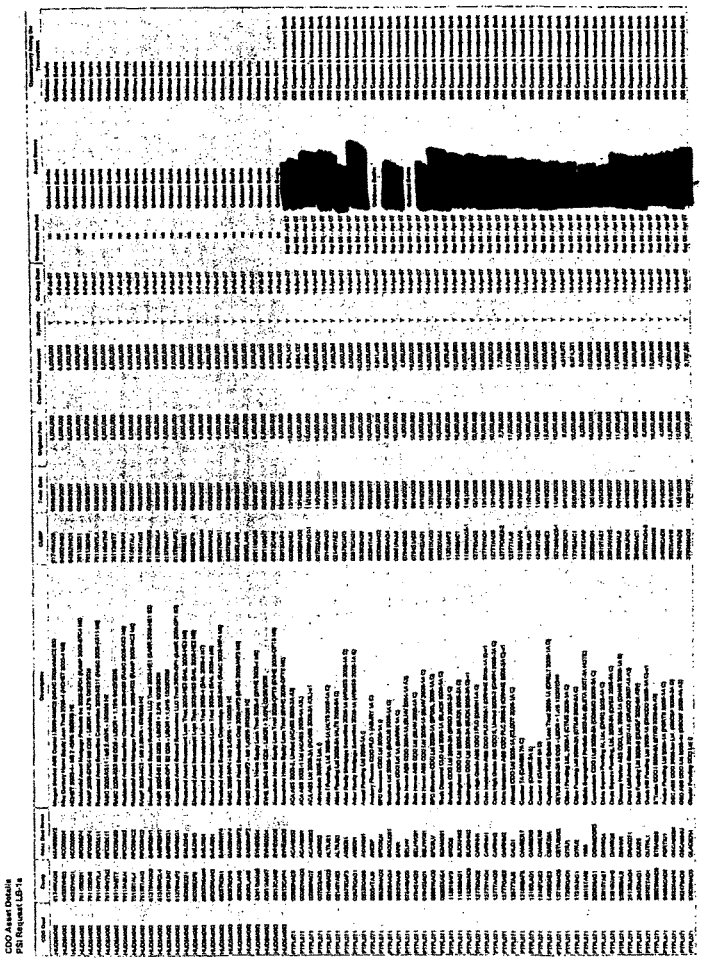

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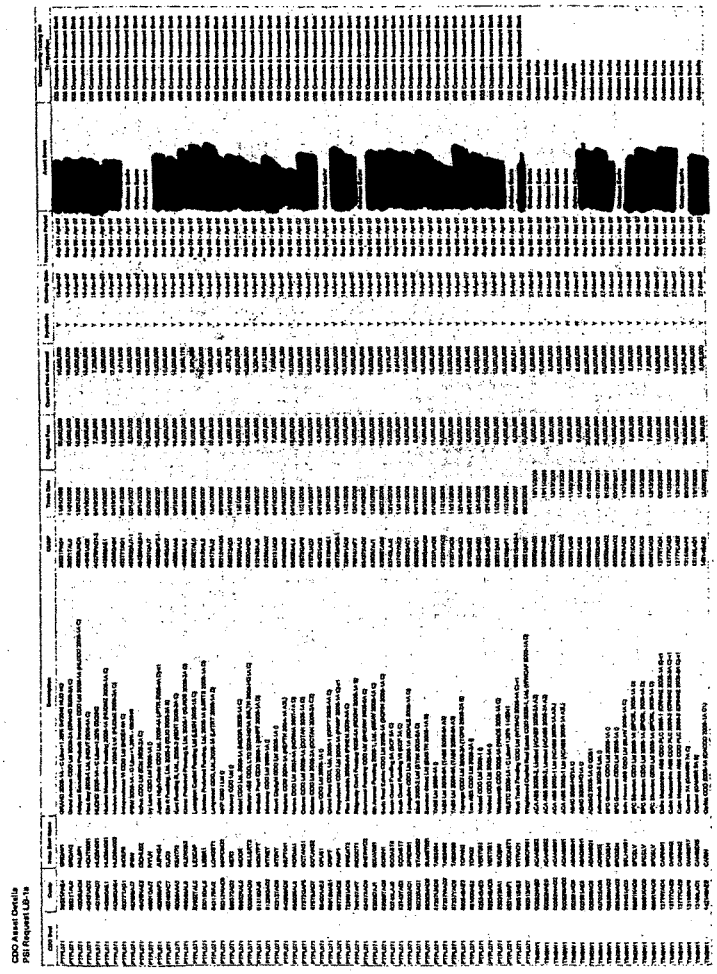

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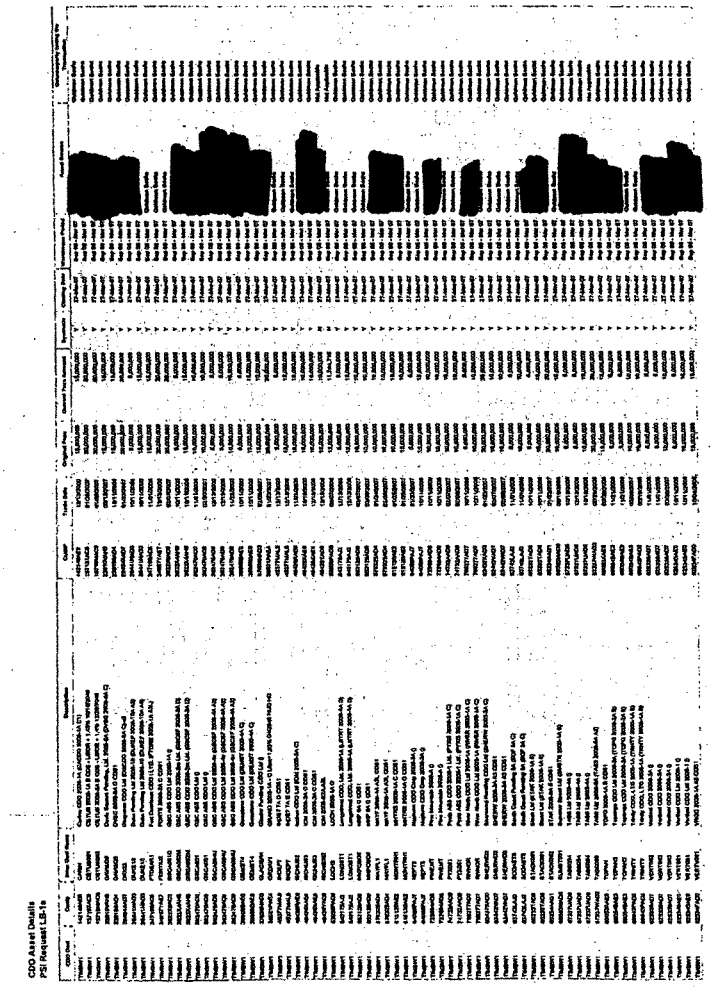

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ATTACHMENT 2 Page 2460

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

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**Footnote Exhibits - Page 2461**

| Date | Cusip | fitch Rating | moody Rating | sp Rating | fitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 29-Mar-07 | 034050AA8 | | NR | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | PREF |
| 29-Mar-07 | 034050AA2 | | Aaa | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 29-Mar-07 | 034050AB0 | | Aaa | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 29-Mar-07 | 034050AC8 | | Aaa | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 29-Mar-07 | 034050AD6 | | Aaa | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 29-Mar-07 | 034050AE4 | | Aa2 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 29-Mar-07 | 034050AF1 | | A2 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 29-Mar-07 | 034050AG9 | | Baa2 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 3-Apr-07 | 03404PAA8 | | | NR | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | PREF |
| 3-Apr-07 | 034050AA2 | | | AAA | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 3-Apr-07 | 034050AB0 | | | AAA | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 3-Apr-07 | 034050AC8 | | | AAA | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 3-Apr-07 | 034050AD6 | | | AAA | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 3-Apr-07 | 034050AE4 | | | AA | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 3-Apr-07 | 034050AF1 | | | A | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 3-Apr-07 | 034050AG9 | | | BBB | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 7-Nov-07 | 034050AB0 | | Aa3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 7-Nov-07 | 034050AC8 | | Aa3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 7-Nov-07 | 034050AD6 | | Baa3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 7-Nov-07 | 034050AE4 | | Ba3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 7-Nov-07 | 034050AF1 | | Caa2 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 7-Nov-07 | 034050AG9 | | Caa3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 29-Nov-07 | 034050AD6 | | | A+ | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 29-Nov-07 | 034050AE4 | | | BBB- | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 29-Nov-07 | 034050AF1 | | | CCC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 29-Nov-07 | 034050AG9 | | | CCC- | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 11-Feb-08 | 034050AA2 | | | AA | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 11-Feb-08 | 034050AB0 | | | B | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 11-Feb-08 | 034050AC8 | | | B | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 11-Feb-08 | 034050AD6 | | | CCC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 11-Feb-08 | 034050AE4 | | | CC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 11-Feb-08 | 034050AF1 | | | CC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 11-Feb-08 | 034050AG9 | | | CC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 24-Mar-08 | 034050AB0 | | Ba3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 24-Mar-08 | 034050AC8 | | Ba3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 24-Mar-08 | 034050AD6 | | Ca | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 24-Mar-08 | 034050AE4 | | Ca | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 24-Mar-08 | 034050AF1 | | Ca | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 24-Mar-08 | 034050AG9 | | Ca | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 30-Apr-08 | 034050AB0 | | B3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 30-Apr-08 | 034050AC8 | | B3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 6-Aug-08 | 034050AA2 | | | BB | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 6-Aug-08 | 034050AB0 | | | CCC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 6-Aug-08 | 034050AC8 | | | CCC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 6-Aug-08 | 034050AD6 | | | CC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 8-Oct-08 | 034050AA2 | | Ba1 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 8-Oct-08 | 034050AB0 | | Ca | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 8-Oct-08 | 034050AC8 | | Ca | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 8-Oct-08 | 034050AF1 | | C | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | C |
| 8-Oct-08 | 034050AG9 | | C | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | D |
| 11-Dec-08 | 034050AA2 | | B1 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 22-Apr-09 | 034050AB0 | | C | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 22-Apr-09 | 034050AC8 | | C | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 22-Apr-09 | 034050AD6 | | C | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A2 |
| 22-Apr-09 | 034050AE4 | | C | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 19-Aug-09 | 034050AB0 | | | CC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1A |
| 19-Aug-09 | 034050AC8 | | | CC | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | A1B |
| 4-Nov-09 | 034050AE4 | | | D | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | B |
| 21-Dec-09 | 034050AA2 | | Caa3 | | | | 1 | Anderson Mezzanine Funding 2007- | ANDMF071 | S |
| 6-Mar-07 | 13189AAA1 | | | BB+ | | | 1 | Camber 7 | CAMBER7 | E |
| 6-Mar-07 | 13189AAB9 | | | NR | | | 1 | Camber 7 | CAMBER7 | PREF |
| 6-Mar-07 | 13189BAA9 | | | AAA | | | 1 | Camber 7 | CAMBER7 | S |
| 6-Mar-07 | 13189BAB7 | | | AAA | | | 1 | Camber 7 | CAMBER7 | A1 |
| 6-Mar-07 | 13189BAC5 | | | AAA | | | 1 | Camber 7 | CAMBER7 | A2 |
| 6-Mar-07 | 13189BAD3 | | | AAA | | | 1 | Camber 7 | CAMBER7 | A3 |
| 6-Mar-07 | 13189BAE1 | | | AA | | | 1 | Camber 7 | CAMBER7 | B |
| 6-Mar-07 | 13189BAF8 | | | A | | | 1 | Camber 7 | CAMBER7 | C |
| 6-Mar-07 | 13189BAG6 | | | BBB | | | 1 | Camber 7 | CAMBER7 | D |
| 29-Mar-07 | 13189AAA1 | | Ba1 | | | | 1 | Camber 7 | CAMBER7 | E |
| 29-Mar-07 | 13189AAB9 | | NR | | | | 1 | Camber 7 | CAMBER7 | PREF |
| 29-Mar-07 | 13189BAA9 | | Aaa | | | | 1 | Camber 7 | CAMBER7 | S |
| 29-Mar-07 | 13189BAB7 | | Aaa | | | | 1 | Camber 7 | CAMBER7 | A1 |
| 29-Mar-07 | 13189BAC5 | | Aaa | | | | 1 | Camber 7 | CAMBER7 | A2 |
| 29-Mar-07 | 13189BAD3 | | Aaa | | | | 1 | Camber 7 | CAMBER7 | A3 |

Responses from Blankfein to 1.(b) (ii) part B - Ratings

PSI_QFR_GS0212

[2] **Footnote Exhibits - Page 2462**

| Date | Cusip | fitch Rating | moody Rating | sp Rating | fitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 29-Mar-07 | 13189BAE1 | | Aa2 | | | | 1 | Camber 7 | CAMBER7 | B |
| 29-Mar-07 | 13189BAF8 | | A2 | | | | 1 | Camber 7 | CAMBER7 | C |
| 29-Mar-07 | 13189BAG6 | | Baa2 | | | | 1 | Camber 7 | CAMBER7 | D |
| 11-Nov-07 | 13189AAA1 | | Ca | | | | 1 | Camber 7 | CAMBER7 | E |
| 11-Nov-07 | 13189BAC5 | | Aa3 | | | | 1 | Camber 7 | CAMBER7 | A2 |
| 11-Nov-07 | 13189BAD3 | | A1 | | | | 1 | Camber 7 | CAMBER7 | A3 |
| 11-Nov-07 | 13189BAE1 | | A3 | | | | 1 | Camber 7 | CAMBER7 | B |
| 11-Nov-07 | 13189BAF8 | | Baa3 | | | | 1 | Camber 7 | CAMBER7 | C |
| 11-Nov-07 | 13189BAG6 | | B1 | | | | 1 | Camber 7 | CAMBER7 | D |
| 10-Mar-08 | 13189AAA1 | | | CC | | | 1 | Camber 7 | CAMBER7 | E |
| 10-Mar-08 | 13189BAA9 | | | BBB+ | | | 1 | Camber 7 | CAMBER7 | S |
| 10-Mar-08 | 13189BAB7 | | | BBB | | | 1 | Camber 7 | CAMBER7 | A1 |
| 10-Mar-08 | 13189BAC5 | | | B+ | | | 1 | Camber 7 | CAMBER7 | A2 |
| 10-Mar-08 | 13189BAD3 | | | B+ | | | 1 | Camber 7 | CAMBER7 | A3 |
| 10-Mar-08 | 13189BAE1 | | | B- | | | 1 | Camber 7 | CAMBER7 | B |
| 10-Mar-08 | 13189BAF8 | | | CCC | | | 1 | Camber 7 | CAMBER7 | C |
| 10-Mar-08 | 13189BAG6 | | | CC | | | 1 | Camber 7 | CAMBER7 | D |
| 4-Apr-08 | 13189AAA1 | | C | | | | 1 | Camber 7 | CAMBER7 | E |
| 4-Apr-08 | 13189BAB7 | | A3 | | | | 1 | Camber 7 | CAMBER7 | A1 |
| 4-Apr-08 | 13189BAC5 | | Ba2 | | | | 1 | Camber 7 | CAMBER7 | A2 |
| 4-Apr-08 | 13189BAD3 | | B3 | | | | 1 | Camber 7 | CAMBER7 | A3 |
| 4-Apr-08 | 13189BAE1 | | Caa3 | | | | 1 | Camber 7 | CAMBER7 | B |
| 4-Apr-08 | 13189BAF8 | | C | | | | 1 | Camber 7 | CAMBER7 | C |
| 4-Apr-08 | 13189BAG6 | | C | | | | 1 | Camber 7 | CAMBER7 | D |
| 5-Jun-08 | 13189BAB7 | | Ba2 | | | | 1 | Camber 7 | CAMBER7 | A1 |
| 5-Jun-08 | 13189BAC5 | | Caa1 | | | | 1 | Camber 7 | CAMBER7 | A2 |
| 5-Jun-08 | 13189BAD3 | | Caa2 | | | | 1 | Camber 7 | CAMBER7 | A3 |
| 5-Jun-08 | 13189BAE1 | | Ca | | | | 1 | Camber 7 | CAMBER7 | B |
| 2-Jul-08 | 13189BAA9 | | A1 | | | | 1 | Camber 7 | CAMBER7 | S |
| 7-Aug-08 | 13189BAB7 | | | B | | | 1 | Camber 7 | CAMBER7 | A1 |
| 7-Aug-08 | 13189BAC5 | | | CCC+ | | | 1 | Camber 7 | CAMBER7 | A2 |
| 7-Aug-08 | 13189BAD3 | | | CCC | | | 1 | Camber 7 | CAMBER7 | A3 |
| 7-Aug-08 | 13189BAE1 | | | CCC- | | | 1 | Camber 7 | CAMBER7 | B |
| 7-Aug-08 | 13189BAF8 | | | CC | | | 1 | Camber 7 | CAMBER7 | C |
| 23-Sep-08 | 13189BAA9 | | WR | | | | 1 | Camber 7 | CAMBER7 | S |
| 23-Sep-08 | 13189BAB7 | | Ca | | | | 1 | Camber 7 | CAMBER7 | A1 |
| 23-Sep-08 | 13189BAC5 | | C | | | | 1 | Camber 7 | CAMBER7 | A2 |
| 23-Sep-08 | 13189BAD3 | | C | | | | 1 | Camber 7 | CAMBER7 | A3 |
| 23-Sep-08 | 13189BAE1 | | C | | | | 1 | Camber 7 | CAMBER7 | B |
| 9-Dec-08 | 13189BAA9 | | | NR | | | 1 | Camber 7 | CAMBER7 | S |
| 9-Dec-08 | 13189BAB7 | | | CC | | | 1 | Camber 7 | CAMBER7 | A1 |
| 9-Dec-08 | 13189BAC5 | | | CC | | | 1 | Camber 7 | CAMBER7 | A2 |
| 9-Dec-08 | 13189BAD3 | | | CC | | | 1 | Camber 7 | CAMBER7 | A3 |
| 9-Dec-08 | 13189BAE1 | | | CC | | | 1 | Camber 7 | CAMBER7 | B |
| 4-Nov-09 | 13189BAC5 | | | D | | | 1 | Camber 7 | CAMBER7 | A2 |
| 4-Nov-09 | 13189BAD3 | | | D | | | 1 | Camber 7 | CAMBER7 | A3 |
| 4-Nov-09 | 13189BAE1 | | | D | | | 1 | Camber 7 | CAMBER7 | B |
| 5-Mar-07 | 347203AA9 | | | AAA | | | 1 | Fort Denison Funding | FTDEN | S |
| 5-Mar-07 | 347203AB7 | | | AAA | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 5-Mar-07 | 347203AC5 | | | AAA | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 5-Mar-07 | 347203AD3 | | | AAA | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 5-Mar-07 | 347203AE1 | | | AA | | | 1 | Fort Denison Funding | FTDEN | B |
| 29-Mar-07 | 347202AA1 | | NR | | | | 1 | Fort Denison Funding | FTDEN | INCOME |
| 29-Mar-07 | 347203AA9 | | Aaa | | | | 1 | Fort Denison Funding | FTDEN | S |
| 29-Mar-07 | 347203AB7 | | Aaa | | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 29-Mar-07 | 347203AC5 | | Aaa | | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 29-Mar-07 | 347203AD3 | | Aaa | | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 29-Mar-07 | 347203AE1 | | Aa2 | | | | 1 | Fort Denison Funding | FTDEN | B |
| 7-Nov-07 | 347203AE1 | | A3 | | | | 1 | Fort Denison Funding | FTDEN | B |
| 27-Dec-07 | 347203AC5 | | Ba3 | | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 27-Dec-07 | 347203AD3 | | Ba3 | | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 27-Dec-07 | 347203AE1 | | Ca | | | | 1 | Fort Denison Funding | FTDEN | B |
| 11-Jan-08 | 347203AB7 | | | A+ | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 11-Jan-08 | 347203AC5 | | | A+ | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 11-Jan-08 | 347203AD3 | | | A+ | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 11-Jan-08 | 347203AE1 | | | BB | | | 1 | Fort Denison Funding | FTDEN | B |
| 19-Feb-08 | 347203AA9 | | | AA | | | 1 | Fort Denison Funding | FTDEN | S |
| 19-Feb-08 | 347203AB7 | | | BB- | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 19-Feb-08 | 347203AC5 | | | CCC | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 19-Feb-08 | 347203AD3 | | | CCC | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 19-Feb-08 | 347203AE1 | | | CC | | | 1 | Fort Denison Funding | FTDEN | B |
| 25-Apr-08 | 347203AB7 | | B1 | | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 25-Apr-08 | 347203AC5 | | C | | | | 1 | Fort Denison Funding | FTDEN | A2A |

Responses from Blankfein to -1.(b) (ii) part B - Ratings

PSI_QFR_GS0213

| Date | Cusip | fitch Rating | moody Rating | sp Rating | fitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 25-Apr-08 | 347203AD3 | | C | | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 25-Apr-08 | 347203AE1 | | C | | | | 1 | Fort Denison Funding | FTDEN | B |
| 25-Jun-08 | 347203AB7 | | Ca | | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 17-Jul-08 | 347203AB7 | | | CCC | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 17-Jul-08 | 347203AC5 | | | CC | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 17-Jul-08 | 347203AD3 | | | CC | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 30-Jul-08 | 347203AA9 | | | NR | | | 1 | Fort Denison Funding | FTDEN | S |
| 4-Aug-08 | 347203AA9 | | WR | | | | 1 | Fort Denison Funding | FTDEN | S |
| 17-Dec-08 | 347203AB7 | | | D | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 17-Dec-08 | 347203AC5 | | | D | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 17-Dec-08 | 347203AD3 | | | D | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 17-Dec-08 | 347203AE1 | | | D | | | 1 | Fort Denison Funding | FTDEN | B |
| 1-May-09 | 347203AB7 | | | NR | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 1-May-09 | 347203AC5 | | | NR | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 1-May-09 | 347203AD3 | | | NR | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 1-May-09 | 347203AE1 | | | NR | | | 1 | Fort Denison Funding | FTDEN | B |
| 14-Jul-09 | 347203AB7 | | C | | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 17-Jul-09 | 347203AB7 | | WR | | | | 1 | Fort Denison Funding | FTDEN | A1 |
| 17-Jul-09 | 347203AC5 | | WR | | | | 1 | Fort Denison Funding | FTDEN | A2A |
| 17-Jul-09 | 347203AD3 | | WR | | | | 1 | Fort Denison Funding | FTDEN | A2B |
| 17-Jul-09 | 347203AE1 | | WR | | | | 1 | Fort Denison Funding | FTDEN | B |
| 27-Dec-06 | 443860AA9 | | Aaa | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 27-Dec-06 | 443860AB7 | | Aa3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 27-Dec-06 | 443860AC5 | | Aaa | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 27-Dec-06 | 443860AD3 | | Aa2 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 27-Dec-06 | 443860AE1 | | A2 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 27-Dec-06 | 443860AF8 | | Baa2 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 27-Dec-06 | 443860AG6 | | Ba1 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 29-Dec-06 | 443860AA9 | | | AAA | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 29-Dec-06 | 443860AB7 | | | AAA | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 29-Dec-06 | 443860AC5 | | | AAA | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 29-Dec-06 | 443860AD3 | | | AA | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 29-Dec-06 | 443860AE1 | | | A | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 29-Dec-06 | 443860AF8 | | | BBB | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 29-Dec-06 | 443860AG6 | | | BB+ | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 29-Dec-06 | 44386PAA4 | | | NR | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | PREF |
| 12-Sep-07 | 443860AE1 | | Baa1 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 12-Sep-07 | 443860AF8 | | Ba3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 12-Sep-07 | 443860AG6 | | Caa2 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 1-Nov-07 | 443860AE1 | | Ba3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 1-Nov-07 | 443860AF8 | | Caa1 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 1-Nov-07 | 443860AG6 | | Ca | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 21-Dec-07 | 443860AE1 | | | BBB | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 21-Dec-07 | 443860AF8 | | | B | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 21-Dec-07 | 443860AG6 | | | CC | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 22-Feb-08 | 443860AA9 | | | AA | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 22-Feb-08 | 443860AB7 | | | BB- | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 22-Feb-08 | 443860AC5 | | | BB- | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 22-Feb-08 | 443860AD3 | | | B- | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 22-Feb-08 | 443860AE1 | | | CCC- | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 22-Feb-08 | 443860AF8 | | | CC | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 8-Apr-08 | 443860AB7 | | Baa2 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 8-Apr-08 | 443860AC5 | | Baa2 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 8-Apr-08 | 443860AD3 | | Ba1 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 8-Apr-08 | 443860AE1 | | B3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 8-Apr-08 | 443860AF8 | | Ca | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 24-Apr-08 | 443860AB7 | | B3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 24-Apr-08 | 443860AC5 | | B3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 24-Apr-08 | 443860AD3 | | Caa3 | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 24-Apr-08 | 443860AE1 | | C | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 24-Apr-08 | 443860AF8 | | C | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 24-Apr-08 | 443860AG6 | | C | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 31-Jul-08 | 443860AB7 | | Ca | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 31-Jul-08 | 443860AC5 | | Ca | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 31-Jul-08 | 443860AD3 | | Ca | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 6-Aug-08 | 443860AA9 | | | B | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 6-Aug-08 | 443860AB7 | | | CCC- | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 6-Aug-08 | 443860AC5 | | | CCC- | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 6-Aug-08 | 443860AD3 | | | CC | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 6-Aug-08 | 443860AE1 | | | CC | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 8-Aug-08 | 443860AA9 | | Ca | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 8-Aug-08 | 443860AB7 | | C | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 8-Aug-08 | 443860AC5 | | C | | | | 1 | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |

Responses from Blankfein to -1.(b) (ii) part B - Ratings

PSI_QFR_GS0214

[4] **Footnote Exhibits - Page 2464**

| Date | Cusip | fitch Rating | moody Rating | sp Rating | fitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 6-Aug-08 | 443860AD3 | | C | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 20-Feb-09 | 443860AA9 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 20-Feb-09 | 443860AB7 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 20-Feb-09 | 443860AC5 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 20-Feb-09 | 443860AD3 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 20-Feb-09 | 443860AE1 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 20-Feb-09 | 443860AF8 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 20-Feb-09 | 443860AG6 | | | D | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 1-May-09 | 443860AA9 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 1-May-09 | 443860AB7 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 1-May-09 | 443860AC5 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 1-May-09 | 443860AD3 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 1-May-09 | 443860AE1 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 1-May-09 | 443860AF8 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 1-May-09 | 443860AG6 | | | NR | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 14-Jul-09 | 443860AA9 | | C | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 17-Jul-09 | 443860AA9 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | S |
| 17-Jul-09 | 443860AB7 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AF |
| 17-Jul-09 | 443860AC5 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | AB |
| 17-Jul-09 | 443860AD3 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | B |
| 17-Jul-09 | 443860AE1 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | C |
| 17-Jul-09 | 443860AF8 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | D |
| 17-Jul-09 | 443860AG6 | | WR | | | | | Hudson Mezzanine Funding 2006-1 | HUDSM061 | E |
| 1-Mar-07 | 44386NAA9 | | | NR | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | PREF |
| 1-Mar-07 | 44386NAC5 | | | BBB- | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 1-Mar-07 | 44386QAA2 | | | AAA | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 1-Mar-07 | 44386QAB0 | | | AAA | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 1-Mar-07 | 44386QAC8 | | | AAA | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 1-Mar-07 | 44386QAD6 | | | AA+ | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 1-Mar-07 | 44386QAE4 | | | A+ | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 1-Mar-07 | 44386QAF1 | | | BBB+ | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 29-Mar-07 | 44386NAA9 | | NR | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | PREF |
| 29-Mar-07 | 44386NAC5 | | Baa3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 29-Mar-07 | 44386QAA2 | | Aaa | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 29-Mar-07 | 44386QAB0 | | Aaa | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 29-Mar-07 | 44386QAC8 | | Aaa | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 29-Mar-07 | 44386QAD6 | | Aa2 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 29-Mar-07 | 44386QAE4 | | A2 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 29-Mar-07 | 44386QAF1 | | Baa1 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 6-Nov-07 | 44386NAC5 | | Caa3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 6-Nov-07 | 44386QAC8 | | Aa2 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 6-Nov-07 | 44386QAD6 | | A2 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 6-Nov-07 | 44386QAE4 | | Baa3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 6-Nov-07 | 44386QAF1 | | Ba3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 21-Dec-07 | 44386NAC5 | | | CCC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 21-Dec-07 | 44386QAD6 | | | AA- | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 21-Dec-07 | 44386QAE4 | | | BBB+ | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 21-Dec-07 | 44386QAF1 | | | B+ | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 19-Feb-08 | 44386NAC5 | | | CC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 19-Feb-08 | 44386QAA2 | | | AA | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 19-Feb-08 | 44386QAB0 | | | BB- | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 19-Feb-08 | 44386QAC8 | | | B- | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 19-Feb-08 | 44386QAD6 | | | CCC+ | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 19-Feb-08 | 44386QAE4 | | | CCC- | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 19-Feb-08 | 44386QAF1 | | | CC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 8-Apr-08 | 44386NAC5 | | Ca | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 8-Apr-08 | 44386QAB0 | | Baa1 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 8-Apr-08 | 44386QAC8 | | Baa3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 8-Apr-08 | 44386QAD6 | | Ba1 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 8-Apr-08 | 44386QAE4 | | B3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 8-Apr-08 | 44386QAF1 | | Ca | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 24-Apr-08 | 44386NAC5 | | C | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | E |
| 24-Apr-08 | 44386QAB0 | | Ba2 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 24-Apr-08 | 44386QAC8 | | B3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 24-Apr-08 | 44386QAD6 | | Caa3 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 24-Apr-08 | 44386QAE4 | | C | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 24-Apr-08 | 44386QAF1 | | C | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | D |
| 20-Aug-08 | 44386QAB0 | | | CCC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 20-Aug-08 | 44386QAC8 | | | CC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 20-Aug-08 | 44386QAD6 | | | CC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 20-Aug-08 | 44386QAE4 | | | CC | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | C |
| 25-Sep-08 | 44386QAA2 | | B1 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 25-Sep-08 | 44386QAB0 | | Ca | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |

Responses from Blankfein to -1.(b) (ii) part B - Ratings

PSI_QFR_GS0215

5 **Footnote Exhibits - Page 2465**

| Date | Cusip | fitch Rating | moody Rating | sp Rating | fitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 25-Sep-08 | 44386QAC8 | | C | | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 25-Sep-08 | 44386QAD6 | | C | | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 22-Oct-08 | 44386QAA2 | | | BB | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 22-Oct-08 | 44386QAB0 | | | CC | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 11-Dec-08 | 44386QAA2 | | Caa1 | | | | | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 24-Apr-09 | 44386QAB0 | | C | | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 29-Jul-09 | 44386QAA2 | | | CCC- | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 4-Nov-09 | 44386QAB0 | | | D | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A1 |
| 4-Nov-09 | 44386QAC8 | | | D | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | A2 |
| 4-Nov-09 | 44386QAD6 | | | D | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | B |
| 30-Dec-09 | 44386QAA2 | | Caa3 | | | | 1 | Hudson Mezzanine Funding 2006-2 | HUDSM062 | S |
| 25-Apr-07 | 730591AA2 | | | BBB | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | D |
| 25-Apr-07 | 730591AB0 | | | NR | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | PREF |
| 25-Apr-07 | 730594AA6 | | | AAA | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 25-Apr-07 | 730594AB4 | | | AAA | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 25-Apr-07 | 730594AC2 | | | AAA | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 25-Apr-07 | 730594AD0 | | | AA | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 25-Apr-07 | 730594AE8 | | | A | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | C |
| 28-Jun-07 | 730591AA2 | | Baa2 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | D |
| 28-Jun-07 | 730594AA6 | | Aaa | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 28-Jun-07 | 730594AB4 | | Aaa | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 28-Jun-07 | 730594AC2 | | Aaa | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 28-Jun-07 | 730594AD0 | | Aa2 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 28-Jun-07 | 730594AE8 | | A2 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | C |
| 11-Nov-07 | 730591AA2 | | Caa3 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | D |
| 11-Nov-07 | 730594AD0 | | A3 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 11-Nov-07 | 730594AE8 | | Ba3 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | C |
| 12-Mar-08 | 730591AA2 | | | CC | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | D |
| 12-Mar-08 | 730594AB4 | | | BB- | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 12-Mar-08 | 730594AC2 | | | CCC- | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 12-Mar-08 | 730594AD0 | | | CC | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 12-Mar-08 | 730594AE8 | | | CC | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | C |
| 4-Apr-08 | 730591AA2 | | Ca | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | D |
| 4-Apr-08 | 730594AB4 | | Ba1 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 4-Apr-08 | 730594AC2 | | Ba2 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 4-Apr-08 | 730594AD0 | | B1 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 4-Apr-08 | 730594AE8 | | Ca | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | C |
| 30-May-08 | 730591AA2 | | C | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | D |
| 30-May-08 | 730594AB4 | | Ca | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 30-May-08 | 730594AC2 | | Ca | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 30-May-08 | 730594AD0 | | Ca | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 30-May-08 | 730594AE8 | | C | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | C |
| 31-Jul-08 | 730594AB4 | | | CC | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 31-Jul-08 | 730594AC2 | | | CC | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 2-Sep-08 | 730594AA6 | | B1 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 2-Sep-08 | 730594AB4 | | C | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 2-Sep-08 | 730594AC2 | | C | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 2-Sep-08 | 730594AD0 | | C | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 6-Oct-08 | 730594AA6 | | | BB+ | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 11-Dec-08 | 730594AA6 | | Caa1 | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 12-Dec-08 | 730594AA6 | | | CCC- | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 22-Apr-09 | 730594AA6 | | C | | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 4-Nov-09 | 730594AA6 | | | D | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | S |
| 4-Nov-09 | 730594AB4 | | | D | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A1 |
| 4-Nov-09 | 730594AC2 | | | D | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | A2 |
| 4-Nov-09 | 730594AD0 | | | D | | | 1 | Point Pleasant Funding 2007-1 | PTPL071 | B |
| 30-Mar-07 | 88714NAA9 | | NR | | | | 1 | Timberwolf I | TIMBW1 | PREF |
| 30-Mar-07 | 88714PAA4 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 30-Mar-07 | 88714PAB2 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 30-Mar-07 | 88714PAC0 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 30-Mar-07 | 88714PAD8 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 30-Mar-07 | 88714PAE6 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 30-Mar-07 | 88714PAF3 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | A2 |
| 30-Mar-07 | 88714PAG1 | | Aa2 | | | | 1 | Timberwolf I | TIMBW1 | B |
| 30-Mar-07 | 88714PAH9 | | A2 | | | | 1 | Timberwolf I | TIMBW1 | C |
| 30-Mar-07 | 88714PAJ5 | | Baa2 | | | | 1 | Timberwolf I | TIMBW1 | D |
| 30-Mar-07 | 88714PAK2 | | Aaa | | | | 1 | Timberwolf I | TIMBW1 | S2 |
| 3-Apr-07 | 88714PAA4 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 3-Apr-07 | 88714PAB2 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 3-Apr-07 | 88714PAC0 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 3-Apr-07 | 88714PAD8 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 3-Apr-07 | 88714PAE6 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 3-Apr-07 | 88714PAF3 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | A2 |

Responses from Blankfein to -1.(b) (ii) part B - Ratings

PSI_QFR_GS0216

| Date | Cusip | fitch Rating | moody Rating | sp Rating | ftitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 3-Apr-07 | 88714PAG1 | | | AA | | | 1 | Timberwolf I | TIMBW1 | B |
| 3-Apr-07 | 88714PAH9 | | | A | | | 1 | Timberwolf I | TIMBW1 | C |
| 3-Apr-07 | 88714PAJ5 | | | BBB | | | 1 | Timberwolf I | TIMBW1 | D |
| 3-Apr-07 | 88714PAK2 | | | AAA | | | 1 | Timberwolf I | TIMBW1 | S2 |
| 7-Nov-07 | 88714PAC0 | | Aa3 | | | 1 | | Timberwolf I | TIMBW1 | A1B |
| 7-Nov-07 | 88714PAD8 | | A3 | | | 1 | | Timberwolf I | TIMBW1 | A1C |
| 7-Nov-07 | 88714PAE6 | | Baa1 | | | 1 | | Timberwolf I | TIMBW1 | A1D |
| 7-Nov-07 | 88714PAF3 | | Baa3 | | | 1 | | Timberwolf I | TIMBW1 | A2 |
| 7-Nov-07 | 88714PAG1 | | Ba1 | | | 1 | | Timberwolf I | TIMBW1 | B |
| 7-Nov-07 | 88714PAH9 | | Caa1 | | | 1 | | Timberwolf I | TIMBW1 | C |
| 7-Nov-07 | 88714PAJ5 | | Caa3 | | | 1 | | Timberwolf I | TIMBW1 | D |
| 7-Nov-07 | 88714PAK2 | | Baa2 | | | 1 | | Timberwolf I | TIMBW1 | S2 |
| 25-Mar-08 | 88714PAB2 | | | A+ | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 25-Mar-08 | 88714PAC0 | | | BBB+ | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 25-Mar-08 | 88714PAD8 | | | BB- | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 25-Mar-08 | 88714PAE6 | | | CCC+ | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 25-Mar-08 | 88714PAF3 | | | CC | | | 1 | Timberwolf I | TIMBW1 | A2 |
| 25-Mar-08 | 88714PAG1 | | | CC | | | 1 | Timberwolf I | TIMBW1 | B |
| 25-Mar-08 | 88714PAH9 | | | CC | | | 1 | Timberwolf I | TIMBW1 | C |
| 25-Mar-08 | 88714PAJ5 | | | CC | | | 1 | Timberwolf I | TIMBW1 | D |
| 25-Mar-08 | 88714PAK2 | | | CC | | | 1 | Timberwolf I | TIMBW1 | S2 |
| 31-Mar-08 | 88714PAA4 | | Aa2 | | | 1 | | Timberwolf I | TIMBW1 | S1 |
| 31-Mar-08 | 88714PAB2 | | A2 | | | 1 | | Timberwolf I | TIMBW1 | A1A |
| 31-Mar-08 | 88714PAC0 | | Ba3 | | | 1 | | Timberwolf I | TIMBW1 | A1B |
| 31-Mar-08 | 88714PAD8 | | Caa1 | | | 1 | | Timberwolf I | TIMBW1 | A1C |
| 31-Mar-08 | 88714PAE6 | | Caa3 | | | 1 | | Timberwolf I | TIMBW1 | A1D |
| 31-Mar-08 | 88714PAF3 | | C | | | 1 | | Timberwolf I | TIMBW1 | A2 |
| 31-Mar-08 | 88714PAG1 | | C | | | 1 | | Timberwolf I | TIMBW1 | B |
| 31-Mar-08 | 88714PAH9 | | C | | | 1 | | Timberwolf I | TIMBW1 | C |
| 31-Mar-08 | 88714PAJ5 | | C | | | 1 | | Timberwolf I | TIMBW1 | D |
| 31-Mar-08 | 88714PAK2 | | C | | | 1 | | Timberwolf I | TIMBW1 | S2 |
| 5-May-08 | 88714PAB2 | | Caa2 | | | 1 | | Timberwolf I | TIMBW1 | A1A |
| 5-May-08 | 88714PAC0 | | C | | | 1 | | Timberwolf I | TIMBW1 | A1B |
| 5-May-08 | 88714PAD8 | | C | | | 1 | | Timberwolf I | TIMBW1 | A1C |
| 5-May-08 | 88714PAE6 | | C | | | 1 | | Timberwolf I | TIMBW1 | A1D |
| 8-May-08 | 88714PAA4 | | | BB | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 8-May-08 | 88714PAB2 | | | BB | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 8-May-08 | 88714PAC0 | | | CCC- | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 8-May-08 | 88714PAD8 | | | CCC- | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 8-May-08 | 88714PAE6 | | | CCC- | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 9-Jul-08 | 88714PAA4 | | | B- | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 9-Jul-08 | 88714PAB2 | | | CCC | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 9-Jul-08 | 88714PAC0 | | | CC | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 9-Jul-08 | 88714PAD8 | | | CC | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 9-Jul-08 | 88714PAE6 | | | CC | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 31-Jul-08 | 88714PAA4 | | Caa1 | D | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 31-Jul-08 | 88714PAB2 | | C | D | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 31-Jul-08 | 88714PAC0 | | | D | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 31-Jul-08 | 88714PAD8 | | | D | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 31-Jul-08 | 88714PAE6 | | | D | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 31-Jul-08 | 88714PAF3 | | | D | | | 1 | Timberwolf I | TIMBW1 | A2 |
| 31-Jul-08 | 88714PAG1 | | | D | | | 1 | Timberwolf I | TIMBW1 | B |
| 31-Jul-08 | 88714PAH9 | | | D | | | 1 | Timberwolf I | TIMBW1 | C |
| 31-Jul-08 | 88714PAJ5 | | | D | | | 1 | Timberwolf I | TIMBW1 | D |
| 31-Jul-08 | 88714PAK2 | | | D | | | 1 | Timberwolf I | TIMBW1 | S2 |
| 20-Aug-08 | 88714PAA4 | | Ca | | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 1-May-09 | 88714PAA4 | | | NR | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 1-May-09 | 88714PAB2 | | | NR | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 1-May-09 | 88714PAC0 | | | NR | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 1-May-09 | 88714PAD8 | | | NR | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 1-May-09 | 88714PAE6 | | | NR | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 1-May-09 | 88714PAF3 | | | NR | | | 1 | Timberwolf I | TIMBW1 | A2 |
| 1-May-09 | 88714PAG1 | | | NR | | | 1 | Timberwolf I | TIMBW1 | B |
| 1-May-09 | 88714PAH9 | | | NR | | | 1 | Timberwolf I | TIMBW1 | C |
| 1-May-09 | 88714PAJ5 | | | NR | | | 1 | Timberwolf I | TIMBW1 | D |
| 1-May-09 | 88714PAK2 | | | NR | | | 1 | Timberwolf I | TIMBW1 | S2 |
| 14-Jul-09 | 88714PAA4 | | C | | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 17-Jul-09 | 88714PAA4 | | WR | | | | 1 | Timberwolf I | TIMBW1 | S1 |
| 17-Jul-09 | 88714PAB2 | | WR | | | | 1 | Timberwolf I | TIMBW1 | A1A |
| 17-Jul-09 | 88714PAC0 | | WR | | | | 1 | Timberwolf I | TIMBW1 | A1B |
| 17-Jul-09 | 88714PAD8 | | WR | | | | 1 | Timberwolf I | TIMBW1 | A1C |
| 17-Jul-09 | 88714PAE6 | | WR | | | | 1 | Timberwolf I | TIMBW1 | A1D |
| 17-Jul-09 | 88714PAF3 | | WR | | | | 1 | Timberwolf I | TIMBW1 | A2 |

Responses from Blankfein to -1.(b) (ii) part B - Ratings

PSI_QFR_GS0217

7 **Footnote Exhibits - Page 2467**

| Date | Cusip | fitch Rating | moody Rating | sp Rating | fitch | moody | sp | Deal Name | Intex Deal Name | Intex Tranche Name |
|---|---|---|---|---|---|---|---|---|---|---|
| 17-Jul-09 | 88714PAG1 | | WR | | | | | Timberwolf I | TIMBWI | B |
| 17-Jul-09 | 88714PAH9 | | WR | | | | | Timberwolf I | TIMBWI | C |
| 17-Jul-09 | 88714PAJ5 | | WR | | | | | Timberwolf I | TIMBWI | D |
| 17-Jul-09 | 88714PAK2 | | WR | | | | | Timberwolf I | TIMBWI | SZ |

Responses from Blankfein to -1.(b) (ii) part B - Ratings

PSI_QFR_GS0218

Confidential Treatment Requested by Goldman Sachs

**LB 1(b)(ii): In the provided spreadsheet, please explain the "1" notations under the S&P and Moody's columns.**

The transactions identified in Question 1(b)(ii) posed to Mr. Blankfein were rated by either Moody's or S&P. The "1" notation in the "moody" and "sp" columns in GS MBS 0000038828 identifies whether Moody's or S&P provided a rating. The actual ratings provided by Moody's or S&P are identified in the columns titled "moody Rating" or "sp Rating."

**Supplemental Response Received From Goldman Sachs**



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**ATTACHMENT 3**

Footnote Exhibit - Page 2469

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0220



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## GS Deals Issued & Underwritten

| Bloomberg Deal Name | Index Deal Name | Tranche Name | CUSIP | Tranche Description | Original Balance | Original Rating | | | Deal Closing Date | Deal Type |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Fitch | Moody | SP | | |
| ANDY 2007-1A A1A | ANDMF071 | A1A | 034050AB0 | MEZ_FLT | 190,000,000 | NA | Aaa | AAA | 20-Mar-07 | CDO |
| ANDY 2007-1A A1B | ANDMF071 | A1B | 034050AC8 | MEZ_FLT | 53,000,000 | NA | Aaa | AAA | 20-Mar-07 | CDO |
| ANDY 2007-1A A2 | ANDMF071 | A2 | 034050AD6 | MEZ_FLT | 30,500,000 | NA | Aaa | AAA | 20-Mar-07 | CDO |
| ANDY 2007-1A B | ANDMF071 | B | 034050AE4 | MEZ_FLT | 42,700,000 | NA | Aa2 | AA | 20-Mar-07 | CDO |
| ANDY 2007-1A C | ANDMF071 | C | 034050AF1 | MEZ_FLT | 16,775,000 | NA | A2 | A | 20-Mar-07 | CDO |
| ANDY 2007-1A D | ANDMF071 | D | 034050AG9 | MEZ_FLT | 11,090,000 | NA | Baa2 | BBB | 20-Mar-07 | CDO |
| ANDY 2007-1A INC | ANDMF071 | PREF | 03404PAA8 | JUN_SUB | 20,935,000 | NA | NR | NR | 20-Mar-07 | CDO |
| ANDY 2007-1A S | ANDMF071 | S | 034050AA2 | SEN_FLT | 2,450,000 | NA | Aaa | AAA | 20-Mar-07 | CDO |
| CAMBR 7A A1 | CAMBER7 | A1 | 13189BA87 | MEZ_FLT | 685,000,000 | NA | Aaa | AAA | 28-Feb-07 | CDO |
| CAMBR 7A A2 | CAMBER7 | A2 | 13189BAC5 | MEZ_FLT | 100,000,000 | NA | Aaa | AAA | 28-Feb-07 | CDO |
| CAMBR 7A A3 | CAMBER7 | A3 | 13189BAD3 | MEZ_FLT | 73,000,000 | NA | Aaa | AAA | 28-Feb-07 | CDO |
| CAMBR 7A B | CAMBER7 | B | 13189BAE1 | MEZ_FLT | 81,000,000 | NA | Aa2 | AA | 28-Feb-07 | CDO |
| CAMBR 7A C | CAMBER7 | C | 13189BAF8 | MEZ_FLT | 78,300,000 | NA | A2 | A | 28-Feb-07 | CDO |
| CAMBR 7A D | CAMBER7 | D | 13189BAG6 | MEZ_FLT | 45,450,000 | NA | Baa2 | BBB | 28-Feb-07 | CDO |
| CAMBR 7A E | CAMBER7 | E | 13189AAA1 | MEZ_FLT | 11,250,000 | NA | Ba1 | BB+ | 28-Feb-07 | CDO |
| CAMBR 7A INC | CAMBER7 | PREF | 13189AAB9 | JUN_SUB | 27,000,000 | NA | NR | NR | 28-Feb-07 | CDO |
| CAMBR 7A S | CAMBER7 | S | 13189BAA9 | SEN_FLT | 15,500,000 | NA | Aaa | AAA | 28-Feb-07 | CDO |
| FORTD 2007-1A A1 | FTDEN | A1 | 347203AB7 | SEN_FLT | 225,000,000 | NA | Aaa | AAA | 14-Feb-07 | CDO |
| FORTD 2007-1A A2A | FTDEN | A2A | 347203AC5 | SEN_FLT | 60,000,000 | NA | Aaa | AAA | 14-Feb-07 | CDO |
| FORTD 2007-1A A2B | FTDEN | A2B | 347203AD3 | SEN_FLT | 80,000,000 | NA | Aaa | AAA | 14-Feb-07 | CDO |
| FORTD 2007-1A B | FTDEN | B | 347203AE1 | MEZ_FLT | 41,000,000 | NA | Aa2 | AA | 14-Feb-07 | CDO |
| FORTD 2007-1A C | FTDEN | C | FTD9KET10 | MEZ_FLT | 64,000,000 | NA | NA | NA | 14-Feb-07 | CDO |
| FORTD 2007-1A INC | FTDEN | INCOME | 347202AA1 | JUN_SUB | 30,000,000 | NA | NR | NA | 14-Feb-07 | CDO |
| FORTD 2007-1A S | FTDEN | S | 347203AA9 | SEN_FLT | 5,300,000 | NA | Aaa | AAA | 14-Feb-07 | CDO |
| HUDM2 2006-1A AB | HUDSM061 | AB | 44386QAC5 | MEZ_FLT | 120,000,000 | NA | Aaa | AAA | 5-Dec-06 | CDO |
| HUDM2 2006-1A AF | HUDSM061 | AF | 44386QAB7 | MEZ_FLT | 110,000,000 | NA | Aaa | AAA | 5-Dec-06 | CDO |
| HUDM2 2006-1A B | HUDSM061 | B | 44386QAD3 | MEZ_FLT | 230,000,000 | NA | Aa2 | AA | 5-Dec-06 | CDO |
| HUDM2 2006-1A C | HUDSM061 | C | 44386QAE1 | MEZ_FLT | 170,000,000 | NA | A2 | A | 5-Dec-06 | CDO |
| HUDM2 2006-1A D | HUDSM061 | D | 44386QAF8 | MEZ_FLT | 84,000,000 | NA | Baa2 | BBB | 5-Dec-06 | CDO |
| HUDM2 2006-1A E | HUDSM061 | E | 44386QAG6 | MEZ_FLT | 26,000,000 | NA | Ba1 | BB+ | 5-Dec-06 | CDO |
| HUDM2 2006-1A INC | HUDSM061 | PREF | 44386PAA4 | JUN_SUB | 60,000,000 | NA | NA | NR | 5-Dec-06 | CDO |
| HUDM2 2006-1A S | HUDSM061 | S | 44386QAA9 | SEN_FLT | 37,000,000 | NA | Aaa | AAA | 5-Dec-06 | CDO |
| HUDM2 2006-1A | HUDSM061 | SPR_SNR | HUDQ3BZC0 | MEZ_FLT | 1,200,000,000 | NA | NA | NA | 5-Dec-06 | CDO |
| HUDM2 2006-2A A1 | HUDSM062 | A1 | 44385QAB0 | MEZ_FLT | 240,000,000 | NA | Aaa | AAA | 8-Feb-07 | CDO |
| HUDM2 2006-2A A2 | HUDSM062 | A2 | 44385QAC8 | MEZ_FLT | 46,000,000 | NA | Aaa | AAA | 8-Feb-07 | CDO |
| HUDM2 2006-2A B | HUDSM062 | B | 44385QAD6 | MEZ_FLT | 56,000,000 | NA | Aa2 | AA+ | 8-Feb-07 | CDO |
| HUDM2 2006-2A C | HUDSM062 | C | 44386QAE4 | MEZ_FLT | 20,000,000 | NA | A2 | A+ | 8-Feb-07 | CDO |
| HUDM2 2006-2A D | HUDSM062 | D | 44386QAF1 | MEZ_FLT | 18,000,000 | NA | Baa1 | BBB+ | 8-Feb-07 | CDO |
| HUDM2 2006-2A E | HUDSM062 | E | 44386NAC5 | MEZ_FLT | 4,000,000 | NA | Baa3 | BBB- | 8-Feb-07 | CDO |
| HUDM2 2006-2A INC | HUDSM062 | PREF | 44386NAA9 | JUN_SUB | 16,000,000 | NA | NR | NR | 8-Feb-07 | CDO |
| HUDM2 2006-2A S | HUDSM062 | S | 44386QAA2 | SEN_FLT | 7,900,000 | NA | Aaa | AAA | 8-Feb-07 | CDO |
| PTPLS 2007-1A A1 | PTPLQ71 | A1 | 730594AB4 | MEZ_FLT | 254,930,000 | NA | Aaa | AAA | 18-Apr-07 | CDO |
| PTPLS 2007-1A A2 | PTPLQ71 | A2 | 730594AC2 | MEZ_FLT | 170,000,000 | NA | Aaa | AAA | 18-Apr-07 | CDO |
| PTPLS 2007-1A B | PTPLQ71 | B | 730594AD0 | MEZ_FLT | 100,000,000 | NA | Aa2 | AA | 18-Apr-07 | CDO |
| PTPLS 2007-1A C | PTPLQ71 | C | 730594AE8 | MEZ_FLT | 28,000,000 | NA | A2 | A | 18-Apr-07 | CDO |
| PTPLS 2007-1A D | PTPLQ71 | D | 730591AA2 | MEZ_FLT | 32,000,000 | NA | Baa2 | BBB | 18-Apr-07 | CDO |
| PTPLS 2007-1A INC | PTPLQ71 | PREF | 730591AB0 | JUN_SUB | 20,170,000 | NA | NA | NR | 18-Apr-07 | CDO |
| PTPLS 2007-1A S | PTPLQ71 | S | 730594AA6 | SEN_FLT | 6,000,000 | NA | Aaa | AAA | 18-Apr-07 | CDO |
| PTPLS 2007-1A | PTPLQ71 | SPR_SNR | PTPLXSYC0 | SEN_FLT | 403,400,000 | NA | NA | NA | 18-Apr-07 | CDO |
| TWOLF 2007-1A A1A | TIMBW1 | A1A | 88714PAB2 | MEZ_FLT | 100,000,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |
| TWOLF 2007-1A A1B | TIMBW1 | A1B | 88714PAC0 | MEZ_FLT | 200,000,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |
| TWOLF 2007-1A A1C | TIMBW1 | A1C | 88714PAD8 | MEZ_FLT | 100,000,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |
| TWOLF 2007-1A A1D | TIMBW1 | A1D | 88714PAE6 | MEZ_FLT | 100,000,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |
| TWOLF 2007-1A A2 | TIMBW1 | A2 | 88714PAF3 | MEZ_FLT | 305,000,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |
| TWOLF 2007-1A B | TIMBW1 | B | 88714PAG1 | MEZ_FLT | 107,000,000 | NA | Aa2 | AA | 27-Mar-07 | CDO |
| TWOLF 2007-1A C | TIMBW1 | C | 88714PAH9 | MEZ_FLT | 36,000,000 | NA | A2 | A | 27-Mar-07 | CDO |







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# Footnote Exhibits - Page 2471

## GS Deals Issued & Underwritten

| Bloomberg Deal Name | Index Deal Name | Tranche Name | CUSIP | Tranche Description | Original Balance | Original Rating: Fitch | Original Rating: Moody | Original Rating: SP | Deal Closing Date | Deal Type |
|---|---|---|---|---|---|---|---|---|---|---|
| TWOLF 2007-1A D | TIMBW1 | D | 88714PAJ5 | MEZ_FLT | 30,000,000 | NA | Baa2 | BBB | 27-Mar-07 | CDO |
| TWOLF 2007-1A INC | TIMBW1 | PREF | 88714NAA9 | JUN_SUB | 22,000,000 | NA | NR | NA | 27-Mar-07 | CDO |
| TWOLF 2007-1A S1 | TIMBW1 | S1 | 88714PAA4 | SEN_FLT | 9,000,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |
| TWOLF 2007-1A S2 | TIMBW1 | S2 | 88714PAK2 | MEZ_FLT | 8,300,000 | NA | Aaa | AAA | 27-Mar-07 | CDO |





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ATTACHMENT 4

GOLDMAN SACHS/LLOYD BLANKFEIN
RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD

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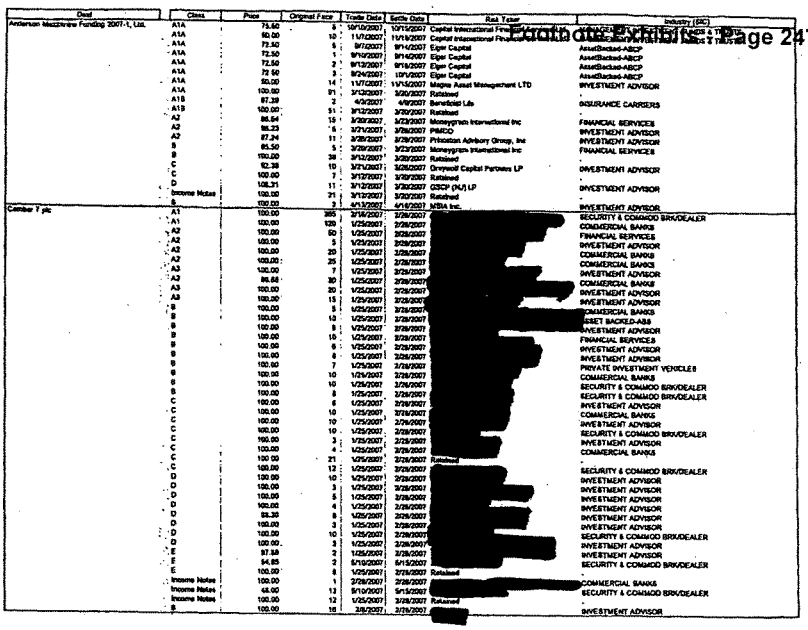

| Deal | Class | Price | Original Face | Trade Date | Settle Date | Risk Taker | Industry (SIC) |
|---|---|---|---|---|---|---|---|
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 75.50 | 8 | 10/10/2007 | 10/15/2007 | Capital International Finan | FINANCIAL SERVICES & TRUS |
| | A1A | 80.00 | 10 | 11/7/2007 | 11/13/2007 | Capital International Finan | - |
| | A1A | 72.50 | 5 | 9/7/2007 | 9/14/2007 | Elper Capital | AssetBacked-ABCP |
| | A1A | 72.50 | 1 | 9/10/2007 | 9/14/2007 | Elper Capital | AssetBacked-ABCP |
| | A1A | 72.50 | 2 | 9/13/2007 | 9/18/2007 | Elper Capital | AssetBacked-ABCP |
| | A1A | 72.50 | 3 | 9/24/2007 | 10/1/2007 | Elper Capital | AssetBacked-ABCP |
| | A1A | 50.00 | 14 | 11/7/2007 | 11/13/2007 | Magna Asset Management LTD | INVESTMENT ADVISOR |
| | A1A | 100.00 | 91 | 3/13/2007 | 3/20/2007 | Retained | - |
| | A1B | 87.38 | 2 | 4/3/2007 | 4/9/2007 | Beneficial Life | INSURANCE CARRIERS |
| | A1B | 100.00 | 51 | 3/12/2007 | 3/20/2007 | Retained | - |
| | A2 | 86.64 | 15 | 3/20/2007 | 3/23/2007 | Moneygram International Inc | FINANCIAL SERVICES |
| | A2 | 86.23 | 16 | 3/21/2007 | 3/28/2007 | PIMCO | INVESTMENT ADVISOR |
| | A2 | 87.24 | 11 | 3/28/2007 | 3/28/2007 | Princeton Advisory Group, Inc | INVESTMENT ADVISOR |
| | B | 85.50 | 5 | 3/26/2007 | 3/23/2007 | Moneygram International Inc | FINANCIAL SERVICES |
| | B | 100.00 | 39 | 3/12/2007 | 3/20/2007 | Retained | - |
| | C | 82.38 | 10 | 3/21/2007 | 3/28/2007 | Drwynoll Capital Partners LP | INVESTMENT ADVISOR |
| | C | 100.00 | 7 | 3/12/2007 | 3/20/2007 | Retained | - |
| | D | 108.31 | 11 | 3/12/2007 | 3/20/2007 | GSCP (NJ) LP | INVESTMENT ADVISOR |
| | Income Notes | 100.00 | 21 | 3/12/2007 | 3/20/2007 | Retained | - |
| | S | 100.00 | 2 | 4/13/2007 | 4/18/2007 | MBIA Inc. | INVESTMENT ADVISOR |
| Camber 7 plc | A1 | 100.00 | 385 | 3/16/2007 | 3/28/2007 | [redacted] | SECURITY & COMMOD BRK/DEALER |
| | A1 | 100.00 | 120 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | A2 | 100.00 | 50 | 1/25/2007 | 3/28/2007 | | FINANCIAL SERVICES |
| | A2 | 100.00 | 5 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | A2 | 100.00 | 20 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | A2 | 100.00 | 25 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | A3 | 100.00 | 7 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | A3 | 99.84 | 30 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | A3 | 100.00 | 20 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | A3 | 100.00 | 15 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | B | 100.00 | 5 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | B | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | ASSET BACKED-ABS |
| | B | 100.00 | 8 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | B | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | FINANCIAL SERVICES |
| | B | 100.00 | 6 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | B | 100.00 | 8 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | B | 100.00 | 7 | 1/25/2007 | 3/28/2007 | | PRIVATE INVESTMENT VEHICLES |
| | B | 100.00 | 10 | 1/24/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | B | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | SECURITY & COMMOD BRK/DEALER |
| | B | 100.00 | 8 | 1/25/2007 | 3/28/2007 | | SECURITY & COMMOD BRK/DEALER |
| | C | 100.00 | 6 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | C | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | C | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | C | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | SECURITY & COMMOD BRK/DEALER |
| | C | 100.00 | 3 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | C | 100.00 | 4 | 1/25/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | C | 100.00 | 21 | 1/25/2007 | 3/28/2007 | Retained | - |
| | C | 100.00 | 12 | 1/25/2007 | 3/28/2007 | | SECURITY & COMMOD BRK/DEALER |
| | D | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | D | 100.00 | 3 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | D | 100.00 | 5 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | D | 100.00 | 4 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | D | 99.30 | 8 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | D | 100.00 | 3 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | D | 100.00 | 10 | 1/25/2007 | 3/28/2007 | | SECURITY & COMMOD BRK/DEALER |
| | D | 100.00 | 3 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | E | 97.88 | 2 | 1/25/2007 | 3/28/2007 | | INVESTMENT ADVISOR |
| | E | 94.85 | 2 | 5/10/2007 | 6/13/2007 | | SECURITY & COMMOD BRK/DEALER |
| | E | 100.00 | 8 | 1/25/2007 | 3/28/2007 | Retained | - |
| | Income Notes | 100.00 | 1 | 3/28/2007 | 3/28/2007 | | COMMERCIAL BANKS |
| | Income Notes | 44.00 | 12 | 5/10/2007 | 5/13/2007 | | SECURITY & COMMOD BRK/DEALER |
| | Income Notes | 100.00 | 12 | 1/25/2007 | 3/28/2007 | Retained | - |
| | S | 100.00 | 18 | 2/8/2007 | 3/28/2007 | | INVESTMENT ADVISOR |

= Redacted by the Permanent Subcommittee on Investigations



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($ in millions)

| Deal | Class | Price | Original Face | Trade Date | Settle Date | Rating | Industry Code |
|---|---|---|---|---|---|---|---|
| Fort Denison Funding, Ltd. | A1 | 99.79 | 225 | 1/12/2007 | 2/14/2007 | [redacted] | [redacted] |
| | A2A | 100.00 | 80 | 1/10/2007 | 2/14/2007 | | COMMERCIAL BANKS |
| | A2B | 100.00 | 60 | 1/10/2007 | 2/14/2007 | | COMMERCIAL BANKS |
| | A2S | 100.00 | 15 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR |
| | A2S | 100.00 | 5 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR |
| | B | 100.00 | 4 | 1/10/2007 | 2/14/2007 | | SECURITY & COMMOD BRK/DEALER |
| | B | 100.00 | 10 | 2/9/2007 | 2/13/2007 | | SECURITY & COMMOD BRK/DEALER |
| | B | 100.00 | 7 | 1/10/2007 | 2/14/2007 | Retained | - |
| | B | 100.00 | 20 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR |
| | C Loss | 100.00 | 64 | 1/10/2007 | 2/14/2007 | | COMMERCIAL BANKS |
| | Income Notes | 100.00 | 11 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR |
| | Income Notes | 100.00 | 14 | 1/10/2007 | 2/14/2007 | Retained | - |
| | S | 100.00 | 5 | 1/10/2007 | 2/14/2007 | Retained | - |
| Hudson Mezzanine Funding 2006-1, Ltd. | A9 | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Church Tavern Advisors LLC | INVESTMENT ADVISOR |
| | A9 | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Citigroup, Inc. | INVESTMENT ADVISOR |
| | A9 | 100.00 | 60 | 10/25/2006 | 12/5/2006 | National Australia Bank Limited | COMMERCIAL BANKS |
| | A9 | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR |
| | A9 | 100.00 | 4 | 10/25/2006 | 12/5/2006 | Redwood Trust Inc | MORTGAGE BANK |
| | AF | 100.00 | 55 | 11/15/2006 | 12/5/2006 | GSC CDO Warehouse | Asset Backed-CDO |
| | AF | 100.00 | 65 | 10/25/2006 | 12/5/2006 | UBS AG | COMMERCIAL BANKS |
| | B | 100.00 | 40 | 10/25/2006 | 12/5/2006 | Church Tavern Advisors LLC | INVESTMENT ADVISOR |
| | B | 100.00 | 15 | 10/25/2006 | 12/5/2006 | Farfer Securities SV | FINANCIAL SERVICES |
| | B | 100.00 | 20 | 10/25/2006 | 12/5/2006 | Koch Diesel Capital | PRIVATE INVESTMENT VEHICLES |
| | B | 100.00 | 40 | 10/25/2006 | 12/5/2006 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR |
| | B | 100.00 | 60 | 10/25/2006 | 12/5/2006 | Retained | - |
| | B | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Security Benefit Mutual Holding Company | INSURANCE CARRIERS |
| | B | 100.00 | 5 | 10/25/2006 | 12/5/2006 | Ballard Capital Partners LLP | INVESTMENT ADVISOR |
| | B | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Trust Company of the West (TCW) | FINANCIAL SERVICES |
| | B | 99.62 | 54 | 1/11/2007 | 1/17/2007 | Trust Company of the West (TCW) | FINANCIAL SERVICES |
| | B | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Vanderbilt Capital Advisors, LLC | INVESTMENT ADVISOR |
| | C | 97.35 | 15 | 12/19/2006 | 12/22/2006 | Commerzbank AG | COMMERCIAL BANKS |
| | C | 93.90 | 8 | 2/14/2007 | 2/20/2007 | Dillon Read | INVESTMENT ADVISOR |
| | C | 98.71 | 13 | 10/25/2006 | 12/5/2006 | GSC Group | Asset Backed-CDO |
| | C | 99.77 | 8 | 10/25/2006 | 12/5/2006 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR |
| | D | 100.00 | 125 | 10/25/2006 | 12/5/2006 | Retained | - |
| | D | 92.24 | 6 | 10/25/2006 | 12/5/2006 | Fortis Bank | COMMERCIAL BANKS |
| | D | 12.00 | 8 | 6/6/2007 | 6/11/2007 | Greywolf Capital Partners LP | INVESTMENT ADVISOR |
| | D | 99.94 | 7 | 1/18/2006 | 12/5/2006 | GSCP (NJ) LP | INVESTMENT ADVISOR |
| | D | 89.04 | 3 | 10/30/2006 | 12/5/2006 | GSCP (NJ) LP | INVESTMENT ADVISOR |
| | D | 96.04 | 4 | 10/25/2006 | 12/5/2006 | Natixis SA | COMMERCIAL BANKS |
| | D | 83.23 | 6 | 3/28/2007 | 4/4/2007 | Marlow Investment Group | FINANCIAL SERVICES |
| | D | 100.00 | 85 | 10/25/2006 | 12/5/2006 | Retained | - |
| | E | 98.50 | 12 | 10/26/2006 | 12/5/2006 | Dynamic Credit Partners LLC | INVESTMENT ADVISOR |
| | E | 100.00 | 11 | 10/25/2006 | 12/5/2006 | Retained | - |
| | E | 100.00 | 2 | 10/25/2006 | 12/5/2006 | Trust Company of the West (TCW) | FINANCIAL SERVICES |
| | Income Notes | 25.00 | 6 | 12/8/2006 | 12/7/2006 | Retained | SECURITY & COMMOD BRK/DEALER |
| | Income Notes | 80.00 | 5 | 10/25/2006 | 12/5/2006 | Bear Stearns Companies, Inc | INVESTMENT ADVISOR |
| | Income Notes | 95.00 | 1 | 1/3/2007 | 1/4/2007 | Colonial BancGroup | COMMERCIAL BANKS |
| | Income Notes | 81.00 | 4 | 4/18/2007 | 4/18/2007 | Dillon Read | INVESTMENT ADVISOR |
| | Income Notes | 85.00 | 10 | 10/25/2006 | 12/5/2006 | Greywolf Capital Partners LP | INVESTMENT ADVISOR |
| | Income Notes | 95.00 | 9 | 10/26/2006 | 12/5/2006 | Marlow Investment Group | FINANCIAL SERVICES |
| | Income Notes | 80.31 | 32 | 1/8/2008 | 12/8/2008 | Citigroup, Inc. | INVESTMENT ADVISOR |
| | Income Notes | 83.00 | 2 | 10/25/2006 | 12/5/2006 | Trust Company of the West (TCW) | FINANCIAL SERVICES |
| | S | 100.00 | 1 | 12/29/2006 | 1/4/2007 | GS CDO Warehouse | AssetBacked-ABCP |
| | S | 100.00 | 2 | 12/28/2006 | 1/4/2007 | GS CDO Warehouse | AssetBacked-ABCP |
| | S | 100.00 | 9 | 12/13/2006 | 12/20/2006 | Host Bay CDO Warehouse | ASSET BACKED-CDO |
| | S | 100.00 | 8 | 1/18/2007 | 1/18/2007 | Host Bay CDO Warehouse | ASSET BACKED-CDO |
| | S | 100.00 | 1 | 1/29/2007 | 2/2/2007 | Host Bay CDO Warehouse | ASSET BACKED-CDO |
| | S | 100.00 | 9 | 2/13/2007 | 2/21/2007 | Host Bay CDO Warehouse | ASSET BACKED-CDO |
| | S | 100.00 | 1 | 12/13/2006 | 12/20/2006 | Hudson CDO Warehouse | ASSET BACKED-CDO |
| | S | 100.00 | 30 | 10/25/2006 | 12/5/2006 | MBIA Inc | INVESTMENT ADVISOR |
| | S | 100.00 | 1 | 10/25/2006 | 12/5/2006 | Retained | - |
| | Sr. Swap | 0.00 | 1,200 | 12/5/2006 | 12/5/2006 | Morgan Stanley & Co | SECURITY & COMMOD BRK/DEALER |

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($ in millions)

| Deal | Class | Price | Original Face | Trade Date | Settle Date | Risk Taker | Industry (SIC) |
|---|---|---|---|---|---|---|---|
| Hudson Mezzanine Funding 2006-2, Ltd. | A1 | 93.51 | 125 | 2/21/2007 | 2/28/2007 | [redacted] | [redacted] |
| | A1 | 100.00 | 113 | 12/7/2006 | 3/6/2007 | Retained | - |
| | A2 | 100.00 | 26 | 12/21/2006 | 3/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | A2 | 100.00 | 20 | 12/7/2006 | 3/8/2007 | [redacted] | COMMERCIAL BANKS |
| | B | 99.82 | 13 | 12/27/2006 | 2/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | B | 99.82 | 20 | 12/21/2006 | 3/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | B | 99.82 | 25 | 12/21/2006 | 3/6/2007 | Retained | - |
| | C | 100.00 | 13 | 12/7/2006 | 3/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | C | 100.00 | 2 | 12/21/2006 | 3/6/2007 | [redacted] | SECURITY & COMMOD BRKR/DEALER |
| | C | 100.00 | 6 | 12/21/2006 | 3/6/2007 | Retained | - |
| | D | 99.21 | 5 | 2/13/2007 | 2/14/2007 | [redacted] | Asset Backed-ABS |
| | D | 100.00 | 13 | 12/21/2006 | 3/6/2007 | Retained | - |
| | E | 98.18 | 2 | 12/7/2006 | 2/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | E | 100.00 | 2 | 12/21/2006 | 3/6/2007 | Retained | - |
| | Income Notes | 100.00 | 3 | 1/24/2007 | 2/6/2007 | [redacted] | COMMERCIAL BANKS |
| | Income Notes | 99.00 | 5 | 12/21/2006 | 2/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | Income Notes | 100.00 | 3 | 12/27/2006 | 2/6/2007 | [redacted] | INVESTMENT ADVISOR |
| | Income Notes | 100.00 | 3 | 12/27/2006 | 3/6/2007 | Retained | - |
| | S | 100.00 | 4 | 3/16/2007 | 3/20/2007 | Anderson CDO Warehouse | - |
| | S | 100.00 | 4 | 3/22/2007 | 3/27/2007 | GS CDO Warehouse | Asset Backed-ABCP |
| Point Pleasant Funding 2007-1, Ltd. | A1 | 100.00 | 127 | 4/1/2007 | 4/13/2007 | [redacted] | INVESTMENT ADVISOR |
| | A1 | 100.00 | 107 | 4/10/2007 | 4/18/2007 | Retained | - |
| | A1 | 99.70 | 20 | 6/19/2007 | 6/29/2007 | Tokyo Star Bank | COMMERCIAL BANKS |
| | A2 | 100.00 | 85 | 4/1/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR |
| | A2 | 25.00 | 1 | 8/21/2007 | 8/24/2007 | [redacted] | FINANCIAL SERVICES |
| | A2 | 27.50 | 1 | 9/20/2007 | 9/27/2007 | [redacted] | FINANCIAL SERVICES |
| | A2 | 20.00 | 1 | 10/29/2007 | 11/5/2007 | [redacted] | FINANCIAL SERVICES |
| | A2 | 91.30 | 20 | 6/24/2007 | 4/27/2007 | Moneygram International Inc | FINANCIAL SERVICES |
| | A2 | 91.20 | 40 | 6/24/2007 | 6/24/2007 | Perseus Capital Group, LLC | INVESTMENT ADVISOR |
| | A2 | 100.00 | 33 | 4/10/2007 | 4/18/2007 | Retained | - |
| | B | 100.00 | 50 | 4/1/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR |
| | B | 100.00 | 50 | 4/10/2007 | 4/18/2007 | Retained | - |
| | C | 100.00 | 14 | 4/1/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR |
| | C | 97.67 | 8 | 4/10/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR |
| | C | 20.00 | 2 | 7/23/2007 | 7/26/2007 | [redacted] | INVESTMENT ADVISOR |
| | C | 100.00 | 4 | 4/10/2007 | 4/18/2007 | Retained | - |
| | D | 81.72 | 15 | 6/19/2007 | 6/29/2007 | Bank Capital Group | INVESTMENT ADVISOR |
| | D | 100.00 | 16 | 4/1/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR |
| | D | 88.39 | 11 | 4/10/2007 | 4/18/2007 | Marrow Investment Group | FINANCIAL SERVICES |
| | Income Notes | 100.00 | 10 | 4/1/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR |
| | Income Notes | 100.00 | 10 | 4/1/2007 | 4/18/2007 | Retained | - |
| | S | 100.00 | 6 | 4/10/2007 | 4/18/2007 | Retained | - |
| | Sr. Swap | 0.00 | 450 | 4/18/2007 | 4/18/2007 | [redacted] | COMMERCIAL BANKS |
| Timberwolf I, Ltd. | A1A | 99.43 | 50 | 3/13/2007 | 3/27/2007 | MBIA Inc. | INVESTMENT ADVISOR |
| | A1A | 99.47 | 50 | 5/2/2007 | 6/1/2007 | Rabobank, N.A. | COMMERCIAL BANKS |
| | A1B | 100.00 | 200 | 3/13/2007 | 3/27/2007 | Bear Stearns Companies, Inc | INVESTMENT ADVISOR |
| | A1C | 99.71 | 100 | 3/13/2007 | 3/27/2007 | Bear Stearns Companies, Inc | INVESTMENT ADVISOR |
| | A1D | 100.00 | 100 | 3/13/2007 | 3/27/2007 | Bear Stearns Companies, Inc | INVESTMENT ADVISOR |
| | A2 | 94.00 | 20 | 6/1/2007 | 6/14/2007 | Carlyle Group | INVESTMENT ADVISOR |
| | A2 | 94.50 | 50 | 6/1/2007 | 6/14/2007 | Hanghua Life Insurance Co., Ltd | INSURANCE CARRIERS |
| | A2 | 87.79 | 35 | 4/23/2007 | 4/26/2007 | Moneygram International Inc | FINANCIAL SERVICES |
| | A2 | 87.00 | 40 | 5/24/2007 | 5/24/2007 | Perseus Capital Group, LLC | INVESTMENT ADVISOR |
| | A2 | 100.00 | 149 | 3/13/2007 | 3/27/2007 | Retained | - |
| | A2 | 83.80 | 20 | 5/30/2007 | 6/4/2007 | Tokyo Star Bank | COMMERCIAL BANKS |
| | B | 78.25 | 7 | 7/5/2007 | 7/12/2007 | Bank Hapoalim | COMMERCIAL BANKS |
| | B | 78.25 | 21 | 7/11/2007 | 7/13/2007 | Bank Hapoalim | COMMERCIAL BANKS |
| | B | 100.00 | 69 | 3/13/2007 | 3/27/2007 | Retained | - |
| | C | 95.15 | 20 | 4/4/2007 | 4/11/2007 | Graywolf Capital Partners LP | INVESTMENT ADVISOR |
| | C | 72.50 | 18 | 3/28/2007 | 4/2/2007 | Polygon Investment Partners | INVESTMENT ADVISOR |
| | D | 82.41 | 30 | 3/13/2007 | 3/27/2007 | Graywolf Capital Partners LP | INVESTMENT ADVISOR |
| | Income Notes | 100.00 | 11 | 3/13/2007 | 3/27/2007 | Graywolf Capital Partners LP | INVESTMENT ADVISOR |
| | Income Notes | 70.00 | 11 | 5/24/2007 | 5/30/2007 | Graywolf Capital Partners LP | INVESTMENT ADVISOR |
| | B1 | 100.00 | 9 | 3/22/2007 | 3/27/2007 | Retained | - |
| | B2 | 100.00 | 5 | 3/22/2007 | 3/27/2007 | Retained | - |

Footnote Exhibits - Page 2475

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Schedule of Gross Cred

| Deal | Class | Price | Original Face | Trade Date | Settle Date | Risk Taker | Industry (SIC) | Emp Name | Gross Credit % |
|---|---|---|---|---|---|---|---|---|---|
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 75.50 | 5 | 10/10/2007 | 10/15/2007 | Capital International Financial Services Ltd. | MANAGEMENT INVESTMENT FUNDS & TRUSTS | Ceder, Leor | 2.5% |
| | A1A | 50.00 | 10 | 11/7/2007 | 11/13/2007 | Capital International Financial Services Ltd. | MANAGEMENT INVESTMENT FUNDS & TRUSTS | Ceder, Leor | 2.0% |
| | A1A | 72.50 | 5 | 9/7/2007 | 9/14/2007 | Elger Capital | AssetBacked-ABCP | Andersen, Alexander | 2.0% |
| | A1A | 72.50 | 1 | 9/10/2007 | 9/14/2007 | Elger Capital | AssetBacked-ABCP | Andersen, Alexander | 0.0% |
| | A1A | 72.50 | 2 | 9/12/2007 | 9/18/2007 | Elger Capital | AssetBacked-ABCP | Andersen, Alexander | 0.0% |
| | A1A | 72.50 | 3 | 9/24/2007 | 10/1/2007 | Elger Capital | AssetBacked-ABCP | Andersen, Alexander | 2.0% |
| | A1A | 50.00 | 14 | 11/7/2007 | 11/15/2007 | Magna Asset Management LTD | INVESTMENT ADVISOR | Ceder, Leor | 2.0% |
| | A1B | 97.39 | 2 | 4/3/2007 | 4/9/2007 | Beneficial Life | INSURANCE CARRIERS | Gilligan, Brendan | 1.0% |
| | A2 | 96.54 | 15 | 3/20/2007 | 3/23/2007 | Moneygram International Inc | FINANCIAL SERVICES | Gilligan, Brendan | 1.5% |
| | A2 | 98.23 | 5 | 3/21/2007 | 3/28/2007 | PIMCO | INVESTMENT ADVISOR | Loggins, Dick | 1.5% |
| | A2 | 97.24 | 11 | 3/28/2007 | 3/29/2007 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR | Fertel-Kramer/Phillips | 1.5% |
| | B | 95.50 | 5 | 3/20/2007 | 3/23/2007 | Moneygram International Inc | FINANCIAL SERVICES | Gilligan, Brendan | 1.5% |
| | C | 92.38 | 10 | 3/21/2007 | 3/28/2007 | Graywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 2.5% |
| | D | 108.21 | 11 | 3/13/2007 | 3/20/2007 | GSCP (NJ) LP | INVESTMENT ADVISOR | Willing, Curtis | 0.0% |
| | S | 100.00 | 3 | 4/13/2007 | 4/18/2007 | MBIA Inc. | INVESTMENT ADVISOR | Davilman, Andrew | 0.1% |
| Camber 7 plc | A1 | 100.00 | 365 | 2/16/2007 | 2/28/2007 | [redacted] | SECURITY & COMMOD BRK/DEALER | [redacted] | 0.1% |
| | A1 | 100.00 | 120 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 0.1% |
| | A2 | 100.00 | 50 | 1/25/2007 | 2/28/2007 | | FINANCIAL SERVICES | | 0.2% |
| | A2 | 100.00 | 5 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | A2 | 100.00 | 20 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 0.2% |
| | A2 | 100.00 | 25 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 0.2% |
| | A3 | 100.00 | 7 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | A3 | 99.88 | 30 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 0.3% |
| | A3 | 100.00 | 20 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | A3 | 100.00 | 15 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | B | 100.00 | 5 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 0.6% |
| | B | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | ASSET BACKED-ABS | | 0.3% |
| | B | 100.00 | 8 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.3% |
| | B | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | FINANCIAL SERVICES | | 0.3% |
| | B | 100.00 | 8 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.3% |
| | B | 100.00 | 8 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 0.3% |
| | B | 100.00 | 7 | 1/25/2007 | 2/28/2007 | | PRIVATE INVESTMENT VEHICLES | | 0.3% |
| | B | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 0.3% |
| | B | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 0.3% |
| | B | 100.00 | 8 | 1/25/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 0.3% |
| | C | 100.00 | 8 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 1.0% |
| | C | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 1.0% |
| | C | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 1.0% |
| | C | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 1.0% |
| | C | 100.00 | 3 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 1.0% |
| | C | 100.00 | 4 | 1/25/2007 | 2/28/2007 | | COMMERCIAL BANKS | | 1.0% |
| | C | 100.00 | 12 | 1/25/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 1.0% |
| | D | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 3.5% |
| | D | 100.00 | 3 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 3.5% |
| | D | 100.00 | 5 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 3.5% |
| | D | 100.00 | 4 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 3.5% |
| | D | 98.30 | 8 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 3.5% |
| | D | 100.00 | 3 | 1/25/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 3.5% |
| | D | 100.00 | 10 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 3.5% |
| | D | 100.00 | 3 | 1/25/2007 | 2/28/2007 | | INVESTMENT ADVISOR | | 5.0% |
| | E | 97.88 | 2 | 1/25/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 10.0% |
| | E | 54.85 | 2 | 5/10/2007 | 5/15/2007 | | COMMERCIAL BANKS | | |
| | Income Notes | 100.00 | 1 | 2/28/2007 | 2/28/2007 | | SECURITY & COMMOD BRK/DEALER | | 10.0% |
| | Income Notes | 48.00 | 13 | 5/10/2007 | 5/15/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | S | 100.00 | 16 | 2/8/2007 | 2/28/2007 | | | | |



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Schedule of Gross Cred

| Deal | Class | Price | Original Face | Trade Date | Settle Date | Risk Taker | Industry (SIC) | Emp Mgmt | |
|---|---|---|---|---|---|---|---|---|---|
| Fort Denison Funding, Ltd. | A1 | 99.79 | 225 | 1/12/2007 | 2/14/2007 | [redacted] | COMMERCIAL BANKS | [redacted] | 0.1% |
| | A2A | 100.00 | 60 | 1/10/2007 | 2/14/2007 | | COMMERCIAL BANKS | | 0.1% |
| | A2B | 100 | 60 | 1/10/2007 | 2/14/2007 | | COMMERCIAL BANKS | | 0.2% |
| | A2B | 100.00 | 15 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | A2B | 100.00 | 5 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR | | 0.0% |
| | B | 100.00 | 4 | 1/10/2007 | 2/14/2007 | | SECURITY & COMMOD BRK/DEALER | | 0.3% |
| | B | 100.00 | 10 | 2/9/2007 | 2/15/2007 | | SECURITY & COMMOD BRK/DEALER | | 0.3% |
| | B | 100.00 | 20 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR | | 0.3% |
| | C Loan | 100.00 | 64 | 1/10/2007 | 2/14/2007 | | COMMERCIAL BANKS | | |
| | Income Notes | 100.00 | 17 | 1/10/2007 | 2/14/2007 | | INVESTMENT ADVISOR | | 10.0% |
| Hudson Mezzanine Funding 2006-1, Ltd. | AB | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Church Tavern Advisors LLC | INVESTMENT ADVISOR | Reich, Spencer | 0.4% |
| | AB | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Citigroup, Inc. | INVESTMENT ADVISOR | Weldman/Mutter | 0.4% |
| | AB | 100.00 | 60 | 10/25/2006 | 12/5/2006 | National Australia Bank Limited. | COMMERCIAL BANKS | Fraser/Lee/Ha | 0.4% |
| | AB | 100.00 | 16 | 10/25/2006 | 12/5/2006 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR | Mermagen, Morgan Schma | 0.4% |
| | AB | 100.00 | 4 | 10/25/2006 | 12/5/2006 | Redwood Trust Inc | MORTGAGE BANK | Paige, Kevin | 0.4% |
| | AF | 100.00 | 55 | 10/25/2006 | 12/5/2006 | UBS AG | COMMERCIAL BANKS | Kelly, Ryan | 0.4% |
| | B | 100.00 | 40 | 10/25/2006 | 12/5/2006 | Church Tavern Advisors LLC | INVESTMENT ADVISOR | Reich, Spencer | 0.5% |
| | B | 100.00 | 15 | 10/25/2006 | 12/5/2006 | Fador Securities SV | FINANCIAL SERVICES | Van Dijk, Emile | 0.5% |
| | B | 100.00 | 20 | 10/25/2006 | 12/5/2006 | Koch Global Capital | PRIVATE INVESTMENT VEHICLES | Romaszka/Kerr | 0.5% |
| | B | 100.00 | 40 | 10/25/2006 | 12/5/2006 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR | Mermagen, Morgan Schma | 0.5% |
| | B | 100.00 | 10 | 10/25/2006 | 12/6/2006 | Security Benefit Mutual Holding Company | INSURANCE CARRIERS | Romaszka/Kerr | 0.5% |
| | B | 100.00 | 5 | 10/25/2006 | 12/5/2006 | Solent Capital Partners LLP | INVESTMENT ADVISOR | Vemudachi, Charles | 0.5% |
| | B | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Trust Company of the West (TCW) | FINANCIAL SERVICES | Loggins, Dick | 0.5% |
| | B | 99.42 | 14 | 1/11/2007 | 1/17/2007 | Trust Company of the West (TCW) | FINANCIAL SERVICES | Loggins, Dick | 1.0% |
| | B | 100.00 | 10 | 10/25/2006 | 12/5/2006 | Vanderbilt Capital Advisors, LLC | INVESTMENT ADVISOR | Geddi, Robert | 0.5% |
| | C | 97.56 | 15 | 12/18/2006 | 12/22/2006 | Commerzbank AG | COMMERCIAL BANKS | Ophel, Dave | 3.3% |
| | C | 93.90 | 8 | 2/14/2007 | 2/20/2007 | Dillon Read | INVESTMENT ADVISOR | Waldman, Fred | 5.0% |
| | C | 99.77 | 15 | 10/25/2006 | 12/5/2006 | GSC Group | Asset Backed-CDO | | |
| | C | 99.77 | 8 | 10/25/2006 | 12/5/2006 | Princeton Advisory Group, Inc. | INVESTMENT ADVISOR | Mermagen, Morgan Schma | 2.5% |
| | D | 99.04 | 5 | 10/25/2006 | 12/5/2006 | Fortis Bank | COMMERCIAL BANKS | Glezer, Ronnet | 5.0% |
| | D | 10.00 | 5 | 9/8/2007 | 9/11/2007 | Greywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 0.3% |
| | D | 99.04 | 7 | 11/8/2006 | 12/5/2006 | GSCP (NJ) LP | INVESTMENT ADVISOR | Willing, Curtis | 5.0% |
| | D | 99.04 | 3 | 10/30/2006 | 12/5/2006 | GSCP (NJ) LP | INVESTMENT ADVISOR | Willing, Curtis | 5.0% |
| | D | 98.04 | 4 | 10/25/2006 | 12/5/2006 | Natixis SA | COMMERCIAL BANKS | Mermagen, Morgan Schma | 5.0% |
| | D | 83.23 | 5 | 3/28/2007 | 4/4/2007 | Mariner Investment Group | FINANCIAL SERVICES | Carrett, Paul | 5.0% |
| | E | 98.50 | 13 | 10/25/2006 | 12/5/2006 | Dynamic Credit Partners LLC | INVESTMENT ADVISOR | Reinstein, Darren J. | 7.5% |
| | E | 100.00 | 2 | 10/25/2006 | 12/5/2006 | Trust Company of the West (TCW) | FINANCIAL SERVICES | Loggins, Dick | 7.5% |
| | Income Notes | 60.00 | 5 | 10/25/2006 | 12/5/2006 | Bear Stearns Companies, Inc. | INVESTMENT ADVISOR | Davliman, Andrew | 10.0% |
| | Income Notes | 95.00 | 1 | 1/3/2007 | 1/4/2007 | Colonial BancGroup | COMMERCIAL BANKS | Rubertl, Timothy | 10.0% |
| | Income Notes | 81.00 | 4 | 4/18/2007 | 4/19/2007 | Dillon Read | INVESTMENT ADVISOR | Waldman, Fred | 0.0% |
| | Income Notes | 85.00 | 10 | 10/25/2006 | 12/5/2006 | Greywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 10.0% |
| | Income Notes | 95.00 | 5 | 10/26/2006 | 12/5/2006 | Mariner Investment Group | FINANCIAL SERVICES | Chew, Patricia | 0.0% |
| | Income Notes | 80.31 | 30 | 12/8/2006 | 12/8/2006 | Citigroup, Inc. | INVESTMENT ADVISOR | | |
| | Income Notes | 93.00 | 2 | 10/25/2006 | 12/5/2006 | Trust Company of the West (TCW) | FINANCIAL SERVICES | Loggins, Dick | 10.0% |
| | S | 100.00 | 30 | 10/25/2006 | 12/5/2006 | MBIA Inc. | INVESTMENT ADVISOR | Davliman, Andrew | 0.2% |
| | Sr. Swap | 0.00 | 1,200 | 12/5/2006 | 12/5/2006 | Morgan Stanley & Co | SECURITY & COMMOD BRK/DEALER | | |
| Hudson Mezzanine Funding 2006-2, Ltd. | A1 | 98.51 | 125 | 2/21/2007 | 2/28/2007 | [redacted] | COMMERCIAL BANKS | [redacted] | 0.2% |
| | A2 | 100.00 | 28 | 12/21/2006 | 2/8/2007 | | INVESTMENT ADVISOR | | 0.2% |
| | A2 | 100.00 | 20 | 12/21/2006 | 2/8/2007 | | COMMERCIAL BANKS | | 0.2% |
| | B | 99.92 | 12 | 12/21/2006 | 2/8/2007 | | INVESTMENT ADVISOR | | 0.3% |
| | B | 99.92 | 20 | 12/21/2006 | 2/8/2007 | | INVESTMENT ADVISOR | | 0.3% |
| | C | 100.00 | 12 | 12/21/2006 | 2/8/2007 | | INVESTMENT ADVISOR | | 1.0% |
| | C | 100.00 | 2 | 12/21/2006 | 2/8/2007 | | SECURITY & COMMOD BRK/DEALER | | |
| | E | 99.16 | 2 | 12/21/2006 | 2/8/2007 | | INVESTMENT ADVISOR | | 5.0% |





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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income Notes | 100.00 | 3 | 1/24/2007 | 2/8/2007 | [redacted] | COMMERCIAL BANKS | 10.0% |
| | Income Notes | 66.00 | 8 | 12/21/2006 | 2/8/2007 | [redacted] | INVESTMENT ADVISOR | 10.0% |
| | Income Notes | 100.00 | 3 | 12/22/2006 | 2/8/2007 | [redacted] | INVESTMENT ADVISOR | 10.0% |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Schedule of Gross Cred

| Deal | Class | Price | Original Face | Trade Date | Settle Date | Risk Taker | Industry (SIC) | Emp Name | |
|---|---|---|---|---|---|---|---|---|---|
| Point Pleasant Funding 2007-1, Ltd. | A1 | 100.00 | 127 | 4/11/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | A1 | 90.70 | 20 | 6/19/2007 | 6/26/2007 | Tokyo Star Bank | COMMERCIAL BANKS | Weda, Koji (FI) | 4.0% |
| | A2 | 100.00 | 65 | 4/11/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | A2 | 25.00 | 1 | 8/21/2007 | 8/24/2007 | [redacted] | FINANCIAL SERVICES | [redacted] | 5.0% |
| | A2 | 27.50 | 1 | 9/20/2007 | 9/27/2007 | [redacted] | FINANCIAL SERVICES | [redacted] | 5.0% |
| | A2 | 20.00 | 1 | 10/29/2007 | 11/5/2007 | [redacted] | FINANCIAL SERVICES | [redacted] | 2.0% |
| | A2 | 91.30 | 20 | 4/24/2007 | 4/27/2007 | Moneygram International Inc | FINANCIAL SERVICES | Gilligan, Brendan | 2.0% |
| | A2 | 91.00 | 40 | 5/24/2007 | 5/24/2007 | Paramax Capital Group, LLC | INVESTMENT ADVISOR | Radtke, Lorin | 2.0% |
| | B | 100.00 | 50 | 4/11/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | C | 100.00 | 14 | 4/11/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | C | 87.57 | 8 | 4/10/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | C | 20.00 | 2 | 7/23/2007 | 7/26/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 1.0% |
| | D | 81.72 | 15 | 4/19/2007 | 4/24/2007 | Basis Capital Group | INVESTMENT ADVISOR | Carrett, Paul | 5.0% |
| | D | 100.00 | 16 | 4/11/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | D | 88.38 | 11 | 4/10/2007 | 4/18/2007 | Mariner Investment Group | FINANCIAL SERVICES | Carrett, Paul | 5.0% |
| | Income Notes | 100.00 | 10 | 4/11/2007 | 4/18/2007 | [redacted] | INVESTMENT ADVISOR | [redacted] | 0.0% |
| | Sr. Swap | 0.00 | 403 | 4/18/2007 | 4/18/2007 | | COMMERCIAL BANKS | | |
| Timberwolf I, Ltd. | A1A | 99.43 | 50 | 3/13/2007 | 3/27/2007 | MBIA Inc. | INVESTMENT ADVISOR | Davilman, Andrew | 1.0% |
| | A1A | 99.47 | 50 | 5/2/2007 | 5/7/2007 | Rabobank, N.A | COMMERCIAL BANKS | FraserLee/Ha | 1.0% |
| | A1B | 100.00 | 200 | 3/13/2007 | 3/27/2007 | Bear Stearns Companies, Inc. | INVESTMENT ADVISOR | Davilman, Andrew | 0.0% |
| | A1C | 99.71 | 100 | 3/13/2007 | 3/27/2007 | Bear Stearns Companies, Inc. | INVESTMENT ADVISOR | Davilman, Andrew | 0.0% |
| | A1D | 100.00 | 100 | 3/13/2007 | 3/27/2007 | Bear Stearns Companies, Inc. | INVESTMENT ADVISOR | Davilman, Andrew | 0.0% |
| | A2 | 84.00 | 20 | 6/11/2007 | 6/14/2007 | Carlyle Group | INVESTMENT ADVISOR | Ruberti, Timothy | 6.0% |
| | A2 | 84.50 | 56 | 6/11/2007 | 6/14/2007 | Hungkuk Life Insurance Co., Ltd | INSURANCE CARRIERS | Park, Kevin (FICC) | 7.0% |
| | A2 | 97.79 | 20 | 4/23/2007 | 4/26/2007 | Moneygram International Inc | FINANCIAL SERVICES | Gilligan, Brendan | 2.0% |
| | A2 | 87.00 | 40 | 5/24/2007 | 5/24/2007 | Paramax Capital Group, LLC | INVESTMENT ADVISOR | Radtke, Lorin | 2.0% |
| | A2 | 83.90 | 20 | 5/30/2007 | 6/4/2007 | Tokyo Star Bank | COMMERCIAL BANKS | Weda, Koji (FI) | 8.0% |
| | B | 78.25 | 7 | 7/5/2007 | 7/12/2007 | Bank Hapoalim | COMMERCIAL BANKS | Ceder, Leor | 8.0% |
| | B | 78.25 | 2 | 7/11/2007 | 7/13/2007 | Bank Hapoalim | COMMERCIAL BANKS | Ceder, Leor | 8.0% |
| | C | 95.15 | 20 | 4/4/2007 | 4/11/2007 | Greywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 0.0% |
| | C | 72.50 | 16 | 3/28/2007 | 4/2/2007 | Polygon Investment Partners | INVESTMENT ADVISOR | Raazi, Cactus | 3.1% |
| | D | 92.41 | 30 | 3/13/2007 | 3/27/2007 | Greywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 0.0% |
| | Income Notes | 100.00 | 11 | 3/13/2007 | 3/27/2007 | Greywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 0.0% |
| | Income Notes | 70.00 | 11 | 5/24/2007 | 5/30/2007 | Greywolf Capital Partners LP | INVESTMENT ADVISOR | Martin, Nicole | 5.0% |

*Goldman Sachs notes that the gross credits information in the enclosed spreadsheet are expressed as a percentage of the notional balance associated with each trade. Gross credits are one of many measures used by Goldman Sachs to track activity between the Goldman Sachs sales force and clients and do not reflect the compensation paid to salespeople.





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**Confidential Treatment Requested by Goldman Sachs**

**LB 1(b)(iii)&(iv): What is the appropriate method for calculating the sale price of each security? Were any securities repurchased by Goldman Sachs? If so, at what price?**

The sale price for the securities issued in connection with the CDO transactions identified in Questions 1(b)(iii) & (iv) posed to Mr. Blankfein were contractually agreed to by the purchaser and the seller.

In response to the Staff's follow-up question, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000087064) identifying securities issued by the identified CDOs that were repurchased by Goldman Sachs in the ordinary course of business at fair value.

**Supplemental Response Received From Goldman Sachs**



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Secondary Trades in Securities Issued by Mortgage-Related CDOs
CONFIDENTIAL TREATMENT REQUESTED BY GOLDMAN SACHS

| CUSIP | Buy/Sell | Original Face | Bond Name | Price | Trade Date | Settle Date | Counterparty |
|---|---|---|---|---|---|---|---|
| G03652AG2 | Buy | 1,590,000 | ANDY 0701 D REGS | 0.03 | 11/30/2007 | 12/5/2007 | GSC |
| 13189BAC5 | Buy | 5,000,000 | CAMBER 7 A2 144A | 5.00 | 1/18/2008 | 1/24/2008 | [redacted] |
| 13189BAD3 | Buy | 7,000,000 | CAMBER 7 A3 144A | 5.00 | 1/18/2008 | 1/24/2008 | [redacted] |
| G17754AD7 | Buy | 30,000,000 | CAMBER 7 A3 REGS | 5.00 | 12/21/2007 | 12/26/2007 | [redacted] |
| G17754AD7 | Buy | 8,218,000 | CAMBER 7 A3 REGS | 0.00 | 9/18/2008 | 9/24/2008 | [redacted] |
| G17754AE5 | Buy | 5,000,000 | CAMBER 7 B REGS | 5.00 | 12/21/2007 | 12/26/2007 | [redacted] |
| 347203AC5 | Buy | 1,000,000 | FORTD 0701 A2A 144A | 10.00 | 11/1/2007 | 11/6/2007 | [redacted] |
| G46429AA7 | Buy | 5,000,000 | HUDMZ 061 INCOME NOT | 85.00 | 9/28/2007 | 4/4/2007 | Mariner Bridge Invs |
| 44386PAA4 | Buy | 10,000,000 | HUDMZ 061 INCOME NOT | 5.00 | 9/6/2007 | 9/11/2007 | Greywolf Capital Par |
| 44386PAA4 | Buy | 1,000,000 | HUDMZ 061 INCOME NOT | 2.50 | 10/9/2007 | 10/12/2007 | Epirus Capital Mgmt |
| 443860AA9 | Buy | 1,740,000 | HUDMZ 061 S 144A | 15.00 | 8/26/2008 | 8/29/2008 | Trust Co of the West |
| 44386PAA4 | Buy | 500,000 | HUDMZ 061 INCOME NOT | 0.00 | 12/29/2008 | 12/31/2008 | Trust Co of the West |
| 44386NAA9 | Buy | 2,500,000 | HUDMZ 062 INCOME NOT | 95.00 | 2/21/2007 | 2/26/2007 | [redacted] |
| 44386NAA9 | Buy | 3,000,000 | HUDMZ 062 INCOME NOT | 2.50 | 10/9/2007 | 10/12/2007 | [redacted] |
| 44386QAA2 | Buy | 4,300,000 | HUDMZ 062 S 144A | 100.00 | 5/16/2008 | 5/19/2008 | [redacted] |
| 44386NAC5 | Buy | 2,000,000 | HUDMZ 062 E 144A | 0.00 | 8/17/2009 | 8/20/2009 | [redacted] |
| 44386NAA9 | Buy | 8,000,000 | HUDMZ 062 INCOME NOT | 0.00 | 8/17/2009 | 8/20/2009 | [redacted] |
| 44386QAC8 | Buy | 11,000,000 | HUDMZ 062 A2 144A | 0.05 | 5/18/2010 | 5/21/2010 | [redacted] |
| G71503AA7 | Buy | 7,500,000 | PTPLS 0701 D REGS | 81.72 | 4/19/2007 | 4/23/2007 | [redacted] |
| 730594AC2 | Buy | 10,000,000 | PTPLS 0701 A2 144A | 91.30 | 4/26/2007 | 5/1/2007 | [redacted] |
| G71503AA7 | Buy | 15,000,000 | PTPLS 0701 D REGS | 10.00 | 7/24/2007 | 7/24/2007 | BASIS CAPITAL FUNDS |
| 730594AE8 | Buy | 2,000,000 | PTPLS 0701 C 144A | 0.00 | 7/2/2008 | 7/8/2008 | [redacted] |
| 88714PAC0 | Buy | 75,000,000 | TWOLF 0701 A1B 144A | 96.00 | 6/19/2007 | 6/19/2007 | Bear Stearns Asset M |
| 88714PAC0 | Buy | 125,000,000 | TWOLF 0701 A1B 144A | 96.00 | 6/19/2007 | 6/19/2007 | Bear Stearns Asset M |
| 88714PAD8 | Buy | 100,000,000 | TWOLF 0701 A1C 144A | 90.00 | 6/19/2007 | 6/19/2007 | Bear Stearns Asset M |

Supplemental Response Received From Goldman Sachs

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Goldman Sachs
Footnote Exhibits - Page 2481

| CUSIP | BuySell | OrigFace | CurrFace | Bond Name | TradeDate | SettleDate | Counterparty |
|---|---|---|---|---|---|---|---|
| 00255BAA5 | Buy | 12,500,000.00 | 12,500,000.00 | ABACUS 068 A1 144A | 11/12/2008 | 11/17/2008 | [redacted] |
| 00255BAA5 | Buy | 15,000,000.00 | - | ABACUS 068 A1 144A | 1/25/2010 | 1/28/2010 | |
| 00255BAA5 | Buy | 7,500,000.00 | 7,500,000.00 | ABACUS 068 A1 144A | 11/18/2008 | 11/21/2008 | |
| 00255BAB3 | Buy | 3,000,000.00 | 3,000,000.00 | ABACUS 068 A2 144A | 8/15/2008 | 8/20/2008 | |
| 00255BAB3 | Buy | 8,000,000.00 | - | ABACUS 068 A2 144A | 1/25/2010 | 1/28/2010 | |
| 00255TAA6 | Buy | 80,000,000.00 | 80,000,000.00 | ABACUS 051 A1 144A | 10/22/2009 | 10/27/2009 | |
| 002561AF5 | Buy | 135,000,000.00 | 135,000,000.00 | ABACUS 06HG51 AMSS 1 | 6/19/2007 | 6/19/2007 | |
| 002563AA2 | Buy | 10,500,000.00 | 10,500,000.00 | ABACUS 06N51 H 144A | 2/15/2007 | 2/21/2007 | |
| 002563AB0 | Buy | 4,625,000.00 | 4,625,000.00 | ABACUS 06N51 J 144A | 2/15/2007 | 2/21/2007 | |
| 002563AC8 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 06N51 K 144A | 2/15/2007 | 2/21/2007 | |
| 00256FAA5 | Buy | 62,000,000.00 | 62,000,000.00 | ABACUS 055 A1 144A | 10/22/2009 | 10/27/2009 | |
| 00256FAA5 | Buy | 42,000,000.00 | 42,000,000.00 | ABACUS 055 A1 144A | 2/12/2010 | 2/18/2010 | |
| 00256GAA3 | Buy | 3,000,000.00 | 3,000,000.00 | ABACUS 054 A1 144A | 8/22/2007 | 8/27/2007 | |
| 00256GAA3 | Buy | 22,000,000.00 | 22,000,000.00 | ABACUS 054 A1 144A | 11/28/2007 | 12/3/2007 | |
| 00256GAA3 | Buy | 25,000,000.00 | 25,000,000.00 | ABACUS 054 A1 144A | 3/12/2010 | 3/17/2010 | |
| 00256GAA3 | Buy | 120,000,000.00 | 120,000,000.00 | ABACUS 054 A1 144A | 4/14/2010 | 4/19/2010 | |
| 00256GAA3 | Buy | 50,000,000.00 | 50,000,000.00 | ABACUS 054 A1 144A | 5/17/2006 | 5/22/2006 | |
| 00256GAB1 | Buy | 7,000,000.00 | 7,000,000.00 | ABACUS 054 A2 144A | 10/25/2006 | 10/30/2006 | |
| 00256GAB1 | Buy | 7,000,000.00 | 7,000,000.00 | ABACUS 054 A2 144A | 3/12/2010 | 3/17/2010 | |
| 00256GAB1 | Buy | 7,000,000.00 | 7,000,000.00 | ABACUS 054 A2 144A | 5/17/2007 | 5/22/2007 | |
| 00256LAB0 | Buy | 10,000,000.00 | 10,000,000.00 | ABACUS 053 B 144A | 10/6/2009 | 10/9/2009 | |
| 00256LAB0 | Buy | 20,000,000.00 | 20,000,000.00 | ABACUS 053 B 144A | 8/13/2009 | 8/18/2009 | |
| 00256LAB0 | Buy | 21,000,000.00 | 21,000,000.00 | ABACUS 053 B 144A | 4/6/2010 | 4/9/2010 | |
| 00256LAB0 | Buy | 60,000,000.00 | 60,000,000.00 | ABACUS 053 B 144A | 2/12/2010 | 2/18/2010 | |
| 00256NAA8 | Buy | 6,000,000.00 | 6,000,000.00 | ABACUS 053 E 144A | 12/20/2006 | 12/28/2006 | |
| 00256NAD2 | Buy | 25,000,000.00 | 25,000,000.00 | ABACUS 053 D 144A | 3/29/2006 | 4/3/2006 | |
| 00256NAE0 | Buy | 10,000,000.00 | 10,000,000.00 | ABACUS 053 D SR2 144 | 10/20/2009 | 10/23/2009 | |
| 00256PAC9 | Buy | 15,500,000.00 | 15,500,000.00 | ABACUS 054 C 144A | 7/12/2007 | 7/17/2007 | |
| 00256VAC6 | Buy | 10,000,000.00 | 10,000,000.00 | ABACUS 05CB1 B 144A | 8/18/2006 | 8/23/2006 | |
| 00256WAB6 | Buy | 250,000.00 | 250,000.00 | ABACUS 05CB1 F 144A | 6/20/2008 | 6/25/2008 | |
| 00256WAB6 | Buy | 1,356,500.00 | 1,356,500.00 | ABACUS 05CB1 F 144A | 11/13/2008 | 11/18/2008 | |
| 002573AA1 | Buy | 15,000,000.00 | 15,000,000.00 | ABACUS 06NS1 A 144A | 6/17/2008 | 6/20/2008 | |
| 00257BAC6 | Buy | 15,000,000.00 | 15,000,000.00 | ABACUS 0617 B 144A | 12/11/2009 | 12/16/2009 | |
| 00257BAC6 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 0617 B 144A | 7/21/2009 | 7/24/2009 | |
| 00257BAE2 | Buy | 10,020,000.00 | 10,020,000.00 | ABACUS 0617 D 144A | 3/24/2009 | 3/27/2009 | |
| 00257BAJ1 | Buy | 12,780,000.00 | 12,780,000.00 | ABACUS 0617 H 144A | 2/15/2007 | 2/21/2007 | |
| 00257BAK8 | Buy | 3,000,000.00 | 3,000,000.00 | ABACUS 0617 J 144A | 12/27/2006 | 12/29/2006 | |
| 00257BAK8 | Buy | 8,760,000.00 | 8,760,000.00 | ABACUS 0617 J 144A | 2/15/2007 | 2/21/2007 | |
| 00257BAL6 | Buy | 9,480,000.00 | 9,480,000.00 | ABACUS 0617 K 144A | 2/15/2007 | 2/21/2007 | |
| 00257BAA8 | Buy | 6,000,000.00 | 6,000,000.00 | ABACUS 0617 L 144A | 2/15/2007 | 2/21/2007 | |
| 00257BAB6 | Buy | 4,500,000.00 | 4,500,000.00 | ABACUS 0617 M 144A | 2/15/2007 | 2/21/2007 | |
| 00257BAC4 | Buy | 3,000,000.00 | 3,000,000.00 | ABACUS 0617 N 144A | 2/15/2007 | 2/21/2007 | |
| 00257BAD2 | Buy | 1,500,000.00 | 1,500,000.00 | ABACUS 0617 O 144A | 3/24/2009 | 3/27/2009 | |
| 00257BAE0 | Buy | 750,000.00 | 750,000.00 | ABACUS 0617 P 144A | 3/24/2009 | 3/27/2009 | |
| 00257BAF7 | Buy | 750,000.00 | 750,000.00 | ABACUS 0617 Q 144A | 3/24/2009 | 3/27/2009 | |
| 00257BAG5 | Buy | 6,000,000.00 | 6,000,000.00 | ABACUS 0617 FL 144A | 3/24/2009 | 3/27/2009 | |
| 00257AAA5 | Buy | 3,326,008.00 | 3,326,008.00 | ABACUS 0610 A 144A | 1/27/2010 | 2/1/2010 | |
| 00257AAA5 | Buy | 406,552.00 | 406,552.00 | ABACUS 0610 A 144A | 12/1/2009 | 12/4/2009 | |
| 00257AAA5 | Buy | 15,000,000.00 | 15,000,000.00 | ABACUS 0610 A 144A | 10/20/2009 | 10/23/2009 | |
| 00257AAC1 | Buy | 6,000,000.00 | 6,000,000.00 | ABACUS 0610 C 144A | 7/21/2009 | 7/24/2009 | |
| 00257AAC1 | Buy | 1,000,000.00 | 1,000,000.00 | ABACUS 0610 C 144A | 5/18/2007 | 5/23/2007 | |
| 00257AAC1 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 0610 C 144A | 7/12/2007 | 7/13/2007 | |
| 00257AAD9 | Buy | 4,000,000.00 | 4,000,000.00 | ABACUS 0610 D 144A | 7/21/2009 | 7/24/2009 | |
| 00257AAG2 | Buy | 4,500,000.00 | 4,500,000.00 | ABACUS 0610 G 144A | 7/23/2008 | 7/28/2008 | |
| 00257AAG2 | Buy | 3,562,500.00 | 3,562,500.00 | ABACUS 0610 G 144A | 7/11/2007 | 7/16/2007 | |
| 00257AAH0 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 0610 H 144A | 7/11/2007 | 7/16/2007 | |
| 00257AAH0 | Buy | 1,500,000.00 | 1,500,000.00 | ABACUS 0610 H 144A | 10/17/2006 | 10/20/2006 | |
| 00257AAH0 | Buy | 3,400,000.00 | 3,400,000.00 | ABACUS 0610 H 144A | 3/6/2007 | 3/9/2007 | |
| 00257AAH0 | Buy | 9,062,500.00 | 9,062,500.00 | ABACUS 0610 H 144A | 10/14/2008 | 10/17/2008 | |
| 00257BAA3 | Buy | 15,000,000.00 | - | ABACUS 0612 A1 144A | 3/24/2010 | 3/29/2010 | |
| 00257CAA1 | Buy | 5,380,000.00 | 5,380,000.00 | ABACUS 0610 L 144A | 6/22/2006 | 6/27/2006 | |
| 00257CAA1 | Buy | 3,020,000.00 | 3,020,000.00 | ABACUS 0610 L 144A | 3/6/2007 | 3/9/2007 | |
| 00257CAA1 | Buy | 600,000.00 | 600,000.00 | ABACUS 0610 L 144A | 6/9/2008 | 6/12/2008 | |
| 00257CAC7 | Buy | 15,000,000.00 | 15,000,000.00 | ABACUS 0610 M 144A | 12/4/2006 | 12/7/2006 | |
| 00257HAE2 | Buy | 4,000,000.00 | 4,000,000.00 | ABACUS 0613 E 144A | 1/25/2010 | 1/28/2010 | |
| 00257HAF9 | Buy | 3,925,000.00 | 3,925,000.00 | ABACUS 0613 F 144A | 5/22/2007 | 5/25/2007 | |
| 00257HAF9 | Buy | 1,000,000.00 | 1,000,000.00 | ABACUS 0613 F 144A | 1/25/2010 | 1/28/2010 | |
| 00257HAF9 | Buy | 3,925,000.00 | 3,925,000.00 | ABACUS 0613 F 144A | 9/26/2008 | 10/1/2008 | |



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## Footnote Exhibits - Page 2482

| CUSIP | BuySell | OrigFace | CurrFace | Bond Name | TradeDate | SettleDate | Counterparty |
|---|---|---|---|---|---|---|---|
| 00257HAG7 | Buy | 4,000,000.00 | 4,000,000.00 | ABACUS 0613 G 144A | 5/22/2007 | 5/25/2007 | [redacted] |
| 00257HAG7 | Buy | 1,000,000.00 | 1,000,000.00 | ABACUS 0613 G 144A | 2/15/2007 | 2/21/2007 | |
| 00257HAG7 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 0613 G 144A | 9/26/2008 | 10/1/2008 | |
| 00257HAH5 | Buy | 3,925,000.00 | 3,925,000.00 | ABACUS 0613 H 144A | 5/22/2007 | 5/25/2007 | |
| 00257HAH5 | Buy | 4,000,000.00 | 4,000,000.00 | ABACUS 0613 H 144A | 2/15/2007 | 2/21/2007 | |
| 00257HAH5 | Buy | 7,925,000.00 | 7,925,000.00 | ABACUS 0613 H 144A | 9/26/2008 | 10/1/2008 | |
| 00257HAJ1 | Buy | 4,937,500.00 | 4,937,500.00 | ABACUS 0613 J 144A | 5/22/2007 | 5/25/2007 | |
| 00257HAJ1 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 0613 J 144A | 2/15/2007 | 2/21/2007 | |
| 00257HAK8 | Buy | 5,000,000.00 | 5,000,000.00 | ABACUS 0613 K 144A | 5/22/2007 | 5/25/2007 | |
| 00257HAK8 | Buy | 11,000,000.00 | 11,000,000.00 | ABACUS 0613 K 144A | 2/15/2007 | 2/21/2007 | |
| 00257JAA6 | Buy | 9,937,500.00 | 9,937,500.00 | ABACUS 0613 L 144A | 2/15/2007 | 2/21/2007 | |
| 00257JAB4 | Buy | 600,000.00 | 600,000.00 | ABACUS 0613 M 144A | 10/27/2006 | 11/1/2006 | |
| 00257JAB4 | Buy | 7,950,000.00 | 7,950,000.00 | ABACUS 0613 M 144A | 2/15/2007 | 2/21/2007 | |
| 00257JAC2 | Buy | 5,962,500.00 | 5,962,500.00 | ABACUS 0613 N 144A | 2/16/2007 | 2/22/2007 | |
| G0010FAA5 | Buy | 1,000,000.00 | 1,000,000.00 | ABACUS 043 A1 REGS | 2/4/2008 | 2/7/2008 | |
| G0010FAA5 | Buy | 3,000,000.00 | 3,000,000.00 | ABACUS 043 A1 REGS | 11/13/2006 | 11/16/2006 | |
| G0010FAA5 | Buy | 40,000,000.00 | 40,000,000.00 | ABACUS 043 A1 REGS | 3/19/2007 | 3/22/2007 | |
| G0010FAB3 | Buy | 20,000,000.00 | 20,000,000.00 | ABACUS 043 A2 REGS | 6/8/2005 | 6/13/2005 | |
| G0010UAA2 | Buy | 25,000,000.00 | 25,000,000.00 | ABACUS 057 A1 REGS | 12/3/2007 | 12/6/2007 | |
| G0010UAA2 | Buy | 30,000,000.00 | 30,000,000.00 | ABACUS 057 A1 REGS | 12/14/2007 | 12/19/2007 | |
| G0010UAA2 | Buy | 35,000,000.00 | 35,000,000.00 | ABACUS 057 A1 REGS | 2/11/2008 | 2/14/2008 | |
| G0010UAA2 | Buy | 10,000,000.00 | 10,000,000.00 | ABACUS 057 A1 REGS | 8/23/2007 | 8/28/2007 | |
| G0010UAB0 | Buy | 30,000,000.00 | 30,000,000.00 | ABACUS 057 A1 SR2 RE | 2/8/2008 | 2/13/2008 | |

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ABACUS 07AC1 BUYBACK

**Footnote Exhibits - Page 2483**

| CUSIP | BuySell | OrigFace | CurrFace | Bond Name | TradeDate | SettleDate | Counteparty |
|---|---|---|---|---|---|---|---|
| 00256YAA4 | Buy | 20,000,000.00 | - | ABACUS 07AC1 A2 144A | 2/24/2010 | 3/1/2010 | Bank of America NA - |
| 00256YAA4 | Buy | 20,000,000.00 | - | ABACUS 07AC1 A2 144A | 3/24/2010 | 3/29/2010 | Stone Tower Debt Adv |



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**ATTACHMENT 5**



**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0235

**Redacted By The Permanent Subcommittee on Investigations**



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**Confidential Treatment Requested by Goldman Sachs**

**LB 1(b)(iv): For the data provided in GS MBS 0000039105, what was the reference entity for each trade? What is the difference between "Mtg Default Swap" and "Mtg Synth CDO"?**

In response to the Staff's follow-up question, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 000008760) identifying the reference obligation underlying each of the credit default swaps. "Mtg Default Swap" and "Mtg Synth CDO" identified in the column titled "Security Type" distinguish the method used in processing the trade booking. "Mtg Default Swap" tends to include single name credit default swap trades. "Mtg Synth CDO" tends to include trades with multiple underliers.

**Supplemental Response Received From Goldman Sachs**



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## Footnote Exhibits - Page 2487




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Goldman Sachs

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PSI_QFR_GS0238

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# ATTACHMENT 6



GOLDMAN SACHS/LLOYD BLANKFEIN
RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD

PSI_QFR_GS0239

## Footnote Exhibits - Page 2489

| Transaction Name | Mortgage Capital Committee | Mortgage Capital Committee | Mortgage Capital Committee | Mortgage Capital Committee | Mortgage Capital Committee | [illegible] |
|---|---|---|---|---|---|---|
| Abacus 2007-AC1 | | GS MBS-E-005974542 | | GS MBS-E-013100361 | GS MBS-E-019710908; GS MBS-E-002507886 | GS MBS-E-005954148 |
| Anderson Mezz | GS MBS 0000008309 - 10 (9/25/2006) | GS MBS-E-001957931 - 37 (9/25/2006) | GS MBS 0000020331-33 (9/27/2006) | GS MBS-E-000854537 - 694 (3/16/2007) | GS MBS-E-000894345 - 46 (3/2007) | GS MBS-E-000855351 - 87 (2/2007) |
| Camber 7 | GS MBS 0000020942 - 43 (7/31/2006) | GS MBS-E-017184893 (7/31/2006) | GS MBS 0000020307 - 09 (8/2/2006) | GS MBS-E-000814198 - 470 (2/27/07) | GS MBS-E-000822355 - 58 (1/4/07); GS MBS-E-000822377 - 78(2/5/07) | GS MBS-E-000822102 - 82 (1/2007) |
| Fort Denison | GS MBS 0000020901-2 (unredacted) GS MBS 0000006252-53 (redacted) | GS MBS-E 000972833-36 (2/21/06); GS MBS-E 001121859-64 (2/28/06) | | GS MBS-E-000942763 - 922 (2/9/07) | GS MBS-E-000974736 - 41 (12/28/06) | GS MBS-E-000974394 - 441 (1/2007) |
| Hudson Mezz 2006-1 | | | | GS MBS-E-001550191-378 (12/3/2006) | GS MBS-E-001557689 - 73 (10/20/2006) | GS MBS-E-001557726 - 58 (10/2006) |
| Hudson Mezz 2006-2 | | | | GS MBS-E-000808574 - 747 (2/6/2007) | GS MBS-E-000808984 - 89 (12/15/2006) | |
| Point Pleasant | GS MBS 0000006272 - 74 (5/8/2006) | OHED-415-002-006737 (5/8/2006) | GS MBS 0000004445 - 46 (5/10/2006) | GS MBS-E-000838920 - 9113 (4/16/2007) | GS MBS-E-009238909 - 12 (3/12/2007) | GS MBS-E-000857734 - 657774 (3/2007) |
| Timberwolf | GS MBS 0000006319 - 20 (11/13/2006) | GS MBS-E-010089465 - 72 (11/10/2006) | GS MBS 0000020354 - 57 (11/15/2006) | GS MBS-E-000873670 - 878 (3/23/2007) | GS MBS-E-000767460 - 84 (3/6/2007) | GS MBS-E-000884891 - 940 (3/2007) |

Referenced documents are retained in the files of the Subcommittee. Where appropriate, documents related to Anderson Mezz, Hudson Mezz 2006-1, and Timberwolf are included in the applicable sections of the report.

PSI_QFR_GS0240

**Confidential Treatment Requested by Goldman Sachs**

**LB 2(f): Why were there no Mortgage Capital Committee memos for Hudson Mezzanine 2006-1 and Hudson Mezzanine 2006-2? What evidence suggests that Hudson Mezzanine 2006-1 was approved through an informal meeting? Who was involved in that informal meeting? Do any of the participants have documents that memorialize the decision? Who would have been responsible for presenting the deal in an informal setting? Was it necessary to get approval to review Hudson Mezzanine 2006-1 informally, rather than through the Mortgage Capital Committee? If so, please provide. Would an informal review of a CDO be in violation of Goldman Sachs policy? Why or why not? Were these CDOs discussed at any other regular meetings, such as the Firmwide Capital Committee or Firmwide Risk Committee? If so, please provide the complete records of these meetings.**

The governance oversight for the origination and distribution of Mortgage CDO transactions was developed in the broader context of Goldman Sachs' origination and distribution practices during 2006-2007. This included standard business unit and business division approvals, review and approval of the underwriting role by the Firmwide Capital Committee or the Mortgage Capital Committee (a sub-committee of the Firmwide Capital Committee), and receipt of other transactional approvals and/or reviews by the relevant control areas and any appropriate committees. Firm policy allowed for committee meeting approval ("formal approval") and non-committee meeting approval ("informal approval") of the underwriting role. CDO transactions were also discussed at the Firmwide Risk Committee. Firmwide Risk Committee minutes discussing the Hudson transactions (therein referred to as the "CDO with indicies," "synthetic ABX CDO" and "ABX CDO") were previously produced to you bearing production numbers GS MBS 000004472-79 and GS MBS 000004484-85.

We have confirmed that Hudson Mezzanine Funding 2006-1 was approved by the co-chairs of the Mortgage Capital Committee (Dan Sparks and Jonathan Sobel). Goldman Sachs to date has not located any records memorializing approval of Hudson Mezzanine Funding 2006-1.

**Supplemental Response Received From Goldman Sachs**



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Footnote Exhibits - Page 2491

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PSI_QFR_GS0242

Supplemental Response Received From Goldman Sachs
Footnote Exhibits Page 2492

**Goshorn, Daniel (HSGAC)**

**From:** Fredman, Sheara [Fin] [Sh
**Sent:** Wednesday, August 04, 2010 4:40 PM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Subject:** Re: Responses to PSI supplemental questions

Dan - the details you outlined below is consistent with what we discussed although with one clarification. The Point Pleasent CDO is still outstanding although all of the collateral was, in June of 2008, essentially liquidated.

The Realized Loss on Liquidation for the Timberwolf CDO arose from liquidation of assets once the CDO went into default. A third party broker was responsible for liquidating the collateral securities via auction. We do not have the details of what price the assets were sold. However, we do know the shortfall we incurred on the credit default swap protection purchases from the CDO.

Please let us know if you have additional questions.

Sheara

---

**From:** Goshorn, Daniel (HSGAC) <Daniel_Goshorn@hsgac.senate.gov>
**To:** Fredman, Sheara [Fin]
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Sent:** Wed Aug 04 10:51:01 2010
**Subject:** RE: Responses to PSI supplemental questions

Hi Sheara,

Thank you for the follow up. I have a question on the collateral securities spreadsheet. Under the "TWolf" tab, what does the "Realized Loss on Broker Liquidation" line refer to? The other liquidated CDOs do not appear to have this.

Also, there are still two additional items from our phone call last week I'd like confirmation on. First is the date on which each of the CDOs became inactive. I had the following in my notes:

| | |
|---|---|
| Anderson Mezzanine | Still Active |
| Camber 7 | Still Active |
| Fort Denison | Inactive September 2008 |
| Hudson Mezz 1 | Inactive December 2008 |
| Hudson Mezz 2 | Still Active |
| Point Pleasant | Inactive June 2008 |
| Timberwolf | Inactive June 2008 |

Would you please confirm the accuracy of these dates, and provide the exact month/day/year if that information is available?

Also, my notes state that Goldman Sachs experienced a gross gain on Hudson Mezzanine 2006-1 of $1.697 billion offset by a loss of $1.393 billion on the ABX index. For Hudson Mezzanine 2006-2, Goldman Sachs experienced a gain of $391 million, offset by a loss of $391 million on the ABX index. Would you please confirm these numbers?

Thanks,





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66051.236

Dan



Daniel Goshorn
Counsel
U.S. Senate Permanent Subcommittee on Investigations
199 Russell Senate Office Building
Washington, D.C. 20510
202-224-[redacted]
202-224-9505 - Main

[redacted] = Redacted by the Permanent Subcommittee on Investigations

**From:** Fredman, Sheara [Fin] [mailto:Sheara.Fredman@gs.com]
**Sent:** Monday, August 02, 2010 7:40 PM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Fredman, Sheara [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Subject:** Responses to PSI supplemental questions

Dan,

As requested last week, attached is a spreadsheet detailing losses incurred on the price risk that Goldman Sachs has on the collateral securities within the requested CDOs. To the extent the bond was liquidated from the CDO, we calculated the loss based upon the price the firm valued the security when the security was acquired. To the extent the collateral securities are still held in the CDO, we included the unrealized loss the firm has recorded to date.

Additionally, you asked us to describe how the firm calculated net revenues earned from the credit default swap protection purchases on the Hudson Mezzanine Funding 2006-1 and 2006-2 transactions. As you are aware, the ABX index was introduced on January 19, 2006. In the following months, the firm, in its capacity as a market maker, sold protection on the ABX index to hedge funds, dealers and other market participants. This resulted in a multi-billion dollar long ABX position for the firm. In an effort to reduce that exposure, Goldman Sachs sponsored the Hudson Mezzanine Funding 2006-1 and 2006-2 transactions. Therefore, when calculating net revenues on the credit default swap protection purchases, we included the gains earned from the credit default swaps with the CDO as well as the losses incurred on the long ABX positions that motivated the Hudson Mezzanine 2006-1 and 2006-2 transactions.

Please note the following:

The information requested by the Subcommittee includes confidential internal documents and proprietary business records that Goldman Sachs does not make available to the general public. Goldman Sachs is producing these documents pursuant to Senate Rule XXVI and formally requests that these materials be treated as confidential business records. Accordingly, should you wish to publicly release any of these documents, Goldman Sachs respectfully requests reasonable notice of your intent to do so and the opportunity to object to such a release.

Goldman Sachs used various technology and manual resources to generate some of the documents for production to you in response to your Requests. While Goldman Sachs believes that these documents are reasonably accurate, we cannot make an absolute representation that it is complete or that there are not some inadvertent errors in the preparation of the spreadsheet. We will provide further updates or corrections if we discover missing information or errors.

Please confirm receipt.

Regards,

Sheara





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Goldman, Sachs & Co.
200 West Street | New York, New York 10282
Tel: (212) [redacted]
e-mail: sheara.fredman@gs.com

**Sheara Fredman**
Managing Director
Finance Division

Goldman
Sachs

**Footnote Exhibits - Page 2494**

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Footnote Exhibits - Page 2495

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PSI_QFR_GS0246

**Confidential Treatment Requested by Goldman Sachs**

**LB 1(b)(v): Why did Goldman receive no underwriting fees for Timberwolf, Anderson and Point Pleasant? What was the warehouse carry for each deal? What were the put fees collected (both total dollar amount and basis points)?**

In lieu of an underwriting fee, Goldman Sachs retained equity positions in the Timberwolf, Anderson Mezzanine and Point Pleasant CDOs. In response to the Staff's follow-up questions, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000087072) identifying the warehouse carry and put fees collected for each deal.

**Supplemental Response Received From Goldman Sachs**

Confidential Treatment Requested by Goldman Sachs

GS MBS 0000087071

PSI_QFR_GS0247

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**Confidential Treatment Requested by Goldman Sachs**

**Does the information in GS MBS 0000087072 now incorporate all profit and losses for each of the seven deals? If there are any other sources of revenue or losses for Goldman Sachs (*e.g.*, Liquidation Agent fees, collateral Disposal Agent fees) could you please break those out as well.**

Goldman Sachs attaches a spreadsheet (bearing production number GS MBS 0000087090) updating the information the firm previously provided in GS MBS 0000087072. The attached spreadsheet provides information on "warehouse synthetic premiums" and updates the information that Goldman Sachs previously produced on "losses incurred on retained inventory." During Goldman Sachs' review of the information provided in GS MBS 0000087072, the firm determined that the information provided in the "losses incurred on retained inventory" column inadvertently omitted losses on retained positions that were issued pursuant to SEC Regulation S (as opposed to SEC Regulation 144). Goldman Sachs has corrected this inadvertent mistake in the attached spreadsheet and is aware of no other sources of revenue that should be included in the spreadsheet.

**Supplemental Response Received From Goldman Sachs**



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Net Revenues for Specific CDOs
Privileged and confidential
($ in millions)

Supplemental Response Received From
Goldman Sachs

PSI_QFR_GS0249

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**Confidential Treatment Requested by Goldman Sachs**

**Question 1: First, are the liquidation agent fees included in the underwriting fees section? (This question applies for Anderson as well.) If so, could you please break out the revenue for each CDO?**

The Liquidation Agent Fees for Hudson Mezzanine 2006-1 and Hudson Mezzanine 2006-2 were not included in the previously provided spreadsheet (bearing production number GS MBS 0000087090). The amount Goldman, Sachs & Co. received was approximately $3.1 million for Hudson Mezzanine 2006-1, $0.5M for Hudson Mezzanine 2006-2 and $0.2 million for Anderson.

**Question 2: Second, it is our understanding that in order to reference the underlying single-names in the ABX index for Hudson Mezz 1 and 2, dedicated accounts were created for each CDO that were long ABX and short the corresponding single-name assets. It is also our understanding that these accounts had a net positive carry for the SPG desk. If you could please provide P&L information for each of these accounts in order to round out the CDO P&L data, we would appreciate it.**

The account that maintained the long ABX position offset by a short position of the constituents of the ABX index earned approximately $1.2 million for Hudson Mezzanine 2006-1 and approximately $0.6 million for Hudson Mezzanine 2006-2.

**Supplemental Response Received From Goldman Sachs**



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**ATTACHMENT 7**

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**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0251

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***United States***
***Policies for the Preparation, Supervision, Distribution and Retention of Written And Electronic Communications***




GOLDMAN, SACHS & CO.

*February 1, 2001*

Confidential Treatment
Requested by Goldman Sachs



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## Appendix


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Confidential Treatment
Requested by Goldman Sachs



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## I. Introduction

Goldman Sachs communicates with its customers (including private individuals, institutions and other broker/dealers), counterparties, and the general public in many ways. The integrity of these communications is essential to the firm's reputation and success. Therefore, with this manual, the firm is setting forth its policies regarding the preparation, supervision, distribution and retention of all written and electronic communications relating to our business.

For the purposes of these policies, *"communication"* is defined very broadly. It includes any and all written or electronic communication — from formal recommendations to casual opinions and thoughts relating to our business. It includes words, diagrams, pictures, graphs, and images. And it does not matter whether these be conveyed by note, letter, prospectus, advertisement, e-mail, television or radio broadcast, or any other means or media. Although these policies do not specifically cover oral communications, the same content guidelines apply to oral communications.

The policies stated in this memorandum outline the firm's expectations and requirements with respect to communications with the public relating to any business of the firm. Individual divisions or business units may establish policies that supplement or supercede parts of the policies outlined here. In addition, the section entitled *"Firm Expectations of Employee Conduct"* in the firm's Employee Handbook contains standards and guidelines that apply to the communications covered here.

**Therefore, this manual must be read and implemented in conjunction with the applicable Divisional Compliance policies and the requirements of the Employee Handbook. You are responsible to know the additional requirements of the Handbook and those of your division and business unit.**

Business units and **Divisional Compliance** will be responsible for communicating the contents of these policies and any related divisional or regional policies by distributing them to all appropriate personnel, by distributing any periodic updates or revisions to them, and through both new employee and on-going training programs.

While business units and **Divisional Compliance** are responsible for communicating policies, it is the responsibility of each individual to understand the rules of the firm and of the businesses in which s/he works. **Failure to comply with the policies may result in disciplinary action, including potential separation from the firm.**

As with any compliance issues, the most important thing is that you be aware of your responsibilities and seek clarification and help if you have any questions. If you have any questions about the application or interpretation of these standards and requirements or about possible exceptions to them, speak with your **Divisional Compliance** officers, to Central Compliance or the Legal Department.



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## II. Categorization of Communications

While these policies apply to all written and electronic communication, there are three categories of communications for which there are specific rules. These categories are **advertisements, sales literature,** and **sales correspondence**. There are two types of content that merit special attention, as well. These are **research** and **recommendations.** These categories of communication and types of content are defined below.

### A. Categories of Communication

**Advertisements**

An advertisement is any written or electronic communication relating to the firm's securities business that is made publicly available in such a way that the individual recipients are not known to and cannot be limited by the firm. In other words, the firm does not have control over who receives, sees, or hears an advertisement.

An advertisement may include material published or designed for use in a newspaper, magazine or other periodical, radio, television, telephone or tape recording, on a generally accessible website or in or on another publicly available medium.

Advertisements must conform to standards established by Corporate Communications and must be approved before use (as described later in this manual).

**Sales Literature**

Sales literature is any written or electronic communication relating to the firm's securities business that is sent or made available to multiple public recipients who are known or directly targeted by the firm.

Sales literature may include, but is not limited to, circulars, research reports (including most of the publications of the firm's Investment Research Department), market letters, performance reports or summaries, and form letters. Sales literature also includes the written text of any communication delivered orally to a broad audience, such as a telemarketing script or a seminar text and material posted on password-protected websites available to clients.

The key characteristic of sales literature is that it is addressed to multiple recipients specifically targeted by the firm.

As is the case with advertisements, sales literature must be approved before use (as described later in this manual).



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**Sales Correspondence**

Sales correspondence is any written or electronic communication (other than that classified as advertising or sale literature) that is sent or made available to a current or prospective customer by a salesperson involved in the firm's securities business or by a person who is soliciting fee-based investment advisory or management services.

The key characteristic of sales correspondence is that it is directed to a specific recipient. It may or may not need to be approved prior to use.

## B. Research and Recommendations

Sales literature and sales correspondence may include a ***recommendation to a customer*** and, in certain contexts, may constitute ***research***. Recommendations and research each has its own approval process, and research requires specialized legends, which are discussed later in this manual. For the purposes of this manual:

- ***Research*** is an analysis of individual companies, industries, market conditions, or securities or other investment vehicles that provides information reasonably sufficient upon which to base an investment decision. While reports prepared by one of the firm's investment research departments generally fall into the category of research, materials prepared by other personnel also may constitute research under applicable regulations. Research does **not** include publicly available information, consensus data, or data attributable to management of the company being discussed.

- A ***recommendation*** to a customer is the promotion or endorsement of a transaction involving a security.

Note that there are significant restrictions on including any research or recommendations in marketing materials for asset management services. Consult **Divisional Compliance** policies for further guidance.

## C. General Communication

As stated above, although these particular categories and types of communication require special attention, except where otherwise noted, this manual covers all written or electronic communication with the public relating to any business of the firm.



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## III. Content Standards

### A. General Standards

No matter what you are communicating to the public, your words reflect on the reputation of the firm. Furthermore, the firm can be held accountable for what you communicate. The firm, therefore, requires that your communication reflect the high standards of the firm, not only in what you say, but also in the way you say it.

The following are general standards and requirements that the firm expects all of its employees to understand and follow in all of their communications.

**Truthfulness and Completeness**

Communications may not omit material facts or include untrue or misleading statements. Keep in mind that the level of detail or explanation necessary to make a communication clear, accurate, and understandable will depend, in part, on the breadth and sophistication of the intended audience and the complexity of the subject matter. For example, communicating complicated material or the lack of financial sophistication of the recipient will often warrant a more detailed presentation.

**Professionalism and Good Taste**

- All communications should be professional and in good taste. Of course, your communications should never contain obscene, offensive, or otherwise inappropriate, unprofessional, or unlawful language. Remember, that you do not control and you cannot always predict who the reader will be.
- Write using standard, formal written language. Pay attention to proper grammar and accurate word usage.
- Avoid superlatives and exaggerations.
- Communicate succinctly. Stay strictly to the topic of your communication. Do not include any gratuitous comments.
- Remember, your business communications become part of the official records of the firm. Regulators and other third parties may have access to these communications in the case of dispute, litigation, or criminal action.

**Records of Past Performance**

Any communication that portrays past performance of recommendations or actual transactions must be balanced and not misleading. In particular:



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- Past performance may not be used to promise or suggest, directly or indirectly, future profits or income, nor may it be presented as indicative of future performance.
- Records or statistics must:
  - disclose the existence of any relevant costs (*e.g.*, commissions and interest charges, if applicable).
  - be clearly defined as to scope (i.e., the universe of securities or transaction types covered) and context.
  - cover at least the most recent 12-month period, if available.
- Whenever annualized rates of return are used:
  - All material assumptions used in the process of annualization must be disclosed.
  - The date and price of each initial recommendation or transaction and the date and price at the earlier of when liquidation was suggested or effected must be included.
  - Summaries or averages may be presented so long as they include the total number of items recommended or transacted, the number that advanced and declined, and an offer to provide the complete record upon request.

Finally, the communication should include an indication of general market conditions during the relevant period (*e.g.*, the performance of the S&P 500). Any such comparison should be reasonable.

Note that there are special requirements for showing past performance of mutual funds and separate account composites, and for certain other investments (*e.g.*, options). Consult **Divisional Compliance** policies for further guidance.

**Speculating on Litigation Results**

Do not speculate on or predict the outcome of any litigation involving the issuer of a security.

**Guarantees**

Do not make any guarantee of profit or against loss, or offer any promise of specific results.

**Projections and Predictions**

Communications may include projections and predictions (including forecasts of financial performance), but those projections and predictions must:



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- Be based on reasonable assumptions.
- Be clearly labeled as opinion.
- Include a description of the assumptions and information upon which projections and predictions are based or indicate that the underlying assumptions and information are available upon request.

Hypotheticals that look backwards in time and recalculate performance based on stated assumptions are not necessarily subject to the same standard of reasonableness as forward-looking projections or predictions. This is because with backward-looking projections evidence of what actually occurred is always available for consideration. The availability of actual data limits the danger of acting on an unreasonable assumption. Forward-looking projections, on the other hand, require more care.

Note that significantly stricter standards apply to the use of forward-looking or backward-looking projections in connection with asset management services. Consult **Divisional Compliance** policies for further guidance.

**Balance of Risks and Potential Rewards**

Any discussion of the merits of a potential investment should be balanced with a discussion of its risks. The discussion must also provide enough information to allow the recipient to understand the full nature of the investment and of its potential risks and rewards.

**Suitability of Investments**

Communications may not state or imply that any particular investment is suitable for **all** investors.

Subject to otherwise applicable firm policies on suitability and requirements to "know your customer," communications may state that an investment is suitable for a particular customer or class of similarly-situated customers.

**Rumors**

Communications may not circulate or encourage dissemination of unsubstantiated rumors. Therefore, it is the policy of the firm to make no comment on rumors whatsoever, even to deny rumors you believe to be untrue.

**Dating Communications**

All communications should be appropriately dated. Any significant information that is more than six months old or otherwise is not reasonably current must be noted.

**Identifying Sources**

All communications should include the firm's name and, when appropriate, the name of the person who prepared the communication.

**Disclosure of Client Names and Positions**

***Names of clients of the firm and their assets, objectives, and positions are confidential and may not be disclosed outside of the firm, or to anyone within the firm without a "need to know".*** Despite this general rule, the name of a client may be disclosed with the client's consent, if permitted by applicable **Divisional Compliance** policies.

## B. Providing Customers with Valuations of Their Positions

Because valuations of positions can be used for a variety of reasons (risk management, accounting, as the basis of trading decisions, margining, etc.) it is imperative that valuations are carefully prepared and that both the valuations themselves and the basis on which they have been calculated are communicated clearly and completely.

Check individual divisional policies for requirements as to the form and content of valuations and as to any disclosure statements (hedge clauses) that may be required to be used.

## C. Third Party Material and Testimonials

**Attribution of Sources**

Using outside sources without attribution is plagiarism. Plagiarism is a serious breach of the firm's standards and exposes the firm to significant legal and reputational risk. Therefore:

- All material — whether words, graphs, charts, analyses, or other matter taken from outside sources, and whether directly quoted or simply referred to — **must be** properly attributed. This includes paraphrases and summaries of discussions.
- Attribution may appear in footnotes or in the text.
- The attribution must be specific. Generic phrases such as "experts claim" or "market sources agree" are not sufficient or acceptable.



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- Any market letter or research report prepared by an outside organization must identify the preparer and not give the impression that it was prepared by Goldman Sachs. See divisional policies regarding the use of such third-party material.

**Testimonials**

A testimonial is a quotation from a customer or outside expert expressing support for a Goldman Sachs product or activity. Any testimonial must be accompanied by a disclaimer, the substance of which includes the following:

- That the testimonial may not be representative of the experience of other customers.
- That the testimonial is not indicative of future performance or success.
- That it is a paid testimonial (if more than a nominal sum was paid for the testimonial).
- That the person making the testimonial has the knowledge and experience to form a valid opinion (if the testimonial concerns a technical aspect of investing).
- That the person making the testimonial has a relationship with the firm (if such a relationship exists).

If a testimonial is used in an advertisement, the Corporate Communications Department must also be consulted. **Testimonials are prohibited in any communication related to asset management services.**

## D. Copyright Issues

Using published material from sources outside of the firm, with or without attribution, may constitute a copyright infringement. Copyright rules differ from situation to situation and from jurisdiction to jurisdiction.

Note that copyright rules are not restricted to printed material. They extend to material published in other media, including the Internet.

You should consult the section entitled "*Copyrighted Materials*" in the Employee Handbook.



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## E. Recommendations of Securities Transactions by Securities Salespeople*

### Suitability of Recommendations Made to Customers

Prior to recommending that a customer purchase, sell or exchange any security, salespeople must have reasonable grounds for believing that the recommendation is suitable for that particular customer upon the basis of the facts disclosed by the customer as to his/her other security holdings, investment objectives and financial situation.

### Know the Security Being Recommended

The suitability concept also requires a salesperson to have an adequate and reasonable basis for his/her recommendation of a particular security. This requires familiarity with the characteristics (including potential risks and rewards) of the security being recommended. Therefore, salespeople must "know their security", as well as their customer.

### Determining Whether a Recommendation Is Made

A broad range of circumstances may cause a transaction to be considered recommended, and this determination does not depend on the classification of the transaction by divisional policies as "solicited" or "unsolicited." In particular, a transaction will be considered to be recommended when a representative of the firm brings a *specific* security to the attention of a *particular* customer (or group of customers) through any means, including telephone, mail, e-mail or fax.

### Trade Ideas

Firm employees frequently provide so-called "trade ideas" to multiple recipients. Such trade ideas are designed to help clients take advantage of market conditions and intelligence, but are not intended to be specific buy/sell recommendations for specific clients or customers. Characteristics of trade ideas frequently include:

- Market situations to watch closely.
- "If/then" suggestions, such as: "If your position is X, consider taking advantage of Y"; "if a security begins to do A, consider taking action B."
- Delivery to multiple recipients, rather than to specific clients.
- Suggestions about a range of actions rather than a specific transaction.

* Note that the requirements of this section apply to securities brokerage (including discretionary brokerage) accounts. For advisory account requirements, consult Divisional Compliance policies.



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- Common distribution via e-mail.

Such trade ideas are not considered to fall within the definition of a recommendation.

**Seeking Additional Guidance**

In sum, whether a particular transaction is in fact recommended depends on an analysis of all the relevant facts and circumstances. Therefore, employees are required to be familiar with divisional policies on recommendations and suitability, and are encouraged to consult their Divisional Compliance personnel or the Legal Department for assistance in answering any questions.

## F. Recommendations Contained in Research Reports*

When a recommendation to a customer is made in advertisements or sales literature (including the firm's published research), the market price of the security at the time of the recommendation must be indicated and the following information must be disclosed:

- Whether the firm makes a market in the security or will buy or sell the security on a principal basis
- Whether the firm was a manager or co-manager of any public offering by the issuer within the past three years
- Whether the firm, its officers, or any personnel involved in preparing the communication may have positions in the securities or options of the issuer
- Whether the firm or any of its employees is a director of the issuer.

The publication of all research reports must be approved by one of the firm's investment research departments, which will add any additional required disclosures.

## G. Restricted Trading List Securities

Sales correspondence may not include discussion of, nor may a salesperson recommend transactions in, any security on the firm's Restricted Trading List without the **prior approval** of the Central Compliance Control Room.

Asset management personnel should refer to their Divisional Compliance policies which, in some instances, may differ from the foregoing.

* Note that the requirements of this section apply to securities brokerage (including discretionary brokerage) accounts. For advisory account requirements, consult Divisional Compliance policies.



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## H. Hedge Clauses

The proper hedge clauses must accompany all advertisements and sales literature. The hedge clauses may not be misleading or inconsistent with the content of the communication.

The required hedge clauses vary based upon product, country, recipient and a number of other factors. Therefore, contact Divisional Compliance to determine the proper hedge clauses to use on any material sent to third parties on behalf of the firm.

## I. Internal-Use-Only Documents

No written or electronic communication marked (or customarily handled as) "for internal use only" or "for broker use only" may be distributed, in whole or in part, to anyone outside of the firm. This includes e-mail and material on the internal website.

If a particular business unit determines that material originally prepared for internal or broker-only use becomes appropriate for dissemination to the public, any internal use designation must be removed and all appropriate approval procedures and standards governing outside written communications, as detailed in this document, must be satisfied.

## J. Distributing "To All" Memoranda

"To All" memos, whether distributed by memo, e-mail or other means, must be approved as described in the section entitled "*Firmwide Memoranda*" in the Employee Handbook.

## K. Dissemination of Information Concerning The Goldman Sachs Group, Inc.

The NYSE prohibits any recommendation or solicitation with respect to the common stock of The Goldman Sachs Group, Inc. Accordingly, only the Investor Relations or Corporate Communications Departments are authorized to make any comments regarding The Goldman Sachs Group, Inc.

## L. Registered, Publicly-Offered Securities (other than GSAM Mutual Funds)

The U.S. securities laws impose severe restrictions on the distribution of any written materials in the United States by participants in a U.S. registered public offering (including both IPOs and follow-on offerings) in connection with such offering other than the most



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recent "red herring" prospectus and, after the offering is priced, the final prospectus. It has always been the firm's policy to adhere strictly to these requirements. In addition, it is the firm's policy to apply these requirements in a variety of other circumstances.

These restrictions are as follows:

- No written materials may be distributed outside the firm in the United States in connection with any U.S. registered public offering (both IPOs and follow-on offerings) other than the "red herring" prospectus and, after pricing of the offering, the final prospectus. This includes e-mails (including responses to clients' e-mails to us), faxes, and any other method of written communication. For example, neither the sales memorandum for the offering nor any portion thereof (nor any summary thereof) may be distributed outside the firm. In addition, only the entire "red herring" or final prospectus may be distributed; employees must not distribute selected pages from a prospectus, nor highlight or draw attention to selected portions of the prospectus. These restrictions continue in effect for the first 25 days after the pricing of a U.S. registered IPO.

- It is firm policy, in connection with U. S. registered public offerings, to observe the foregoing restrictions with respect to the distribution of written materials outside the U. S.

- It is also firm policy to observe the foregoing restrictions with respect to the distribution of written materials, both inside and outside the U. S., in connection with Regulation S and Rule 144A offerings.

**Any exceptions to the first of the foregoing restrictions must be approved by the Legal Department or a senior member of the Special Execution Group. Any exceptions to the second or third of the foregoing restrictions must be approved by a member of the Commitments Committee in consultation with a senior member of the Special Execution Group.**



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## IV. Reviews and Approvals

### A. General

**Responsibility for obtaining reviews**

In general, the employee preparing and sending a communication is responsible for obtaining any necessary approvals and for following the appropriate procedures for retention and review.

**Documents previously approved**

In certain instances, divisional policies may designate certain material sent to specified recipients as "pre-approved", in which case the pre-approved documents do not have to be re-approved each time they are sent.

Any additional correspondence accompanying the approved documents, such as a cover letter or note, may have to be approved, depending on the substance contained in it. For instance, casual correspondence, thank you notes, confirmations or schedules for meetings, invitations, and other correspondence that does not relate to business does not require approval.

**Reviewer's Signature**

When approval is required, the reviewer must initial or sign and date the firm's retained copy of any written communication (or, for certain business units, *a "Compliance Cover Sheet"*) to indicate and record his/her review and approval or maintain a comparable record.

In cases where electronic correspondence requires approval, a record of the review and approval must be maintained. The nature of that record — an addition to the electronic file, a log file of reviews, a physical record on a hard copy, or other means — can be determined by the business unit. Whatever the nature of the record, it must clearly indicate the reviewer's approval and maintain a clear audit trail to the reviewed communication.

**Advertisements and Sales Literature**

In general, advertisements must be approved in advance by the Corporate Communications Department in order to assure compliance with firm-wide identity, branding, logo and other standards. In some divisions, this approval process may be handled by Divisional Compliance. In addition, advertisements related to the firm's sales and trading of securities must be approved prior to first use or first availability by a registered principal in the relevant business unit.



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All sales literature must also comply with firm-wide design and content standards established by Corporate Communications. In addition, sales literature related to the firm's sales and trading of securities must be approved, prior to first use or availability, by a registered principal in the relevant business unit.

For any options-related sales literature, the approving registered principal must be the Compliance Registered Options Principal (CROP) or the CROP's designee.

Research reports must be approved by a supervisory analyst prior to issuance.

**SRO Filing Requirements**

Certain product-specific sales literature and advertisements (e.g., certain investment company-related materials, CMO-related advertisements, and options-related educational materials) must be filed with an appropriate SRO (NASD, CBOE, etc.) at least 10 days prior to first use or first availability. Approvals must be sought from the appropriate registered principal or Corporate Communications early enough to meet the 10-day filing requirement.

## B. Review of Certain Outgoing Correspondence

Outgoing correspondence with the public by registered representatives and associated persons involved in the sale of securities, whether in hard-copy, fax, e-mail or other electronic format, will be subject to review by a registered principal or his/her designee.

Each division or business unit involved in the firm's broker/dealer business may approach the review of outgoing correspondence in one of two ways:

- Review **all** outgoing sales correspondence **before** it is sent; or
- Review a **sample** of outgoing sales correspondence **after** it is sent.

Guidelines for developing a sampling program appear in the Appendix at the end of this manual. Check your Divisional Compliance policies for the procedures applicable to you.

A copy of all such correspondence, no matter the medium in which it is delivered, must be retained in accordance with procedures established by the applicable division and must be readily available for review. The person who reviewed the correspondence must be easily ascertainable. Finally, the outgoing communications file will be subject to periodic review to assure compliance with these requirements.

Compliance with the requirements of these policies will be a subject of discussion at annual or other periodic performance reviews and will be the subject of remedial action, if required.



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Compliance with the requirements for review of communications (including appropriate monitoring, testing, and documenting of results and evaluation of effectiveness) are subject to annual Central Compliance review and will be included in the Management Controls Department's periodic audits.

## C. Review of Incoming Correspondence

All incoming written and electronic correspondence from the public directed to registered representatives and associated persons involved in the sale of securities are also subject to the firm's supervision and review in accordance with divisional procedures. Except for written correspondence (i.e., material in paper form) sent to registered representatives (all of which must be reviewed as described below), divisional policies may provide for either review of all such correspondence or a sample selected in substantially the same manner as outgoing correspondence.

**Review of Incoming Written Correspondence Sent to Sales Representatives**

In order to provide early notice of potential sales practice issues and customer complaints, and to help ensure proper handling of customer funds and securities, a registered principal or his/her designee will review all incoming written correspondence (i.e., correspondence in paper form) that is directed to registered representatives involved in the sale of securities. To facilitate this review:

- The correspondence will be opened by, or in the presence of, an authorized individual (a principal or his/her designee) to identify any possible complaints and to remove customer funds and securities.
- The individual reviewing the correspondence will, after the review is completed, forward the material as appropriate for proper retention.
- Funds and securities will be forwarded to the personnel responsible for custody of funds and securities in the office in which the funds or securities were received. These items should be delivered by hand, if possible, or by an alternative delivery method approved by the firm's operations officials.
- Any correspondence containing a possible customer complaint must be handled as described in the following section.

Correspondence that can be readily identified as regulatory bulletins, research or promotional material, advertising, periodicals, fund raising appeals or similar non-customer material need not be subject to this procedure.



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**Treatment of Customer Inquiries and Complaints**

As a matter of good business practice, it is the firm's policy to handle and resolve any customer or client inquiry expeditiously, especially when it regards proper handling of business solicitations, transactions, and customer securities or funds. In addition, the Legal Department and Central Compliance will designate certain types of inquiries as "customer complaints," which require specific handling and regulatory reporting.

To make sure that all inquiries and potential "customer complaints" are handled expeditiously and properly, both from the business and regulatory points of view, employees must observe the following procedure.

Any employee who receives a written, electronic, or oral communication from a customer or any person acting on behalf of a customer alleging a grievance involving the solicitation or execution of any transaction or the disposition of securities or funds of that customer must report it to his or her supervisor immediately. A copy of the communication (unless it is oral) must be sent immediately to the supervisor.

The supervisor will first determine whether the communication **might** be classified as a "customer complaint". If the supervisor considers the communication to be a possible complaint, the supervisor will notify and forward copies of the communication to the Director of Central Compliance, the Legal Department and Divisional Compliance.

**The Legal Department or Central Compliance will determine whether the inquiry actually constitutes a "customer complaint."** If it does, Central Compliance will be responsible for reporting the complaint as required by regulation. The Legal Department will coordinate the firm's response to the communication and advise the Central Compliance Department and Divisional Compliance of the resolution.

**Regulatory Inquiries and Litigation**

Any complaint, notice, subpoena, interrogatories or other document relating to a litigation matter, an arbitration proceeding, or a regulatory investigation should be forwarded immediately to the Legal Department. See the section entitled "*Legal Matters*" in the Employee Handbook.

## D. Handling of Sales Literature and Correspondence Off Firm Premises

**Written Material**

All sales literature and sales correspondence must be sent to and from the premises of the firm to facilitate proper supervision.



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**E-mail and FAX Communications**

All electronic communications, including e-mail and fax traffic, concerning firm business that is to or from customers must be sent and received from or to a firm e-mail address or firm fax machine or from and to a firm-approved third-party computer system .

Therefore:

- All e-mail traffic concerning firm business that is to and from the public **must** take place at the firm's premises or be routed through firm-provided, secure equipment.
- Faxes containing sales literature or sales correspondence must be sent from and to the premises of the firm. Personnel who are out of town on business should route faxes to the firm where they will be forwarded to the appropriate recipients.

Additional policies concerning e-mail and other electronic communications are contained in the Employee Handbook.

**Employees working from home offices**

All sales correspondence from or to employees working from home offices must be routed through regional offices for purposes of review, approval, distribution and retention.

Employees working from home offices **may not** direct customers to send correspondence to the home office.

Employees may not send faxes containing sales literature or sales correspondence to customers or potential customers from home fax machines unless Divisional Compliance has approved such communication and established procedures for its supervision and retention.



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## V. Retention

### A. Material Relating to Securities Business

All written or electronic advertisements, sales literature, sales correspondence and other communications related to the firm's broker/dealer business must be retained for a minimum period of three years, except that:

- Communications relating to commodities or futures or options on commodities or futures must be retained for a minimum of five years.
- Communications relating to customer complaints must be retained for eight years.
- Communications relating to asset management services must be retained for six years.

Supervisors must retain evidence of supervisory reviews and approvals for the same periods.

### B. Other Material

Retention of all other material will be in accordance with requirements established by individual divisions or business units.



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## VI. Other Issues

### A. Education and Training

The firm's policies and procedures regarding written and electronic communications may be included in the firm's required annual compliance meeting and will otherwise be a part of the firm's continuing education program.

### B. Monitoring

The policies set forth above will be subject to periodic review by the firm's Management Controls Department.



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VII. Appendix

## Appendix 1. Guidelines for Sampling Correspondence

Divisions or business units may set up a system of reviewing appropriate samples of outgoing sales correspondence after they have been distributed.

If the division or business unit selects a sampling approach, regulations require that:

- Specific procedures must be designed and documented to provide reasonable supervision of each representative who conducts business with the public.
- The sampling techniques must be designed so that they can reasonably detect any potential violation of regulations under which the firm and its individual business units and divisions do business. Sampling levels must be set to provide statistically acceptable results. These levels must be determined in consultation with technology experts, business people, and the Legal and Compliance Departments. They will be reviewed periodically to assure reasonable accuracy and effectiveness.

In developing a sampling system, a number of additional factors should be taken into account:

- In determining the level of supervision appropriate for each sales representative, supervisors should consider the representative's overall complaint and disciplinary history, with particular emphasis on previous incidents involving communication with customers.
- Samples should be designed to reflect the breadth of an individual's communications, but need not be strictly random; samples may be concentrated on, for example, very active periods of time or very complicated or sensitive transactions.
- Electronic communications must be covered by the sample. Therefore, a selection of e-mails (and other electronic communications, if any) must also be reviewed. Where e-mail systems automatically save copies of outgoing e-mails, procedures should be adopted for the periodic review of saved e-mail folders for each person subject to review.
- The selection of specific electronic communications to be reviewed may be made by an automated system that selects individual communications for review based on key words or phrases.
- Individual supervisors are generally in the best position to determine the transactions or activities most likely to give rise to deviations from firm policies or risk to customers. Input will be sought from line-of-business supervisors in setting sampling guidelines.



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- Reviews are required to confirm the appropriateness of a representative's recommendations to customers. Therefore, sample selection criteria should assure that recommendations are included in the material reviewed for all representatives.

- Frequency of reviews should follow these guidelines:

  - Each individual's correspondence must be sampled no less often than annually.

  - Supervisors may wish to review the correspondence of junior employees (e.g., second- and third-year salespersons, certain lateral hires from other firms, etc.) more frequently than annually.

  - For the least-experienced employees (e.g., new hires, recent graduates of training programs, etc.), supervisors may find it advisable to review all correspondence prior to use or distribution until a level of confidence is reached as to the individual's work product.

- Records must be kept of the reviews.

- Divisions, business units, or supervisors may choose to review material more frequently or to increase the size of any sample.

- In conjunction with the sampling program, a program of periodic training must be established to educate employees as to the regulatory requirements applicable to their communications. Records showing when programs were conducted and who attended or otherwise participated must be maintained and be available for audit.



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# ATTACHMENT 8



GOLDMAN SACHS/LLOYD BLANKFEIN
RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD

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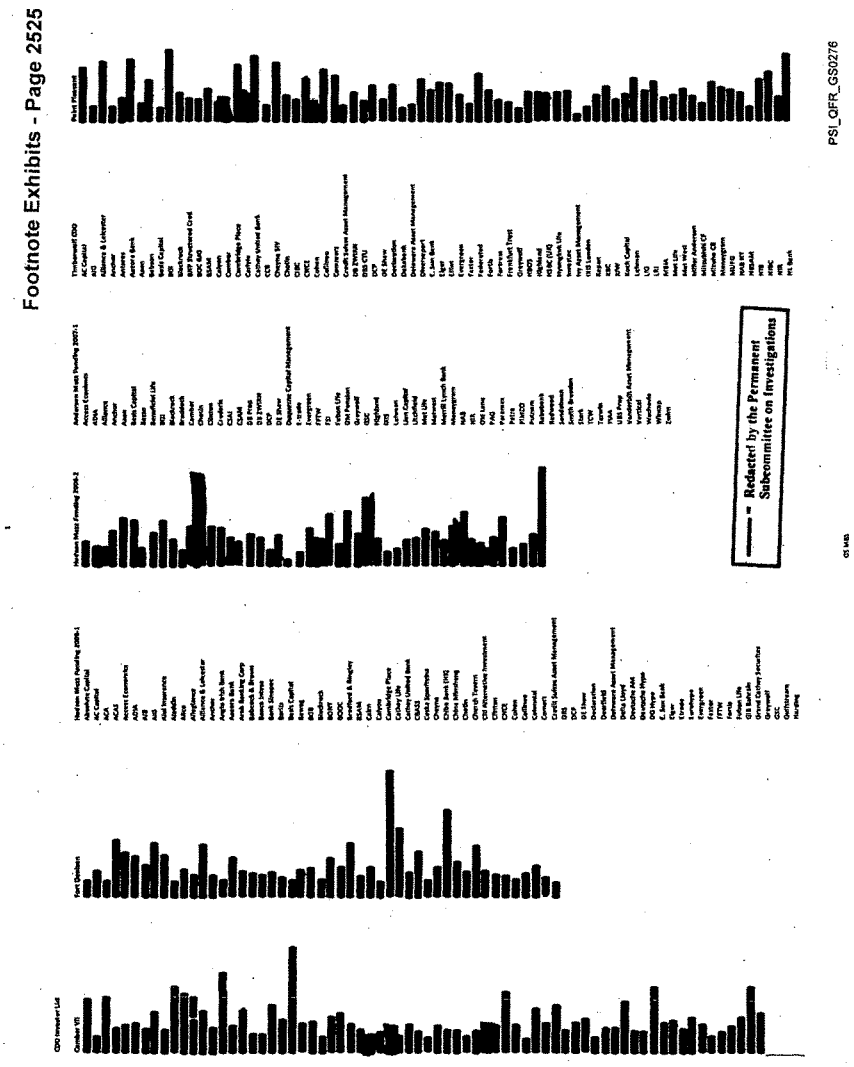
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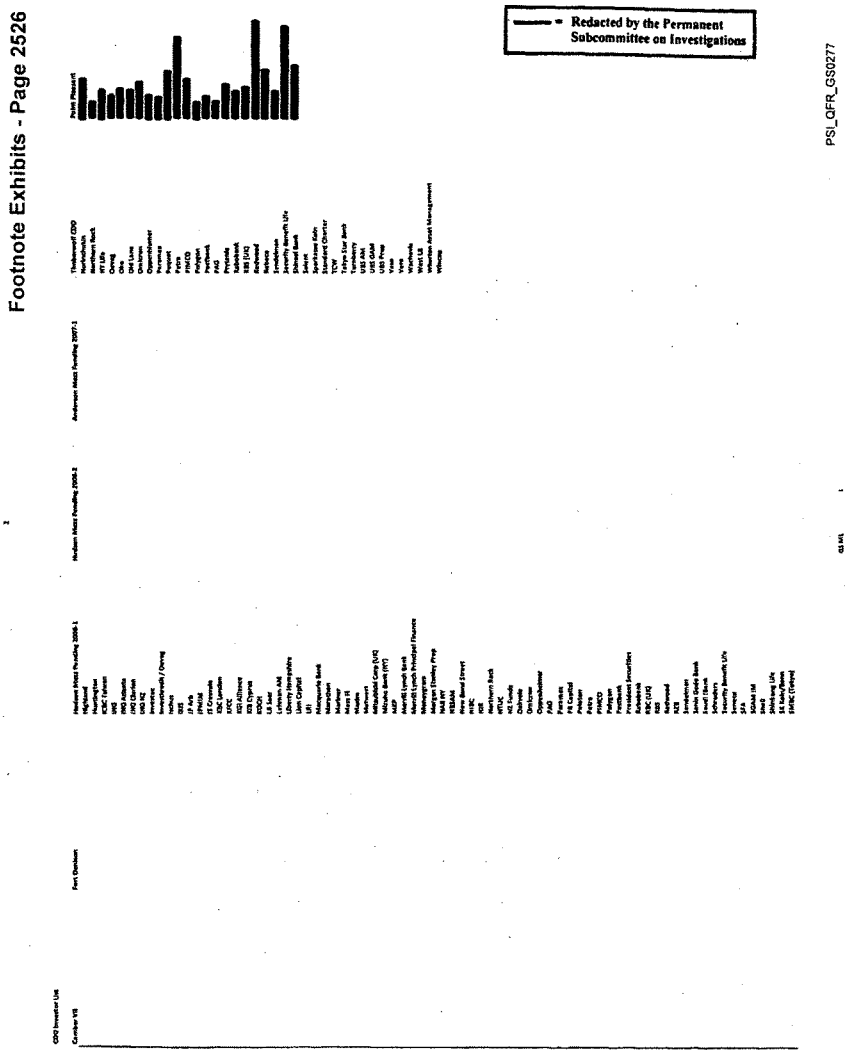
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## Footnote Exhibits - Page 2527




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Supplemental Response Received From Goldman Sachs



Confidential Treatment Requested by Goldman Sachs

**LB 2(b): Please explain how the search terms "collateral disposal agent" were selected. Please provide the relevant communications for Hudson Mezzanine Funding 2006-1 and Timberwolf transactions.**

The term "collateral disposal agent" was selected as a search term because it is a unique term that would be distinct to the Abacus program. For the Hudson Mezzanine Funding 2006-1 and Timberwolf transactions, we provided a response on July 8, 2010, which included the potential investors to whom the Syndicate desk marketed these transactions (bearing production number GS MBS 0000038771).



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**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

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Confidential Treatment Requested by Goldman Sachs

**LB 1(d): Please provide more explanation of the data provided. For example, how do current face value and actual face value differ? Why do several securities have two "sell" trades? What is the reason for the large differences in face value between the buy/sell values?**

The information provided in the "Orig[inal] face" and "Actual Face" columns in GS MBS 0000038831 should differ only in that the data in the "Actual Face" column identifies buys (as positive) and sells (as negative). Both columns provide information on the face value of the bonds at the time they were purchased for the respective CDO transactions identified in Question 1(d) posed to Mr. Blankfein. Accordingly, the Staff should focus on the "Actual Face column"; the "Orig[inal] face" column was inadvertently included. The "Current Face" column provides information on the face value of the bonds at the time the trade was executed.

There are "two sell trades" for certain bonds because those trades were booked as two distinct sales into the respective CDO by the relevant Goldman Sachs desk. The face value and the buy and sell values for certain trades differ because Goldman Sachs did not sell to the respective CDO the entire amount it purchased in those trades.

**Supplemental Response Received From Goldman Sachs**



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Supplemental Response Received From Goldman Sachs



**Goshorn, Daniel (HSGAC)**

**From:** Fredman, Sheara [Fin] [Sheara.Fredman@gs.com]
**Sent:** Monday, August 02, 2010 7:40 PM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Fredman, Sheara [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Subject:** Responses to PSI supplemental questions
**Attachments:** GS MBS 0000039108.xlsx

Dan,

As requested last week, attached is a spreadsheet detailing losses incurred on the price risk that Goldman Sachs has on the collateral securities within the requested CDOs. To the extent the bond was liquidated from the CDO, we calculated the loss based upon the price the firm valued the security when the security was acquired. To the extent the collateral securities are still held in the CDO, we included the unrealized loss the firm has recorded to date.

Additionally, you asked us to describe how the firm calculated net revenues earned from the credit default swap protection purchases on the Hudson Mezzanine Funding 2006-1 and 2006-2 transactions. As you are aware, the ABX index was introduced on January 19, 2006. In the following months, the firm, in its capacity as a market maker, sold protection on the ABX index to hedge funds, dealers and other market participants. This resulted in a multi-billion dollar long ABX position for the firm. In an effort to reduce that exposure, Goldman Sachs sponsored the Hudson Mezzanine Funding 2006-1 and 2006-2 transactions. Therefore, when calculating net revenues on the credit default swap protection purchases, we included the gains earned from the credit default swaps with the CDO as well as the losses incurred on the long ABX positions that motivated the Hudson Mezzanine 2006-1 and 2006-2 transactions.

Please note the following:

The information requested by the Subcommittee includes confidential internal documents and proprietary business records that Goldman Sachs does not make available to the general public. Goldman Sachs is producing these documents pursuant to Senate Rule XXVI and formally requests that these materials be treated as confidential business records. Accordingly, should you wish to publicly release any of these documents, Goldman Sachs respectfully requests reasonable notice of your intent to do so and the opportunity to object to such a release.

Goldman Sachs used various technology and manual resources to generate some of the documents for production to you in response to your Requests. While Goldman Sachs believes that these documents are reasonably accurate, we cannot make an absolute representation that it is complete or that there are not some inadvertent errors in the preparation of the spreadsheet. We will provide further updates or corrections if we discover missing information or errors.

Please confirm receipt.

Regards,

Sheara

Goldman, Sachs & Co.
200 West Street | New York, New York 10282
Tel: (212)[redacted]
e-mail: sheara.fredman@gs.com

**Sheara Fredman**
Managing Director
Finance Division
Goldman Sachs

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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**Anderson Mezzanine**

| Cusip | Name | Current Notional | Liquidation Px | Loss (000s) |
|---|---|---|---|---|
| 71085PBX0 | PCHLT 2005-2 A3 | 109,589 | 89.00 | 12 |
| 144531EV8 | CARR 2006-NC1 A2 | 3,694,657 | 86.00 | 517 |
| 03072SF91 | AMSI 2005-R6 A2 | 1,979,479 | 85.00 | 297 |
| 35729QAC2 | FHLT 2006-B 2A2 | 1,550,010 | 85.00 | 233 |
| 14454AAB5 | CARR 2006-FRE2 A2 | 11,000,000 | 84.00 | 1,760 |
| 35729VAB3 | FHLT 2006-D 2A1 | 3,087,061 | 79.00 | 648 |
| 35729VAB3 | FHLT 2006-D 2A1 | 1,706,088 | 79.00 | 358 |
| 75156UAB3 | RAMP 2006-RZ2 A2 | 6,500,000 | 76.00 | 1,560 |
| 34957YAA5 | FORTS 2006-2A S | 2,162,158 | 75.00 | 541 |
| 362375AA5 | GSAA 2006-10 AV1 | 2,126,615 | 68.50 | 670 |
| 23245CAC4 | CWL 2007-1 2A2 | 7,012,742 | 62.50 | 2,630 |
| 3622EBAA6 | GSAA 2007-4 A1 | 17,087,744 | 42.53 | 9,820 |
| 362334NA8 | GSAA 2006-7 AV1 | 472,955 | 92.56 | 35 |
| 3622EBAA6 | GSAA 2007-4 A1 | 9,577,421 | 41.06 | 5,645 |
| 59022QAD4 | MLMI 2006-HE5 A2C | 4,681,722 | 23.60 | 3,577 |
| 59022QAD4 | MLMI 2006-HE5 A2C | 7,516,187 | 23.75 | 5,731 |
| 362439AD3 | GSAMP 2006-HE4 A2C | 4,552,484 | 38.00 | 2,823 |
| 66988RAC1 | NHEL 2006-6 A2B | 4,000,000 | 49.10 | 2,036 |
| 61750FAE0 | MSAC 2006-HE6 A2C | 6,560,855 | 26.00 | 4,855 |
| 362439AD3 | GSAMP 2006-HE4 A2C | 447,516 | 38.00 | 277 |
| 55275TAC2 | MABS 2007-WMC1 A3 | 9,555,913 | 33.13 | 6,391 |
| 55275TAC2 | MABS 2007-WMC1 A3 | 3,124,034 | 31.25 | 2,148 |
| 55275TAC2 | MABS 2007-WMC1 A3 | 1,537,565 | 36.00 | 984 |
| 59022QAD4 | MLMI 2006-HE5 A2C | 309,205 | 34.28 | 203 |
| 59022QAD4 | MLMI 2006-HE5 A2C | 618,249 | 32.20 | 419 |
| 55275TAC2 | MABS 2007-WMC1 A3 | 1,897,579 | 31.00 | 1,309 |
| 55275TAC2 | MABS 2007-WMC1 A3 | 462,753 | 31.22 | 318 |
| 61750FAE0 | MSAC 2006-HE6 A2C | 356,980 | 28.00 | 257 |
| 61750FAE0 | MSAC 2006-HE6 A2C | 889,465 | 32.00 | 605 |
| 643529AA8 | NCAMT 2006-ALT2 AV1 | 2,161,033 | 60.00 | 864 |
| 23245CAC4 | CWL 2007-1 2A2 | 1,987,258 | 56.50 | 864 |
| 17309LAD7 | CMLTI 2006-HE2 A2C | 1,000,000 | 38.00 | 620 |
| 3622ELAA4 | GSAA 2006-18 AV1 | 4,843,815 | 78.00 | 1,066 |
| 3622EBAA6 | GSAA 2007-4 A1 | 6,121,578 | 50.00 | 3,061 |

| | |
|---|---|
| Total Realized | 63,134 |
| Total Unrealized | 59,000 |
| Total | 122,134 |



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66051.278

**Hudson Mezzanine 06-1**

| Cusip | Name | Current Notional | Liquidation Px | Loss (000s) |
|---|---|---|---|---|
| 12667HAB7 | CWL 0620 2A1 | 38,164,999.66 | 93.00 | 2,671,549.98 |
| 12667HAB7 | CWL 0620 2A1 | 14,902,164.01 | 94.00 | 894,129.84 |
| 35729VAB3 | FHLT 06D 2A1 | 5,579,340.93 | 90.00 | 557,934.09 |
| 44328AAB6 | HASC 06HE1 2A1 | 16,075,000.00 | 91.00 | 1,446,750.00 |
| 65537FAB7 | NHELI 06FM2 2A1 | 39,456,000.00 | 93.00 | 2,761,920.00 |
| 12668PAB8 | CWALT 06OA17 1A1B | 15,617,805.00 | 90.00 | 1,561,780.50 |
| ACC54A2C5 | ACCR 054 A2C | 3,843,000.00 | 92.00 | 307,440.00 |
| GS05HE4B5 | GSAMP 05HE4 A2B | 3,625,000.00 | 92.00 | 290,000.00 |
| 35729VAB3 | FHLT 06D 2A1 | 12,273,337.90 | 91.75 | 1,012,550.38 |
| 643529AA8 | NCAMT 06ALT2 AV1 | 10,697,700.27 | 88.75 | 1,203,491.28 |
| 362257AA5 | GSAA 0617 A1 | 42,515,963.65 | 87.75 | 5,208,205.55 |
| 23245FAB9 | CWALT 06OC10 2A1 | 24,155,000.10 | 91.00 | 2,173,950.01 |
| 23245FAB9 | CWALT 06OC10 2A1 | 22,468,892.40 | 91.00 | 2,022,200.32 |
| 23245GAA9 | CWALT 06OC9 A1 | 45,879,456.87 | 91.00 | 4,129,151.12 |
| 362725AA1 | GSRPM 062 A1A | 7,305,719.18 | 80.90 | 1,395,392.36 |
| 64352VJY8 | NCHET 051 A2C | 4,084,404.61 | 82.90 | 698,433.19 |
| 362257AA5 | GSAA 0617 A1 | 12,969,694.24 | 85.40 | 1,893,575.36 |
| 144528AB2 | CARR 06NC3 A2 | 6,007,715.00 | 85.20 | 889,141.82 |
| GSAA07053 | GSAA 0705 1AV1 | 6,776,913.60 | 85.40 | 989,429.39 |
| 75156UAB3 | RAMP 06RZ2 A2 | 12,762,028.00 | 81.90 | 2,309,927.07 |
| 75156UAB3 | RAMP 06RZ2 A2 | 736,467.00 | 81.90 | 133,300.53 |
| 66988RAC1 | NHEL 066 A2B | 1,233,000.00 | 77.90 | 272,493.00 |
| 3622ELAA4 | GSAA 0618 AV1 | 49,220,908.30 | 85.40 | 7,186,252.61 |
| 23245GAA9 | CWALT 06OC9 A1 | 8,058,272.61 | 50.00 | 4,029,136.30 |
| 12669HAA7 | CWL 07QH1 A1 | 10,347,299.07 | 71.20 | 2,980,022.13 |
| 144539AC7 | CARR 06NC5 A3 | 7,472,244.00 | 85.15 | 1,109,628.23 |
| 144539AC7 | CARR 06NC5 A3 | 1,861,756.00 | 85.15 | 276,470.77 |
| 66988RAC1 | NHEL 066 A2B | 31,767,000.00 | 77.40 | 7,179,342.00 |
| 64352VQR5 | NCHET 061 A2B | 9,508,945.46 | 71.90 | 2,672,013.67 |
| 12670BAA7 | CWL 07S2 A1 | 2,692,081.81 | 82.00 | 484,574.73 |
| 75156UAB3 | RAMP 06RZ2 A2 | 1,505.00 | 80.77 | 289.41 |
| 12669HAA7 | CWL 07QH1 A1 | 1,328,084.00 | 79.77 | 268,671.39 |
| 12670BAA7 | CWL 07S2 A1 | 3,073,839.46 | 87.15 | 395,142.06 |
| 23245PAC5 | CWALT 06OA22 A3 | 13,179,949.75 | 49.00 | 6,721,774.37 |
| GSAA6S1A9 | GSAA 06S1 IA1 | 1,643,022.00 | 9.00 | 1,495,150.02 |
| 23245PAC5 | CWALT 06OA22 A3 | 5,465,922.00 | 17.00 | 4,536,715.26 |
| 12668VAA7 | CWL 06S7 A1 | 36,547,262.00 | 42.00 | 21,197,411.96 |
| 36245CAC6 | GSAMP 06S6 A1C | 6,663,058.00 | 7.00 | 6,196,643.94 |
| 36245CAC6 | GSAMP 06S6 A1C | 2,877,103.10 | 8.00 | 2,646,934.85 |
| 36245CAC6 | GSAMP 06S6 A1C | 7,175,813.34 | 8.75 | 6,547,929.67 |
| | | | Total Realized | 110,746,849 |
| | | | Total | 110,746,849 |

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**Hudson Mezzanine 06-2**

| Cusip | Name | Current Notional | Liquidation Px | Loss (000s) |
|---|---|---|---|---|
| 362341QH5 | GSAA 0511 3A3 | 202,115.56 | 89.60 | 21 |
| 3622MDAB1 | GSAMP 07HE1 A2A | 10,125,213.42 | 82.75 | 1,747 |
| 12668BRE5 | CWALT 06OC2 2A1 | 1,882,609.32 | 83.87 | 304 |
| 362341NX3 | GSAA 0511 3A3 | 440,613.60 | 89.60 | 46 |
| 004375EH0 | ACCR 054 A2C | 587,435.19 | 85.00 | 88 |
| 3622ELAA4 | GSAA 06-18 AV1 | 6,458,420.60 | 78.00 | 1,421 |
| 3622EQAA3 | GSAA 2007-1 1A1 | 4,894,245.27 | 52.00 | 2,349 |
| 3622EQAA3 | GSAA 0701 1A1 | 1,173,486.00 | 37.00 | 739 |
| 3622EBAA6 | GSAA 2007-4 A1 | 5,294,464.83 | 47.06 | 2,803 |
| 3622MHAC0 | GSAMP 2007-FM2 A2B | 4,032,705.00 | 26.25 | 2,974 |
| 3622MDAC9 | GSAMP 07HE1 A2B | 9,442,548.00 | 26.00 | 6,987 |
| 3622MDAC9 | GSAMP 2007-HE1 A2B | 12,162,942.00 | 31.50 | 8,332 |
| 3622MDAC9 | GSAMP 2007-HE1 A2B | 6,586,808.00 | 36.50 | 4,183 |
| 36245TAC9 | GSAMP 2006-FM3 A2B | 5,814,801.00 | 27.00 | 4,245 |
| 36245TAC9 | GSAMP 2006-FM3 A2B | 8,129,683.94 | 34.13 | 5,355 |
| 40431KAB6 | HALO 2007-WF1 A2 | 8,374,000.00 | 32.53 | 5,650 |
| 36245TAC9 | GSAMP 2007-FM2 A2B | 748,621.00 | 30.28 | 522 |
| 3622MDAC9 | GSAMP 2007-HE1 A2B | 7,780,482.00 | 67.00 | 2,568 |
| 3622MDAC9 | GSAMP 2007-HE1 A2B | 3,506,730.00 | 60.16 | 1,397 |
| 3622MHAC0 | GSAMP 2007-FM2 A2B | 2,630,710.00 | 32.53 | 1,775 |
| 3622MHAC0 | GSAMP 2007-FM2 A2B | 4,395,073.00 | 34.88 | 2,862 |
| 32029GAC8 | FFML 2007-FF2 A2B | 3,741,887.00 | 38.53 | 2,300 |
| 32029GAC8 | FFML 2007-FF2 A2B | 3,385,687.00 | 39.03 | 2,064 |
| 32029GAC8 | FFML 2007-FF2 A2B | 3,846,472.00 | 38.50 | 2,366 |
| 32029GAC8 | FFML 2007-FF2 A2B | 825,954.00 | 41.00 | 487 |
| 3622MHAC0 | GSAMP 2007-FM2 A2B | 1,273,296.00 | 34.00 | 840 |
| 3622MHAC0 | GSAMP 2007-FM2 A2B | 1,464,645.00 | 38.50 | 901 |
| 3622MHAC0 | GSAMP 2007-FM2 A2B | 2,148,575.00 | 37.02 | 1,353 |

| | |
|---|---|
| Total Realized | 66,679 |
| Total Unrealized | 42,000 |
| Total | 108,679 |

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**Footnote Exhibits - Page 2537**

**Camber 7**

| Cusip | Name | Current Notional | Liquidation Px | Loss (000s) |
|---|---|---|---|---|
| 04544QAD9 | ABSHE 06HE7 A4 | 10,699,493 | 39.10 | 6,516 |
| 04544QAD9 | ABSHE 06HE7 A4 | 8,741,583 | 42.25 | 5,048 |
| 04544QAD9 | ABSHE 06HE7 A4 | 553,847 | 42.25 | 320 |
| 03072SP33 | AMSI 05R9 A2B | 5,670,422 | 65.00 | 1,985 |
| 040104TF8 | ARSI 06W4 A2B | 13,920,141 | 89.50 | 1,462 |
| 05530MAA7 | BCAP 06AA2 A1 | 28,999,055 | 32.00 | 19,719 |
| 073855AA6 | BSABS 07FS1 1A1 | 33,750,477 | 76.75 | 7,847 |
| 14454AAC3 | CARR 06FRE2 A3 | 1,869,952 | 43.24 | 1,061 |
| 14454AAC3 | CARR 06FRE2 A3 | 5,720,868 | 44.25 | 3,189 |
| 144531EV8 | CARR 06NC1 A2 | 6,190,449 | 82.75 | 1,068 |
| 17309QAC8 | CMLTI 06WFH3 A3 | 18,759,440 | 48.50 | 9,661 |
| 17309QAC8 | CMLTI 06WFH3 A3 | 11,240,560 | 48.50 | 5,789 |
| 17311XAA3 | CMLTI 07AMC2 A3A | 29,041,950 | 76.25 | 6,897 |
| 17311XAA3 | CMLTI 07AMC2 A3A | 12,089,364 | 50.00 | 6,045 |
| 12666VAC5 | CWL 0617 2A2 | 21,662,423 | 52.50 | 10,290 |
| 12666VAC5 | CWL 0617 2A2 | 1,594,390 | 65.00 | 558 |
| 12666VAC5 | CWL 0617 2A2 | 11,204,852 | 65.00 | 3,922 |
| 12666VAC5 | CWL 0617 2A2 | 1,660,941 | 65.00 | 581 |
| 12666VAC5 | CWL 0617 2A2 | 3,877,394 | 65.00 | 1,357 |
| 23243WAC2 | CWL 0618 2A2 | 6,791,588 | 40.00 | 4,075 |
| 23243WAC2 | CWL 0618 2A2 | 8,100,000 | 47.00 | 4,293 |
| 23243WAC2 | CWL 0618 2A2 | 10,083,322 | 49.00 | 5,142 |
| 23243WAC2 | CWL 0618 2A2 | 24,858 | 51.75 | 12 |
| 12667LAB8 | CWL 0621 2A1 | 1,422,228 | 88.00 | 171 |
| 12667LAB8 | CWL 0621 2A1 | 303,701 | 83.00 | 52 |
| 12668YAA1 | CWL 06S10 A1 | 17,814,622 | 65.75 | 6,102 |
| 12668NAB3 | CWL 072 2A1 | 2,619,601 | 78.00 | 576 |
| 35729QAC2 | FHLT 06B 2A2 | 12,571,821 | 85.00 | 1,886 |
| 31659YAB0 | FMIC 071 2A1 | 5,485,129 | 78.00 | 1,207 |
| 34528WAC5 | FORDO 07B A2B | 3,500,033 | 97.25 | 96 |
| 617538AA1 | MSAC 07HE3 A2A | 9,634,392 | 82.75 | 1,662 |
| 655374AA4 | NAA 07S1 A1 | 12,809,826 | 7.00 | 11,913 |
| 68403FAB2 | OOMLT 074 2A1 | 2,084,476 | 78.25 | 453 |
| 73316NAA3 | POPLR 07A A1 | 8,733,930 | 78.00 | 1,921 |
| 86362QAA1 | SASC 07GEL1 A1 | 1,027,305 | 77.75 | 229 |
| 86362QAA1 | SASC 07GEL1 A1 | 16,010,654 | 53.00 | 7,525 |

| | |
|---|---|
| Total Realized | 140,630 |
| Total Unrealized | 196,000 |
| Total | 336,630 |

PSI_QFR_GS0294

**Footnote Exhibits - Page 2538**

**Point Pleasant**

| Cusip | Name | Current Notional | Liquidation Px | Loss (000s) |
|---|---|---|---|---|
| 04541GRJ3 | ABSHE 05HE4 A1 | 1,659,154 | 87 | 216 |
| 02150KAA7 | CWALT 07OH1 A1A | 8,145,746 | 84 | 1,303 |
| 12668WAA5 | CWL 074 A1A | 7,379,638 | 84 | 1,181 |
| 12669WAC0 | CWL 078 2A1 | 8,235,398 | 84 | 1,318 |
| 36242D3U5 | GSAA 056 A1 | 1,226,789 | 86 | 172 |
| 362341AM1 | GSAA 057 AV1 | 849,097 | 83 | 144 |
| 3622EBAA6 | GSAA 0704 A1 | 28,472,785 | 83 | 4,840 |
| 57645JAA7 | MABS 06HE3 A1 | 7,274,054 | 85 | 1,091 |
| 3622ECAA4 | GSAA 0705 1AV1 | 56,389,263 | 88 | 6,767 |
| 03072SF91 | AMSI 05R6 A2 | 14,958,416 | 88.5 | 1,720 |
| 144528AB2 | CARR 06NC3 A2 | 3,597,285 | 84.5 | 558 |
| 362341QH5 | GSAA 0511 3A3 | 5,702,895 | 94 | 342 |
| 3622EBAA6 | GSAA 0704 A1 | 28,938,438 | 78.5 | 6,222 |
| 3622ECAA4 | GSAA 0705 1AV1 | 30,804,270 | 86.5 | 4,159 |
| 57643LGV2 | MABS 05WMC1 A5 | 1,362,147 | 87.5 | 170 |
| 04544NAD6 | ABSHE 06HE6 A4 | 9,000,000 | 67 | 2,970 |
| 02150KAB5 | CWALT 07OH1 A2A | 11,175,213 | 80 | 2,235 |
| 23242MAA9 | CWL 06S3 A1 | 3,440,302 | 57.5 | 1,462 |
| 126683AA9 | CWL 06S5 A1 | 2,435,145 | 57.5 | 1,035 |
| 12669LAC4 | CWL 076 2A2 | 12,000,000 | 70.65 | 3,522 |
| 12669WAD8 | CWL 078 2A2 | 3,694,000 | 70.5 | 1,090 |
| 12670BAA7 | CWL 07S2 A1 | 35,382,010 | 62.75 | 13,180 |
| 32029GAC8 | FFML 07FF2 A2B | 34,700,000 | 59.75 | 13,967 |
| 30248EAA6 | FFML 07FFBS5 A | 36,447,017 | 59.65 | 14,706 |
| 40051CAA5 | GSAA 06S1 IA1 | 692,972 | 31.5 | 475 |
| 3622EAAX8 | GSAA 0703 1A1B | 9,003,915 | 23 | 6,933 |
| 3622EBAA6 | GSAA 0704 A1 | 57,104,701 | 71 | 16,560 |
| 3622EBAB4 | GSAA 0704 A2 | 904,000 | 42 | 524 |
| 362440AC3 | GSAMP 07HE2 A2B | 13,347,000 | 66.9 | 4,418 |

| | |
|---|---|
| Total Realized | 113,279 |
| Total Unrealized | - |
| Total | 113,279 |

PSI_QFR_GS0295

## Footnote Exhibits - Page 2539

Timberwolf

| CUSIP | Name | Current Notional | Liquidation Px | Loss (000s) |
|---|---|---|---|---|
| 04541GRJ3 | ABSHE 2005-HE4 A1 | 1,659,154 | 87.00 | 216 |
| 07389RAN8 | BSABS 2006-HE10 21A1 | 7,130,248 | 96.00 | 285 |
| 07389RAN8 | BSABS 2006-HE1021 A1 | 4,435,127 | 95.00 | 222 |
| 144531CV0 | CARR 2005-NC3 A1C | 5,250,778 | 97.00 | 158 |
| 144531CV0 | CARR 2005-NC3 A1C | 3,144,706 | 97.00 | 94 |
| 144531DL1 | CARR 2005-NC5 A2 | 8,682,715 | 95.00 | 434 |
| 144531DL1 | CARR 2005-NC5 A2 | 19,410,749 | 95.00 | 971 |
| 14454AAB5 | CARR 2006-FRE2 A2 | 4,887,365 | 86.50 | 660 |
| 14454AAB5 | CARR 2006-FRE2 A2 | 1,211,010 | 87.00 | 157 |
| 14453MAB0 | CARR 2006-NC4 A2 | 20,000,000 | 86.00 | 2,800 |
| 161571AF1 | CHAIT 2005-A1 A1 | 10,930,000 | 99.63 | 40 |
| 22545RAA4 | CSMC 2006-TF2A A1 | 4,053,526 | 97.00 | 122 |
| 02150KAA7 | CWALT 2007-OH1 A1A | 8,145,746 | 84.00 | 1,303 |
| 12666SAB4 | CWL 2006-BCS 2A1 | 17,695,118 | 96.00 | 708 |
| 23245CAC4 | CWL 2007-1 2A2 | 205,659 | 79.50 | 42 |
| 23245CAC4 | CWL 2007-1 2A2 | 7,922,052 | 88.00 | 951 |
| 12668UAE1 | CWL 2007-3 2A1 | 15,530,778 | 92.00 | 1,242 |
| 12668UAE1 | CWL 2007-3 2A1 | 3,224,955 | 92.00 | 258 |
| 12668UAE1 | CWL 2007-3 2A1 | 23,197,783 | 92.00 | 1,856 |
| 12668WAA5 | CWL 2007-4 A1A | 7,379,638 | 84.00 | 1,181 |
| 12669WAC0 | CWL 2007-8 2A1 | 8,235,398 | 84.00 | 1,318 |
| 12668TAB0 | CWL 2007-BC1 2A1 | 11,079,094 | 93.00 | 776 |
| 35729QAC2 | FHLT 2006-B 2A2 | 1,356,481 | 86.50 | 183 |
| 35729QAC2 | FHLT 2006-B 2A2 | 1,674,981 | 86.50 | 226 |
| 35729VAB3 | FHLT 2006-D 2A1 | 10,127,378 | 97.00 | 304 |
| 34957YAA5 | FORTS 2006-2A S | 4,214,071 | 80.00 | 843 |
| 36242D3U5 | GSAA 2005-6 A1 | 1,226,789 | 86.00 | 172 |
| 362341AM1 | GSAA 2005-7 AV1 | 849,097 | 83.00 | 144 |
| 3622ELAA4 | GSAA 2006-18 AV1 | 5,353,894 | 86.00 | 750 |
| 3622ELAA4 | GSAA 2006-18 AV1 | 4,960,302 | 85.00 | 744 |
| 3622EBAA8 | GSAA 2007-4 A1 | 4,039,698 | 85.00 | 606 |
| 3622EBAA8 | GSAA 2007-4 A1 | 7,071,000 | 85.00 | 1,061 |
| 3622EBAA8 | GSAA 2007-4 A1 | 14,492,792 | 85.00 | 2,174 |
| 3622EBAA8 | GSAA 2007-4 A1 | 9,667,026 | 85.00 | 1,450 |
| 3622EBAA8 | GSAA 2007-4 A1 | 2,929,073 | 83.00 | 498 |
| 3622EBAA8 | GSAA 2007-4 A1 | 28,472,785 | 83.00 | 4,840 |
| 3622EBAA8 | GSAA 2007-4 A1 | 504,946 | 86.00 | 71 |
| 3622EBAA8 | GSAA 2007-4 A1 | 1,246,821 | 88.00 | 150 |
| 362341L49 | GSAMP 2005-WMC3 A2B | 1,000,000 | 91.00 | 90 |
| 362334QF4 | GSRPM 2006-1 A2 | 287,882 | 97.00 | 9 |
| 362334QF4 1 | GSRPM 2006-1 A2 | 621,572 | 97.00 | 19 |
| 44386QAA2 | HUDMZ 2006-2A S | 3,511,665 | 75.00 | 878 |
| 452570AA2 | IMSA 2007-2 1A1A | 17,742,243 | 90.00 | 1,774 |
| 452570AA2 | IMSA 2007-2 1A1A | 22,767,938 | 87.65 | 2,812 |
| 46628LEJ5 | JPMAC 2005-OPT2 A3 | 803,286 | 94.00 | 48 |
| 46628LEJ5 | JPMAC 2005-OPT2 A3 | 189,862 | 94.00 | 11 |
| 57645JAA7 | MABS 2006-HE3 A1 | 7,274,054 | 85.00 | 1,091 |
| 55264TCC3 | MBNAS 2003-A9 A9 | 12,680,000 | 99.50 | 63 |
| 61749NAC1 | MSAC 2005-HE5 A2B | 11,280,000 | 92.00 | 902 |
| 61749NAC1 | MSAC 2005-HE5 A2B | 800,000 | 92.00 | 64 |
| 61749NAC1 | MSAC 2005-HE5 A2B | 18,802,237 | 90.00 | 1,680 |
| 643529AA8 | NCAMT 2006-ALT2 AV1 | 4,384,451 | 87.00 | 570 |
| 643529AA8 | NCAMT 2006-ALT2 AV1 | 2,760,088 | 87.50 | 345 |
| 643529AA8 | NCAMT 2006-ALT2 AV1 | 2,760,088 | 87.50 | 345 |
| 64352VLG4 | NCHET 2005-3 A2C | 7,719,440 | 92.00 | 618 |
| 64352VNW7 | NCHET 2005-C A2B | 4,821,847 | 97.00 | 139 |
| 69121PBT9 | OWNIT 2005-5 A2B | 31,727,500 | 97.00 | 952 |
| 71085PBX0 | PCHLT 2005-2 A3 | 5,751,335 | 95.00 | 288 |
| 76110WF35 | RASC 2004-KS9 AII4 | 1,799,672 | 97.00 | 54 |
| 92976BHJ4 | WBCMT 2006-WL7A A1 | 9,714,587 | 93.00 | 680 |
| | | | Realized | 43,439 |
| | | | Realized loss on broker liquidation | 182,330 |
| | | | Total | 225,769 |

PSI_QFR_GS0296

**Fort Denison**

**Cash deal - no collateral security losses incurred**



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66051.284

Goldman Sachs

Goshorn, Daniel (HSGA

Footnote Exhibits - Page 2541

**From:** Fredman, Sheara [Fin] [Sheara.Fredman@gs.com]
**Sent:** Thursday, December 02, 2010 6:56 PM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Subject:** RE: Responses to PSI supplemental questions
**Attachments:** GS MBS 0000087354.xlsx

Dan –

Attached please find a revised response to Question LB 1d, which was previously submitted to the Subcommittee with a schedule bearing production number GS MBS 0000039108. As requested, Goldman Sachs has updated the previously produced schedule to include re-investment trades done with Goldman Sachs that were executed subsequent to the issuance of the specified transactions. To the extent the re-investment trades were made at the direction of the portfolio advisor and executed with a party other than Goldman Sachs, these trades are not included in the firm's books and records and therefore have not been included.

Please note the following:

The information requested by the Subcommittee includes confidential internal documents and proprietary business records that Goldman Sachs does not make available to the general public. Goldman Sachs is producing these documents pursuant to Senate Rule XXVI and formally requests that these materials be treated as confidential business records. Accordingly, should you wish to publicly release any of these documents, Goldman Sachs respectfully requests reasonable notice of your intent to do so and the opportunity to object to such a release.

Goldman Sachs used various technology and manual resources to generate some of the documents for production to you in response to your Requests. While Goldman Sachs believes that these documents are reasonably accurate, we cannot make an absolute representation that it is complete or that there are not some inadvertent errors in the preparation of the spreadsheet. We will provide further updates or corrections if we discover missing information or errors.

Regards,
Sheara

**From:** Goshorn, Daniel (HSGAC) [mailto:Daniel_Goshorn@hsgac.senate.gov]
**Sent:** Thursday, December 02, 2010 3:19 PM
**To:** Fredman, Sheara [Fin]
**Subject:** RE: Responses to PSI supplemental questions

Hi Sheara,

Any update on this?

Thanks.

Dan

1

PSI_OFR_GS0298

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66051.285

**From:** Fredman, Sheara [Fin] [mailto:Sheara.Fredman@gs.com]
**Sent:** Thursday, November 18, 2010 9:56 AM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Broeckel, Janet [Legal]
**Subject:** RE: Responses to PSI supplemental questions

Dan - GS MBS 0000039108 (attached) includes the collateral securities which we incurred a loss on. I am checking about updating 1d with the additional information you have requested.

S

**From:** Goshorn, Daniel (HSGAC) [mailto:Daniel_Goshorn@hsgac.senate.gov]
**Sent:** Wednesday, November 17, 2010 1:26 PM
**To:** Fredman, Sheara [Fin]
**Subject:** RE: Responses to PSI supplemental questions

Sheara-

Thanks. Does the item provided with bates GS MBS 0000039108 (attached) include all collateral securities associated with each deal? Would it be possible to update the response to 1d to include all collateral securities associated with each CDO, including the face values, clients and trade dates like the current version?

Thanks
Dan

**From:** Fredman, Sheara [Fin] [mailto:Sheara.Fredman@gs.com]
**Sent:** Wednesday, November 17, 2010 1:18 PM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Fredman, Sheara [Fin]; Broeckel, Janet [Legal]
**Subject:** RE: Responses to PSI supplemental questions

Dan – The schedule only includes the purchases and sales associated with the collateral securities in the deal upon issuance of the deal. It does not include any collateral securities purchased with the cash received from the original collateral securities.

Sheara

**From:** Goshorn, Daniel (HSGAC) [mailto:Daniel_Goshorn@hsgac.senate.gov]
**Sent:** Tuesday, November 16, 2010 5:59 PM
**To:** Fredman, Sheara [Fin]
**Subject:** RE: Responses to PSI supplemental questions

Hi Sheara,

Thanks for all your help with these responses. For the response to LB1(d), could you please confirm that the spreadsheet contains all securities purchases to collateralize synthetic assets during the life of each deal. It appears the list only goes through the closing date of each deal.

Thanks,
Dan





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66051.286

**From:** Fredman, Sheara [Fin] [mailto:Sheara.Fredman@gs.com]
**Sent:** Friday, September 10, 2010 6:00 PM
**To:** Goshorn, Daniel (HSGAC)
**Cc:** Smith, Sarah [Fin]; Lee, Brian-J (FI Controllers) [Fin]; Simpson, Michael [Fin]; Fredman, Sheara [Fin]; Broeckel, Janet [Legal]; Michaels, Susan [Fin]
**Subject:** Responses to PSI supplemental questions

Dan –

Attached is responses to the supplemental questions on LB1(b)(ii) and LB1(d). Please let us know if you have any additional questions.

Please note the following:

The information requested by the Subcommittee includes confidential internal documents and proprietary business records that Goldman Sachs does not make available to the general public. Goldman Sachs is producing these documents pursuant to Senate Rule XXVI and formally requests that these materials be treated as confidential business records. Accordingly, should you wish to publicly release any of these documents, Goldman Sachs respectfully requests reasonable notice of your intent to do so and the opportunity to object to such a release.

Goldman Sachs used various technology and manual resources to generate some of the documents for production to you in response to your Requests. While Goldman Sachs believes that these documents are reasonably accurate, we cannot make an absolute representation that it is complete or that there are not some inadvertent errors in the preparation of the spreadsheet. We will provide further updates or corrections if we discover missing information or errors.

Regards,
Sheara

= Redacted by the Permanent Subcommittee on Investigations

Goldman, Sachs & Co.
200 West Street | New York, New York 10282
Tel: (212) [redacted]
e-mail: sheara.fredman@gs.com

**Sheara Fredman**
Managing Director
Finance Division
Goldman Sachs

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66051.287

**Goldman Sachs** [redacted] **Footnote Exhibits - Page 2544**

| Buy/Sell | Cusip | BondName | Orig face | Actual Face | Current Face | Tradedate | SettleDate | Comm | Deal |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 55275TAC2 | MABS 07WMC1 A3 | 48,850,000 | 48,850,000 | 48,850,000 | 2/12/2007 | 2/27/2007 | [redacted] | Anderson Mezz |
| Sell | 55275TAC2 | MABS 07WMC1 A3 | 22,000,000 | (22,000,000) | 22,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 59022QAD4 | MLMI 06HE3 A2C | 40,000,000 | 40,000,000 | 40,000,000 | 9/11/2006 | 9/28/2006 | [redacted] | Anderson Mezz |
| Sell | 59022QAD4 | MLMI 06HE3 A2C | 18,000,000 | (18,000,000) | 18,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 3622ELAA4 | GSAA 0618 AV1 | 218,347,000 | 218,347,000 | 218,347,000 | 11/14/2006 | 11/30/2006 | ALT A MTG NI ACCT | Anderson Mezz |
| Sell | 3622ELAA4 | GSAA 0618 AV1 | 15,000,000 | (15,000,000) | 13,102,139 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 643529AA8 | NCAMT 06ALT2 AV1 | 186,161,000 | 186,161,000 | 186,161,000 | 10/19/2006 | 10/30/2006 | ALT A MTG NI ACCT | Anderson Mezz |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 16,000,000 | (16,000,000) | 12,226,249 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 35729VAB3 | FHLT 06D 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 10/25/2006 | 11/3/2006 | [redacted] | Anderson Mezz |
| Sell | 35729VAB3 | FHLT 06D 2A1 | 13,000,000 | (13,000,000) | 11,389,054 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 14454AAB5 | CARR 06FRE2 A2 | 23,754,000 | 23,754,000 | 23,754,000 | 1/25/2007 | 1/30/2007 | [redacted] | Anderson Mezz |
| Sell | 14454AAB5 | CARR 06FRE2 A2 | 11,000,000 | (11,000,000) | 11,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 126673MY5 | CWHEL 04Q 2A | 94,000,000 | 94,000,000 | 20,206,486 | 3/8/2007 | 3/13/2007 | [redacted] | Anderson Mezz |
| Sell | 126673MY5 | CWHEL 04Q 2A | 42,000,000 | (42,000,000) | 8,750,024 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 23245CAC4 | CWL 071 2A2 | 20,000,000 | 20,000,000 | 20,000,000 | 1/29/2007 | 2/9/2007 | [redacted] | Anderson Mezz |
| Sell | 23245CAC4 | CWL 071 2A2 | 9,000,000 | (9,000,000) | 9,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 66988RAC1 | NHEL 066 A2B | 45,000,000 | 45,000,000 | 45,000,000 | 11/20/2006 | 11/30/2006 | [redacted] | Anderson Mezz |
| Sell | 66988RAC1 | NHEL 066 A2B | 4,000,000 | (4,000,000) | 4,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 35729QAC2 | FHLT 06B 2A2 | 13,795,000 | 13,795,000 | 13,795,000 | 2/9/2007 | 2/14/2007 | [redacted] | Anderson Mezz |
| Sell | 35729QAC2 | FHLT 06B 2A2 | 2,000,000 | (2,000,000) | 2,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 3622EAAD2 | GSAA 0703 2A1B | 11,112,000 | 11,112,000 | 11,112,000 | 2/16/2007 | 2/23/2007 | ALT A MTG NI ACCT | Anderson Mezz |
| Sell | 3622EAAD2 | GSAA 0703 2A1B | 5,000,000 | (5,000,000) | 5,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 362439AD3 | GSAMP 06HE4 A2C | 10,368,000 | 10,368,000 | 10,368,000 | 3/9/2007 | 3/14/2007 | [redacted] | Anderson Mezz |
| | 362439AD3 | GSAMP 06HE4 A2C | 5,000,000 | (5,000,000) | 5,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 71085PBX0 | PCHLT 052 A3 | 11,322,000 | 11,322,000 | 11,322,000 | 1/17/2007 | 1/24/2007 | [redacted] | Anderson Mezz |
| Sell | 71085PBX0 | PCHLT 052 A3 | 5,000,000 | (5,000,000) | 5,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 40051CAA5 | GSAA 0651 1A1 | 85,924,000 | 79,747,892 | 79,747,892 | 2/27/2007 | 3/2/2007 | [redacted] | Anderson Mezz |
| Sell | 40051CAA5 | GSAA 0651 1A1 | 46,838,319 | (46,838,319) | 43,471,640 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 124BMKAB1 | CBASS 07SL1 A2 | 148,222,000 | 148,222,000 | 148,222,000 | 3/9/2007 | 3/19/2007 | ABS MTG SYN/ | Anderson Mezz |
| Sell | 124BMKAB1 | CBASS 07SL1 A2 | 45,000,000 | (45,000,000) | 45,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 34957YAA5 | FORTIUS II S 144A | 12,700,000 | 12,700,000 | 12,700,000 | 12/4/2006 | 12/7/2006 | CDO 1 NI AC/ | Anderson Mezz |
| Sell | 34957YAA5 | FORTIUS II S 144A | 5,135,135 | (5,135,135) | 5,000,000 | 3/16/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 44379PAF2 | HUDHG 065 144A | 11,650,000 | 11,650,000 | 11,650,000 | 9/29/2006 | 11/1/2006 | CDO 1 NI AC/ | Anderson Mezz |
| Sell | 44379PAF2 | HUDHG 065 144A | 3,791,802 | (3,791,802) | 3,791,802 | 3/16/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 44386QAA2 | HUDMZ 062 S 144A | 7,900,000 | 7,900,000 | 7,900,000 | 2/6/2007 | 2/8/2007 | CDO 1 NI AC/ | Anderson Mezz |
| Sell | 44386QAA2 | HUDMZ 062 S 144A | 3,600,000 | (3,600,000) | 3,600,000 | 3/16/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 61750FAE0 | MSAC 06HE6 A2C | 30,000,000 | 30,000,000 | 30,000,000 | 9/8/2006 | 9/27/2006 | [redacted] | Anderson Mezz |
| Sell | 61750FAE0 | MSAC 06HE6 A2C | 15,000,000 | (15,000,000) | 15,000,000 | 3/14/2007 | 3/20/2007 | LN | Anderson Mezz |
| Buy | 3622EBAA6 | GSAA 0704 A1 | 535,274,000 | 535,274,000 | 535,274,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Anderson Mezz |
| Sell | 3622EBAA6 | GSAA 0704 A1 | 55,083,000 | (55,083,000) | 55,083,000 | 3/14/2007 | 3/29/2007 | LN | Anderson Mezz |
| Buy | 030725F91 | AMSI 05R6 A2 | 97,306,000 | 34,470,127 | 34,470,127 | 3/23/2007 | 3/28/2007 | [redacted] | Anderson Mezz |
| Sell | 030725F91 | AMSI 05R6 A2 | 14,200,000 | (5,030,274) | 5,030,274 | 3/28/2007 | 4/2/2007 | LN | Anderson Mezz |
| Buy | 75156UAB3 | RAMP 06RZ2 A2 | 20,000,000 | 20,000,000 | 20,000,000 | 4/04/2007 | 4/10/2007 | [redacted] | Anderson Mezz |
| Sell | 75156UAB3 | RAMP 06RZ2 A2 | 6,500,000 | (6,500,000) | 6,500,000 | 4/30/2007 | 5/2/2007 | LN | Anderson Mezz |
| Buy | 17309LAD7 | CMLTI 06HE2 A2C | 1,000,000 | 1,000,000 | 1,000,000 | 3/13/2007 | 3/16/2007 | [redacted] | Anderson Mezz |
| Sell | 17309LAD7 | CMLTI 06HE2 A2C | 1,000,000 | (1,000,000) | 1,000,000 | 6/1/2007 | 6/5/2007 | LN | Anderson Mezz |
| Buy | 144531EV8 | CARR 06NC1 A2 | 4,195,000 | 4,195,000 | 4,195,000 | 4/23/2007 | 4/26/2007 | [redacted] | Anderson Mezz |
| Buy | 144531EV8 | CARR 06NC1 A2 | 2,500,000 | 2,500,000 | 2,500,000 | 5/09/2007 | 5/14/2007 | [redacted] | Anderson Mezz |
| Sell | 144531EV8 | CARR 06NC1 A2 | 6,695,000 | (6,695,000) | 6,695,000 | 6/1/2007 | 6/5/2007 | LN | Anderson Mezz |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Buy | 362334NA8 | GSAA 067 AV1 | 1,620,000 | 1,620,000 | 1,620,000 | 5/11/2006 | 5/17/2006 | Anderson Mezz |
| Buy | 362334NA8 | GSAA 067 AV1 | 525,000 | 511,256 | 511,256 | 5/25/2006 | 5/26/2006 | Anderson Mezz |
| Buy | 362334NA8 | GSAA 067 AV1 | 450,000 | 438,220 | 438,220 | 5/31/2006 | 5/31/2006 | Anderson Mezz |
| Buy | 362334NA8 | GSAA 067 AV1 | 955,001 | 851,944 | 851,944 | 7/24/2006 | 7/27/2006 | Anderson Mezz |
| Buy | 362334NA8 | GSAA 067 AV1 | 10,758,000 | 9,273,831 | 9,273,831 | 9/12/2006 | 9/15/2006 | Anderson Mezz |
| Sell | 362334NA8 | GSAA 067 AV1 | 4,495,000 | (2,081,944) | 2,081,944 | 6/26/2007 | 6/29/2007 LN | Anderson Mezz |
| Buy | 362375AA5 | GSAA 0610 AV1 | 10,535,000 | 5,505,282 | 5,505,282 | 6/05/2007 | 6/08/2007 | Anderson Mezz |
| Sell | 362375AA5 | GSAA 0610 AV1 | 10,535,000 | (5,149,365) | 5,149,365 | 6/26/2007 | 6/29/2007 LN | Anderson Mezz |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

PSI_QFR_GS0302

| Buy/Sell | Cusip | BondName | Orig face | Actual Face | Current Face | Tradedate | Settledate | Client | Deal |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 04544QAD9 | ABSHE 05HE7 A4 | 23,414,000 | 23,414,000 | 23,414,000 | 11/3/2006 | 11/30/2006 | [redacted] | Camber 7 PLC |
| Sell | 04544QAD9 | ABSHE 05HE7 A4 | 23,414,000 | (23,414,000) | 23,414,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 00442CAD1 | ACE 06FM2 A2C | 12,000,000 | 12,000,000 | 12,000,000 | 10/20/2006 | 10/30/2006 | [redacted] | Camber 7 PLC |
| Sell | 00442CAD1 | ACE 06FM2 A2C | 12,000,000 | (12,000,000) | 12,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 040104TF8 | ARSI 06W4 A2B | 31,000,000 | 31,000,000 | 31,000,000 | 2/12/2007 | 2/15/2007 | [redacted] | Camber 7 PLC |
| Sell | 040104TF8 | ARSI 06W4 A2B | 31,000,000 | (31,000,000) | 31,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 05530MAA7 | BCAP 06AA2 A1 | 40,000,000 | 40,000,000 | 40,000,000 | 11/22/2006 | 11/30/2006 | [redacted] | Camber 7 PLC |
| Sell | 05530MAA7 | BCAP 06AA2 A1 | 40,000,000 | (40,000,000) | 38,151,327 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 07389RAP1 | BSABS 06HE10 IIA2 | 50,000,000 | 50,000,000 | 50,000,000 | 12/19/2006 | 12/29/2006 | [redacted] | Camber 7 PLC |
| Sell | 07389RAP1 | BSABS 06HE10 IIA2 | 50,000,000 | (50,000,000) | 50,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 07385SAA6 | BSABS 07FS1 1A1 | 75,000,000 | 75,000,000 | 75,000,000 | 2/26/2007 | 2/28/2007 | [redacted] | Camber 7 PLC |
| Sell | 07385SAA6 | BSABS 07FS1 1A1 | 75,000,000 | (75,000,000) | 75,000,000 | 2/27/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 07401RAA8 | BSMF 07SL2 1A | 55,000,000 | 55,000,000 | 55,000,000 | 2/20/2007 | 2/28/2007 | [redacted] | Camber 7 PLC |
| Sell | 07401RAA8 | BSMF 07SL2 1A | 55,000,000 | (55,000,000) | 55,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 14454AAC3 | CARR 06FRE2 A3 | 20,000,000 | 20,000,000 | 20,000,000 | 10/5/2006 | 10/18/2006 | [redacted] | Camber 7 PLC |
| Sell | 14454AAC3 | CARR 06FRE2 A3 | 20,000,000 | (20,000,000) | 20,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 17309QAC8 | CMLTI 06WFH3 A3 | 30,000,000 | 30,000,000 | 30,000,000 | 10/5/2006 | 10/31/2006 | [redacted] | Camber 7 PLC |
| Sell | 17309QAC8 | CMLTI 06WFH3 A3 | 30,000,000 | (30,000,000) | 30,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 12666VAC5 | CWL 0617 2A2 | 40,000,000 | 40,000,000 | 40,000,000 | 9/8/2006 | 9/25/2006 | [redacted] | Camber 7 PLC |
| Sell | 12666VAC5 | CWL 0617 2A2 | 40,000,000 | (40,000,000) | 40,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 23243WAC2 | CWL 0618 2A2 | 25,000,000 | 25,000,000 | 25,000,000 | 9/19/2006 | 9/28/2006 | [redacted] | Camber 7 PLC |
| Sell | 23243WAC2 | CWL 0618 2A2 | 25,000,000 | (25,000,000) | 25,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 12668YAA1 | CWL 06S10 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 12/21/2006 | 12/29/2006 | [redacted] | Camber 7 PLC |
| Sell | 12668YAA1 | CWL 06S10 A1 | 70,000,000 | (70,000,000) | 65,942,152 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 35729QAC2 | FHLT 06B 2A2 | 10,000,000 | 10,000,000 | 10,000,000 | 2/9/2007 | 2/14/2007 | [redacted] | Camber 7 PLC |
| Buy | 35729QAC2 | FHLT 06B 2A2 | 13,795,000 | 13,795,000 | 13,795,000 | 2/9/2007 | 2/14/2007 | [redacted] | Camber 7 PLC |
| Sell | 35729QAC2 | FHLT 06B 2A2 | 18,763,538 | (18,763,538) | 18,763,538 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 35729TAD4 | FHLT 06C 2A2 | 35,000,000 | 35,000,000 | 35,000,000 | 12/19/2006 | 12/22/2006 | [redacted] | Camber 7 PLC |
| Sell | 35729TAD4 | FHLT 06C 2A2 | 35,000,000 | (35,000,000) | 35,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 43709NAD5 | HEAT 067 2A3 | 50,000,000 | 50,000,000 | 50,000,000 | 9/22/2006 | 10/3/2006 | [redacted] | Camber 7 PLC |
| Sell | 43709NAD5 | HEAT 067 2A3 | 50,000,000 | (50,000,000) | 50,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 57645MAE2 | MABS 06WMC4 A5 | 19,000,000 | 19,000,000 | 19,000,000 | 11/3/2006 | 11/30/2006 | [redacted] | Camber 7 PLC |
| Sell | 57645MAE2 | MABS 06WMC4 A5 | 19,000,000 | (19,000,000) | 19,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 617538AA1 | MSAC 07HE3 A2A | 23,300,000 | 23,300,000 | 23,300,000 | 2/26/2007 | 2/28/2007 | [redacted] | Camber 7 PLC |
| Sell | 617538AA1 | MSAC 07HE3 A2A | 23,300,000 | (23,300,000) | 23,300,000 | 2/27/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 655374AA4 | NAA 0751 A1 | 34,000,000 | 34,000,000 | 34,000,000 | 2/13/2007 | 2/14/2007 | [redacted] | Camber 7 PLC |
| Sell | 655374AA4 | NAA 0751 A1 | 34,000,000 | (34,000,000) | 33,078,982 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 81376GAD2 | SABR 06WM2 A2C | 40,000,000 | 40,000,000 | 40,000,000 | 10/13/2006 | 10/26/2006 | [redacted] | Camber 7 PLC |
| Sell | 81376GAD2 | SABR 06WM2 A2C | 40,000,000 | (40,000,000) | 40,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 78581NAA0 | SACO 072 A1 | 27,000,000 | 27,000,000 | 27,000,000 | 2/12/2007 | 2/28/2007 | [redacted] | Camber 7 PLC |
| Sell | 78581NAA0 | SACO 072 A1 | 27,000,000 | (27,000,000) | 27,000,000 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 86362QAA1 | SASC 07GEL1 A1 | 35,000,000 | 35,000,000 | 35,000,000 | 2/6/2007 | 2/9/2007 | [redacted] | Camber 7 PLC |
| Sell | 86362QAA1 | SASC 07GEL1 A1 | 35,000,000 | (35,000,000) | 33,911,358 | 2/23/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 617538AA1 | MSAC 07HE3 A2A | 23,300,000 | 23,300,000 | 23,300,000 | 2/26/2007 | 2/28/2007 | [redacted] | Camber 7 PLC |
| Sell | 617538AA1 | MSAC 07HE3 A2A | 23,300,000 | (23,300,000) | 23,300,000 | 2/27/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 07385SAA6 | BSABS 07FS1 1A1 | 75,000,000 | 75,000,000 | 75,000,000 | 2/26/2007 | 2/28/2007 | [redacted] | Camber 7 PLC |
| Sell | 07385SAA6 | BSABS 07FS1 1A1 | 75,000,000 | (75,000,000) | 75,000,000 | 2/27/2007 | 2/28/2007 | LN | Camber 7 PLC |
| Buy | 655374AA4 | NAA 0751 A1 | 34,000,000 | 34,000,000 | 34,000,000 | 2/13/2007 | 2/14/2007 | [redacted] | Camber 7 PLC |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Sell | 655374AA4 | NAA 0751 A1 | 34,000,000 | (33,078,982) | 33,078,982 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 78581NAA0 | SACD 072 A1 | 27,000,000 | 27,000,000 | 27,000,000 | 2/12/2007 | 2/28/2007 [redacted] | Camber 7 PLC |
| Sell | 78581NAA0 | SACD 072 A1 | 27,000,000 | (27,000,000) | 27,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 35729TAD4 | FHLT 06C 2A2 | 35,000,000 | 35,000,000 | 35,000,000 | 12/19/2006 | 12/12/2006 [redacted] | Camber 7 PLC |
| Sell | 35729TAD4 | FHLT 06C 2A2 | 35,000,000 | (35,000,000) | 35,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 12668YAA1 | CWL 06S10 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 12/21/2006 | 12/29/2006 [redacted] | Camber 7 PLC |
| Sell | 12668YAA1 | CWL 06S10 A1 | 70,000,000 | (65,942,152) | 65,942,152 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 23243WAC2 | CWL 0618 2A2 | 25,000,000 | 25,000,000 | 25,000,000 | 9/19/2006 | 9/28/2006 [redacted] | Camber 7 PLC |
| Sell | 23243WAC2 | CWL 0618 2A2 | 25,000,000 | (25,000,000) | 25,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 43709NAD5 | HEAT 067 2A3 | 50,000,000 | 50,000,000 | 50,000,000 | 9/22/2006 | 10/03/2006 [redacted] | Camber 7 PLC |
| Sell | 43709NAD5 | HEAT 067 2A3 | 50,000,000 | (50,000,000) | 50,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 12666VAC5 | CWL 0617 2A2 | 40,000,000 | 40,000,000 | 40,000,000 | 9/08/2006 | 9/25/2006 [redacted] | Camber 7 PLC |
| Buy | 12666VAC5 | CWL 0617 2A2 | 10,000,000 | 10,000,000 | 10,000,000 | 12/12/2006 | 12/15/2006 [redacted] | Camber 7 PLC |
| Sell | 12666VAC5 | CWL 0617 2A2 | 40,000,000 | (40,000,000) | 40,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 35729QAC2 | FHLT 06B 2A2 | 13,795,000 | 13,795,000 | 13,795,000 | 2/09/2007 | 2/14/2007 [redacted] | Camber 7 PLC |
| Buy | 35729QAC2 | FHLT 06B 2A2 | 10,000,000 | 10,000,000 | 10,000,000 | 2/09/2007 | 2/14/2007 [redacted] | Camber 7 PLC |
| Sell | 35729QAC2 | FHLT 06B 2A2 | 18,763,538 | (18,763,538) | 18,763,538 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 040104TF8 | ARSI 06W4 A2B | 31,000,000 | 31,000,000 | 31,000,000 | 2/12/2007 | 2/15/2007 [redacted] | Camber 7 PLC |
| Sell | 040104TF8 | ARSI 06W4 A2B | 31,000,000 | (31,000,000) | 31,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 00442CAD1 | ACE 06FM2 A2C | 12,000,000 | 12,000,000 | 12,000,000 | 10/20/2006 | 10/30/2006 [redacted] | Camber 7 PLC |
| Sell | 00442CAD1 | ACE 06FM2 A2C | 12,000,000 | (12,000,000) | 12,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 05530MAA7 | BCAP 06AA2 A1 | 40,000,000 | 40,000,000 | 40,000,000 | 11/22/2006 | 11/30/2006 [redacted] | Camber 7 PLC |
| Sell | 05530MAA7 | BCAP 06AA2 A1 | 40,000,000 | (38,151,327) | 38,151,327 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | BSMF07SL9 | BSMF 07SL2 1A | 55,000,000 | 55,000,000 | 55,000,000 | 2/21/2007 | 2/28/2007 [redacted] | Camber 7 PLC |
| Sell | BSMF07SL9 | BSMF 07SL2 1A | 55,000,000 | (55,000,000) | 55,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 04544QAD9 | ABSHE 06HE7 A4 | 23,414,000 | 23,414,000 | 23,414,000 | 11/03/2006 | 11/30/2006 [redacted] | Camber 7 PLC |
| Sell | 04544QAD9 | ABSHE 06HE7 A4 | 23,414,000 | (23,414,000) | 23,414,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 86362QAA1 | SASC 07GEL1 A1 | 35,000,000 | 35,000,000 | 35,000,000 | 2/06/2007 | 2/09/2007 [redacted] | Camber 7 PLC |
| Sell | 86362QAA1 | SASC 07GEL1 A1 | 35,000,000 | (33,911,358) | 33,911,358 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 57645MAE2 | MABS 06WMC4 A5 | 19,000,000 | 19,000,000 | 19,000,000 | 11/03/2006 | 11/30/2006 [redacted] | Camber 7 PLC |
| Sell | 57645MAE2 | MABS 06WMC4 A5 | 19,000,000 | (19,000,000) | 19,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 14454AAC3 | CARR 06FRE2 A3 | 20,000,000 | 20,000,000 | 20,000,000 | 10/05/2006 | 10/18/2006 [redacted] | Camber 7 PLC |
| Sell | 14454AAC3 | CARR 06FRE2 A3 | 20,000,000 | (20,000,000) | 20,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 81376GAD2 | SABR 06WM2 A2C | 40,000,000 | 40,000,000 | 40,000,000 | 10/13/2006 | 10/26/2006 [redacted] | Camber 7 PLC |
| Sell | 81376GAD2 | SABR 06WM2 A2C | 40,000,000 | (40,000,000) | 40,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 17309QAC8 | CMLTI 06WFH3 A3 | 30,000,000 | 30,000,000 | 30,000,000 | 10/05/2006 | 10/31/2006 [redacted] | Camber 7 PLC |
| Sell | 17309QAC8 | CMLTI 06WFH3 A3 | 30,000,000 | (30,000,000) | 30,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 07389RAP1 | BSABS 06HE10 IIA2 | 50,000,000 | 50,000,000 | 50,000,000 | 12/19/2006 | 12/29/2006 [redacted] | Camber 7 PLC |
| Sell | 07389RAP1 | BSABS 06HE10 IIA2 | 50,000,000 | (50,000,000) | 50,000,000 | 2/23/2007 | 2/28/2007 LN | Camber 7 PLC |
| Buy | 39539JAA4 | GPMF 07HE1 A1 | 50,000,000 | 50,000,000 | 50,000,000 | 2/21/2007 | 3/06/2007 [redacted] | Camber 7 PLC |
| Sell | 39539JAA4 | GPMF 07HE1 A1 | 50,000,000 | (50,000,000) | 50,000,000 | 2/23/2007 | 3/06/2007 LN | Camber 7 PLC |

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66051.291

| Buy/Sell | Cusip | BondName | Orig face | Actual Face | Current Face | Tradedate | SettleDate | Client | Desk |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 362257AA5 | GSAA 0617 A1 | 589,300,000 | 589,300,000 | 589,300,000 | 10/13/2006 | 10/30/2006 | ALT A MTG / | HUDMZ1 |
| Sell | 362257AA5 | GSAA 0617 A1 | 94,300,000 | (94,300,000) | 94,300,000 | 11/20/2006 | 11/22/2006 | LN | HUDMZ1 |
| Buy | 36245CAC6 | GSAMP 0656 A1C | 95,531,000 | 95,531,000 | 95,531,000 | 10/13/2006 | 10/20/2006 | SUBPRIME MT/ | HUDMZ1 |
| Sell | 36245CAC6 | GSAMP 0656 A1C | 68,531,000 | (68,531,000) | 68,531,000 | 11/20/2006 | 11/22/2006 | LN | HUDMZ1 |
| Buy | 12668PAB8 | CWALT 06OA17 1A1B | 35,903,000 | 35,903,000 | 35,903,000 | 10/12/2006 | 10/17/2006 | [redacted] | HUDMZ1 |
| Sell | 12668PAB8 | CWALT 06OA17 1A1B | 35,903,000 | (35,903,000) | 35,376,193 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 23245FAB9 | CWALT 06OC10 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 11/27/2006 | 11/30/2006 | [redacted] | HUDMZ1 |
| Sell | 23245FAB9 | CWALT 06OC10 2A1 | 75,000,000 | (75,000,000) | 75,000,000 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 23245GAA9 | CWALT 06OC9 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 11/8/2006 | 11/15/2006 | [redacted] | HUDMZ1 |
| Sell | 23245GAA9 | CWALT 06OC9 A1 | 100,000,000 | (100,000,000) | 99,570,235 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 12667HAB7 | CWL 0620 2A1 | 100,000,000 | 100,000,000 | 100,000,000 | 10/26/2006 | 11/8/2006 | [redacted] | HUDMZ1 |
| Sell | 12667HAB7 | CWL 0620 2A1 | 100,000,000 | (100,000,000) | 99,401,655 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 12668VAA7 | CWL 0657 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 11/17/2006 | 11/30/2006 | [redacted] | HUDMZ1 |
| Sell | 12668VAA7 | CWL 0657 A1 | 100,000,000 | (100,000,000) | 100,000,000 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 35729VAB3 | FHLT 06D 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 10/25/2006 | 11/3/2006 | [redacted] | HUDMZ1 |
| Sell | 35729VAB3 | FHLT 06D 2A1 | 32,250,877 | (32,250,877) | 32,250,877 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 3622ELAA4 | GSAA 0618 AV1 | 218,347,000 | 218,347,000 | 218,347,000 | 11/14/2006 | 11/30/2006 | ALT A MTG NI ACCT | HUDMZ1 |
| Sell | 3622ELAA4 | GSAA 0618 AV1 | 100,000,000 | (100,000,000) | 100,000,000 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 362725AA1 | GSRPM 062 A1A | 25,784,000 | 25,784,000 | 25,784,000 | 10/11/2006 | 10/18/2006 | ABS MTG SYN NI ACCT | HUDMZ1 |
| Sell | 362725AA1 | GSRPM 062 A1A | 15,077,428 | (15,077,428) | 14,623,326 | 11/22/2006 | 11/24/2006 | LN | HUDMZ1 |
| Sell | 362725AA1 | GSRPM 062 A1A | 468,204 | (468,204) | 437,925 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 44328AAB6 | HASC 06HE1 2A1 | 25,000,000 | 25,000,000 | 25,000,000 | 10/18/2006 | 11/3/2006 | [redacted] | HUDMZ1 |
| Sell | 44328AAB6 | HASC 06HE1 2A1 | 25,000,000 | (25,000,000) | 24,509,647 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 65537FAB7 | NHELI 06FM2 2A1 | 72,000,000 | 72,000,000 | 72,000,000 | 10/17/2006 | 10/31/2006 | [redacted] | HUDMZ1 |
| Sell | 65537FAB7 | NHELI 06FM2 2A1 | 72,000,000 | (72,000,000) | 67,737,634 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 362725AA1 | GSRPM 062 A1A | 25,784,000 | 25,784,000 | 25,784,000 | 10/11/2006 | 10/18/2006 | ABS MTG SYN NI ACCT | HUDMZ1 |
| Sell | 362725AA1 | GSRPM 062 A1A | 468,204 | (437,925) | 437,925 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 3622ELAA4 | GSAA 0618 AV1 | 218,347,000 | 218,347,000 | 218,347,000 | 11/14/2006 | 11/30/2006 | ALT A MTG NI ACCT | HUDMZ1 |
| Sell | 3622ELAA4 | GSAA 0618 AV1 | 100,000,000 | (100,000,000) | 100,000,000 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 23245GAA9 | CWALT 06OC9 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 11/08/2006 | 11/15/2006 | [redacted] | HUDMZ1 |
| Sell | 23245GAA9 | CWALT 06OC9 A1 | 100,000,000 | (99,570,235) | 99,570,235 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 65537FAB7 | NHELI 06FM2 2A1 | 72,000,000 | 72,000,000 | 72,000,000 | 10/17/2006 | 10/31/2006 | [redacted] | HUDMZ1 |
| Sell | 65537FAB7 | NHELI 06FM2 2A1 | 72,000,000 | (67,737,634) | 67,737,634 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 44328AAB6 | HASC 06HE1 2A1 | 25,000,000 | 25,000,000 | 25,000,000 | 10/18/2006 | 11/03/2006 | [redacted] | HUDMZ1 |
| Sell | 44328AAB6 | HASC 06HE1 2A1 | 25,000,000 | (24,509,647) | 24,509,647 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 23245FAB9 | CWALT 06OC10 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 11/27/2006 | 11/30/2006 | [redacted] | HUDMZ1 |
| Sell | 23245FAB9 | CWALT 06OC10 2A1 | 75,000,000 | (75,000,000) | 75,000,000 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 12667HAB7 | CWL 0620 2A1 | 100,000,000 | 100,000,000 | 100,000,000 | 10/26/2006 | 11/08/2006 | [redacted] | HUDMZ1 |
| Sell | 12667HAB7 | CWL 0620 2A1 | 100,000,000 | (99,401,656) | 99,401,656 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 35729VAB3 | FHLT 06D 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 10/25/2006 | 11/03/2006 | [redacted] | HUDMZ1 |
| Sell | 35729VAB3 | FHLT 06D 2A1 | 32,250,877 | (32,250,877) | 32,250,877 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 12668VAA7 | CWL 0657 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 11/17/2006 | 11/30/2006 | [redacted] | HUDMZ1 |
| Sell | 12668VAA7 | CWL 0657 A1 | 100,000,000 | (100,000,000) | 100,000,000 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 12668PAB8 | CWALT 06OA17 1A1B | 35,903,000 | 35,903,000 | 35,903,000 | 10/12/2006 | 10/17/2006 | [redacted] | HUDMZ1 |
| Sell | 12668PAB8 | CWALT 06OA17 1A1B | 35,903,000 | (35,376,193) | 35,376,193 | 11/28/2006 | 12/5/2006 | LN | HUDMZ1 |
| Buy | 23245PAC5 | CWALT 06OA22 A3 | 25,850,000 | 25,850,000 | 25,850,000 | 12/07/2006 | 12/11/2006 | [redacted] | HUDMZ1 |
| Sell | 23245PAC5 | CWALT 06OA22 A3 | 25,850,000 | (25,680,256) | 25,680,256 | 1/2/2007 | 1/5/2007 | LN | HUDMZ1 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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## Footnote Exhibits - Page 2549

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 643529AA8 | NCAMT 06ALT2 AV1 | 186,161,000 | 186,161,000 | 186,161,000 | 10/19/2006 | 10/30/2006 | ALT A MTG NI ACCT | HUDMZ1 |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 1,500,000 | (1,343,975) | 1,343,975 | 1/2/2007 | 1/5/2007 | LN | HUDMZ1 |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 1,790,000 | (1,603,810) | 1,603,810 | 1/16/2007 | 1/19/2007 | LN | HUDMZ1 |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 2,400,000 | (1,976,433) | 1,976,433 | 1/30/2007 | 2/2/2007 | LN | HUDMZ1 |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 27,000,000 | (22,234,873) | 22,234,873 | 2/15/2007 | 2/21/2007 | LN | HUDMZ1 |
| Buy | 66988RAC1 | NHEL 066 A2B | 45,000,000 | 45,000,000 | 45,000,000 | 11/20/2006 | 11/30/2006 | [redacted] | HUDMZ1 |
| Sell | 66988RAC1 | NHEL 066 A2B | 33,000,000 | (33,000,000) | 33,000,000 | 2/28/2007 | 3/5/2007 | LN | HUDMZ1 |
| Buy | 40051CAA5 | GSAA 0651 IA1 | 240,924,000 | 240,924,000 | 240,924,000 | 12/15/2006 | 12/28/2006 | [redacted] | HUDMZ1 |
| Sell | 40051CAA5 | GSAA 0651 IA1 | 2,945,000 | (2,733,317) | 2,733,317 | 3/16/2007 | 3/21/2007 | LN | HUDMZ1 |
| Buy | 12670BAA7 | CWL 0752 A1 | 70,000,000 | 70,000,000 | 70,000,000 | 3/23/2007 | 3/30/2007 | [redacted] | HUDMZ1 |
| Sell | 12670BAA7 | CWL 0752 A1 | 10,350,000 | (10,350,000) | 10,350,000 | 3/30/2007 | 4/3/2007 | LN | HUDMZ1 |
| Buy | 12669HAA7 | CWL 07QH1 A1 | 20,000,000 | 20,000,000 | 20,000,000 | 3/29/2007 | 3/30/2007 | [redacted] | HUDMZ1 |
| Sell | 12669HAA7 | CWL 07QH1 A1 | 20,000,000 | (20,000,000) | 20,000,000 | 3/30/2007 | 4/3/2007 | LN | HUDMZ1 |
| Buy | 14452BAB2 | CARR 06NC3 A2 | 10,000,000 | 10,000,000 | 10,000,000 | 4/10/2007 | 4/13/2007 | [redacted] | HUDMZ1 |
| Sell | 14452BAB2 | CARR 06NC3 A2 | 815,000 | (815,000) | 815,000 | 4/18/2007 | 4/20/2007 | LN | HUDMZ1 |
| Buy | 14452BAB2 | CARR 06NC3 A2 | 10,000,000 | 10,000,000 | 10,000,000 | 4/10/2007 | 4/13/2007 | [redacted] | HUDMZ1 |
| Sell | 14452BAB2 | CARR 06NC3 A2 | 5,192,715 | (5,192,715) | 5,192,715 | 4/30/2007 | 5/3/2007 | LN | HUDMZ1 |
| Buy | 3622ECAA4 | GSAA 0705 1AV1 | 144,477,000 | 144,477,000 | 144,477,000 | 4/11/2007 | 4/30/2007 | ALT A MTG NI ACCT | HUDMZ1 |
| Sell | 3622ECAA4 | GSAA 0705 1AV1 | 9,108,000 | (9,108,000) | 9,108,000 | 4/30/2007 | 5/3/2007 | LN | HUDMZ1 |
| Buy | 004375EH0 | ACCR 054 A2C | 128,843,000 | 128,843,000 | 128,843,000 | 11/10/2005 | 11/23/2005 | ABS MTG SYN NI ACCT | HUDMZ1 |
| Sell | 004375EH0 | ACCR 054 A2C | 3,843,000 | (3,843,000) | 3,843,000 | 4/30/2007 | 5/3/2007 | LN | HUDMZ1 |
| Buy | 75156UAB3 | RAMP 06RZ2 A2 | 13,500,000 | 13,500,000 | 13,500,000 | 4/30/2007 | 5/03/2007 | [redacted] | HUDMZ1 |
| Sell | 75156UAB3 | RAMP 06RZ2 A2 | 13,500,000 | (13,500,000) | 13,500,000 | 4/30/2007 | 5/3/2007 | LN | HUDMZ1 |
| Buy | 64352VQR5 | NCHET 061 A2B | 10,000,000 | 10,000,000 | 10,000,000 | 4/10/2007 | 4/13/2007 | [redacted] | HUDMZ1 |
| Sell | 64352VQR5 | NCHET 061 A2B | 10,000,000 | (10,000,000) | 10,000,000 | 5/31/2007 | 6/5/2007 | LN | HUDMZ1 |
| Buy | 144539AC7 | CARR 06NC5 A3 | 25,000,000 | 25,000,000 | 25,000,000 | 1/16/2007 | 1/19/2007 | [redacted] | HUDMZ1 |
| Sell | 144539AC7 | CARR 06NC5 A3 | 9,334,000 | (9,334,000) | 9,334,000 | 5/31/2007 | 6/5/2007 | LN | HUDMZ1 |
| Buy | 64352VJY8 | NCHET 051 A2C | 13,757,000 | 13,757,000 | 13,757,000 | 3/14/2007 | 3/19/2007 | [redacted] | HUDMZ1 |
| Sell | 64352VJY8 | NCHET 051 A2C | 13,757,000 | (10,894,088) | 10,894,088 | 7/6/2007 | 7/11/2007 | LN | HUDMZ1 |
| Buy | 362341KA6 | GSAMP 05HE4 A2B | 50,000,000 | 42,529,886 | 42,529,886 | 6/07/2007 | 6/11/2007 | [redacted] | HUDMZ1 |
| Sell | 362341KA6 | GSAMP 05HE4 A2B | 25,000,000 | (17,681,632) | 17,681,632 | 7/6/2007 | 7/11/2007 | LN | HUDMZ1 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

PSI_QFR_GS0306

| Buy/Sell | Cusip | BondName | Orig face | Actual Face | Current Face | Tradedate | Settledate | Client | Desk |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 00438QAA2 | ACCR 071 A1 | 15,000,000 | 15,000,000 | 15,000,000 | 1/24/2007 | 1/30/2007 | [redacted] | HUDMZ2 |
| Sell | 00438QAA2 | ACCR 071 A1 | 15,000,000 | (15,000,000) | 15,000,000 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Buy | 12668YAA1 | CWL 06S10 A1 | 100,000,000 | 100,000,000 | 100,000,000 | 12/21/2006 | 12/29/2006 | [redacted] | HUDMZ2 |
| Sell | 12668YAA1 | CWL 06S10 A1 | 30,000,000 | (30,000,000) | 29,236,656 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Buy | 3622ELAA4 | GSAA 0618 AV1 | 218,347,000 | 218,347,000 | 218,347,000 | 11/14/2006 | 11/30/2006 | ALT A MTG NI ACCT | HUDMZ2 |
| Sell | 3622ELAA4 | GSAA 0618 AV1 | 10,000,000 | (10,000,000) | 9,115,101 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Sell | 3622ELAA4 | GSAA 0618 AV1 | 10,000,000 | (10,000,000) | 9,115,101 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 362351AD0 | GSAA 0620 2A1B | 16,076,000 | 16,076,000 | 16,076,000 | 12/12/2006 | 12/29/2006 | ALT A MTG NI ACCT | HUDMZ2 |
| Sell | 362351AD0 | GSAA 0620 2A1B | 11,000,000 | (11,000,000) | 10,722,437 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Sell | 362351AD0 | GSAA 0620 2A1B | 5,076,000 | (5,076,000) | 4,947,917 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 36245TAC9 | GSAMP 06FM3 A2B | 59,281,000 | 59,281,000 | 59,281,000 | 12/15/2006 | 12/21/2006 | NON PERFORMING MTG S | HUDMZ2 |
| Sell | 36245TAC9 | GSAMP 06FM3 A2B | 10,000,000 | (10,000,000) | 10,000,000 | 2/6/2007 | 2/8/2007 | LN | HUDMZ2 |
| Sell | 36245TAC9 | GSAMP 06FM3 A2B | 10,000,000 | (10,000,000) | 10,000,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 40431KAA8 | HALO 07WF1 A1 | 20,000,000 | 20,000,000 | 20,000,000 | 1/26/2007 | 2/6/2007 | [redacted] | HUDMZ2 |
| Sell | 40431KAA8 | HALO 07WF1 A1 | 20,000,000 | (20,000,000) | 20,000,000 | 2/7/2007 | 2/8/2007 | LN | HUDMZ2 |
| Buy | 40431KAB6 | HALO 07WF1 A2 | 8,374,000 | 8,374,000 | 8,374,000 | 1/26/2007 | 2/6/2007 | [redacted] | HUDMZ2 |
| Sell | 40431KAB6 | HALO 07WF1 A2 | 8,374,000 | (8,374,000) | 8,374,000 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Buy | 45668WAA5 | INDX 07FLX1 A1 | 155,024,000 | 155,024,000 | 155,024,000 | 1/18/2007 | 1/31/2007 | [redacted] | HUDMZ2 |
| Sell | 45668WAA5 | INDX 07FLX1 A1 | 20,024,000 | (20,024,000) | 20,024,000 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Buy | 45668WAA5 | INDX 07FLX1 A1 | 155,024,000 | 155,024,000 | 155,024,000 | 1/18/2007 | 1/31/2007 | [redacted] | HUDMZ2 |
| Sell | 45668WAA5 | INDX 07FLX1 A1 | 20,024,000 | (20,024,000) | 20,024,000 | 2/5/2007 | 2/8/2007 | LN | HUDMZ2 |
| Buy | 3622EQAA3 | GSAA 0701 1A1 | 515,268,000 | 515,268,000 | 515,268,000 | 1/11/2007 | 1/30/2007 | ALT A MTG / | HUDMZ2 |
| Sell | 3622EQAA3 | GSAA 0701 1A1 | 10,268,000 | (10,268,000) | 10,268,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 3622MHAC0 | GSAMP 07FM2 A2B | 62,864,000 | 62,864,000 | 62,864,000 | 2/15/2007 | 2/21/2007 | NON PERFORM/ | HUDMZ2 |
| Sell | 3622MHAC0 | GSAMP 07FM2 A2B | 62,864,000 | (62,864,000) | 62,864,000 | 2/15/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 36245YAV6 | GSAMP 07H1 A2A2M | 10,157,000 | 10,157,000 | 10,157,000 | 1/23/2007 | 1/31/2007 | NON PERFORM/ | HUDMZ2 |
| Sell | 36245YAV6 | GSAMP 07H1 A2A2M | 5,157,000 | (5,157,000) | 5,157,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 643529AA8 | NCAMT 06ALT2 AV1 | 186,161,000 | 186,161,000 | 186,161,000 | 10/19/2006 | 10/30/2006 | ALT A MTG / | HUDMZ2 |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 27,000,000 | (27,000,000) | 22,234,873 | 2/15/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 36245YAV6 | GSAMP 07H1 A2A2M | 10,157,000 | 10,157,000 | 10,157,000 | 1/23/2007 | 1/31/2007 | NON PERFORMING MTG S | HUDMZ2 |
| Sell | 36245YAV6 | GSAMP 07H1 A2A2M | 5,157,000 | (5,157,000) | 5,157,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 362351AD0 | GSAA 0620 2A1B | 16,076,000 | 16,076,000 | 16,076,000 | 12/12/2006 | 12/29/2006 | ALT A MTG NI ACCT | HUDMZ2 |
| Sell | 362351AD0 | GSAA 0620 2A1B | 5,076,000 | (4,947,917) | 4,947,917 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 36245TAC9 | GSAMP 06FM3 A2B | 59,281,000 | 59,281,000 | 59,281,000 | 12/15/2006 | 12/21/2006 | NON PERFORMING MTG S | HUDMZ2 |
| Sell | 36245TAC9 | GSAMP 06FM3 A2B | 10,000,000 | (10,000,000) | 10,000,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 3622ELAA4 | GSAA 0618 AV1 | 218,347,000 | 218,347,000 | 218,347,000 | 11/14/2006 | 11/30/2006 | ALT A MTG NI ACCT | HUDMZ2 |
| Sell | 3622ELAA4 | GSAA 0618 AV1 | 10,000,000 | (10,000,000) | 10,000,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 3622MHAC0 | GSAMP 07FM2 A2B | 62,864,000 | 62,864,000 | 62,864,000 | 2/15/2007 | 2/21/2007 | NON PERFORMING MTG S | HUDMZ2 |
| Sell | 3622MHAC0 | GSAMP 07FM2 A2B | 62,864,000 | (62,864,000) | 62,864,000 | 2/15/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 3622EQAA3 | GSAA 0701 1A1 | 515,268,000 | 515,268,000 | 515,268,000 | 1/11/2007 | 1/30/2007 | ALT A MTG NI ACCT | HUDMZ2 |
| Sell | 3622EQAA3 | GSAA 0701 1A1 | 10,268,000 | (10,268,000) | 10,268,000 | 2/16/2007 | 2/21/2007 | LN | HUDMZ2 |
| Buy | 3622MDAC9 | GSAMP 07HE1 A2B | 44,191,000 | 44,191,000 | 44,191,000 | 2/20/2007 | 2/23/2007 | NON PERFORMING MTG S | HUDMZ2 |
| Sell | 3622MDAC9 | GSAMP 07HE1 A2B | 44,191,000 | (44,191,000) | 44,191,000 | 2/20/2007 | 2/23/2007 | LN | HUDMZ2 |
| Buy | 3622MDAB1 | GSAMP 07HE1 A2A | 50,000,000 | 50,000,000 | 50,000,000 | 2/21/2007 | 2/23/2007 | NON PERFORMING MTG S | HUDMZ2 |
| Sell | 3622MDAB1 | GSAMP 07HE1 A2A | 50,000,000 | (50,000,000) | 50,000,000 | 2/21/2007 | 2/23/2007 | LN | HUDMZ2 |
| Buy | 3622MDAB1 | GSAMP 07HE1 A2A | 50,000,000 | 50,000,000 | 50,000,000 | 2/21/2007 | 2/23/2007 | NON PERFORM/ | HUDMZ2 |
| Sell | 3622MDAB1 | GSAMP 07HE1 A2A | 50,000,000 | (50,000,000) | 50,000,000 | 2/21/2007 | 2/23/2007 | LN | HUDMZ2 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Buy | 3622MDAC9 | GSAMP 07HE1 A2B | 44,191,000 | 44,191,000 | 44,191,000 | 2/20/2007 | [redacted] | HUDMZ2 |
| Sell | 3622MDAC9 | GSAMP 07HE1 A2B | 44,191,000 | (44,191,000) | 44,191,000 | 2/20/2007 | 2/23/2007 LN | HUDMZ2 |
| Buy | 12668BRE5 | CWALT 06OC2 2A1 | 24,500,000 | 24,500,000 | 15,256,402 | 2/1/2007 | 2/6/2007 [redacted] | HUDMZ2 |
| Buy | 12668BRE5 | CWALT 06OC2 2A1 | 24,000,000 | 24,000,000 | 14,945,046 | 2/1/2007 | 2/6/2007 [redacted] | HUDMZ2 |
| Sell | 12668BRE5 | CWALT 06OC2 2A1 | 48,500,000 | (48,500,000) | 28,111,412 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 126684AA7 | CWL 06S6 A1 | 9,400,000 | 9,400,000 | 8,444,540 | 1/23/2007 | 1/26/2007 [redacted] | HUDMZ2 |
| Sell | 126684AA7 | CWL 06S6 A1 | 9,400,000 | (9,400,000) | 9,400,000 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 12666MAA9 | CWL 06SPS1 A | 18,500,000 | 18,500,000 | 16,195,088 | 1/23/2007 | 1/26/2007 [redacted] | HUDMZ2 |
| Sell | 12666MAA9 | CWL 06SPS1 A | 18,500,000 | (18,500,000) | 18,500,000 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 35729VAB3 | FHLT 06D 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 10/25/2006 | 11/3/2006 [redacted] | HUDMZ2 |
| Sell | 35729VAB3 | FHLT 06D 2A1 | 14,000,000 | (14,000,000) | 12,265,135 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 12666MAA9 | CWL 06SPS1 A | 18,500,000 | 16,195,088 | 16,195,088 | 1/23/2007 | 1/26/2007 [redacted] | HUDMZ2 |
| Sell | 12666MAA9 | CWL 06SPS1 A | 18,500,000 | (16,098,352) | 16,098,352 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 12668BRE5 | CWALT 06OC2 2A1 | 24,500,000 | 15,256,402 | 15,256,402 | 2/01/2007 | 2/06/2007 [redacted] | HUDMZ2 |
| Buy | 12668BRE5 | CWALT 06OC2 2A1 | 24,000,000 | 14,945,046 | 14,945,046 | 2/01/2007 | 2/06/2007 [redacted] | HUDMZ2 |
| Sell | 12668BRE5 | CWALT 06OC2 2A1 | 48,500,000 | (30,201,448) | 30,201,448 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 35729VAB3 | FHLT 06D 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 10/25/2006 | 11/03/2006 [redacted] | HUDMZ2 |
| Sell | 35729VAB3 | FHLT 06D 2A1 | 14,000,000 | (14,000,000) | 14,000,000 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 126684AA7 | CWL 06S6 A1 | 9,400,000 | 8,444,540 | 8,444,540 | 1/23/2007 | 1/26/2007 [redacted] | HUDMZ2 |
| Sell | 126684AA7 | CWL 06S6 A1 | 9,400,000 | (8,444,540) | 8,444,540 | 2/22/2007 | 2/27/2007 LN | HUDMZ2 |
| Buy | 12668KAC7 | CWL 07S 2A2 | 15,000,000 | 15,000,000 | 15,000,000 | 3/23/2007 | 3/30/2007 [redacted] | HUDMZ2 |
| Sell | 12668KAC7 | CWL 07S 2A2 | 15,000,000 | (15,000,000) | 15,000,000 | 3/26/2007 | 3/30/2007 LN | HUDMZ2 |
| Buy | 32029GAC8 | FFML 07FF2 A2B | 46,500,000 | 46,500,000 | 46,500,000 | 3/27/2007 | 3/30/2007 [redacted] | HUDMZ2 |
| Sell | 32029GAC8 | FFML 07FF2 A2B | 11,800,000 | (11,800,000) | 11,800,000 | 3/30/2007 | 4/3/2007 LN | HUDMZ2 |
| Buy | 004375EH0 | ACCR 05A A2C | 128,843,000 | 128,843,000 | 128,843,000 | 11/10/2005 | 11/23/2005 ABS MTG SYN NI ACCT | HUDMZ2 |
| Sell | 004375EH0 | ACCR 05A A2C | 7,000,000 | (7,000,000) | 7,000,000 | 4/30/2007 | 5/3/2007 LN | HUDMZ2 |
| Sell | 004375EH0 | ACCR 05A A2C | 600,000 | 600,000 | 600,000 | 5/30/2007 | 6/4/2007 LN | HUDMZ2 |
| Buy | 07389RAN6 | BSABS 06HE10 21A1 | 30,000,000 | 30,000,000 | 30,000,000 | 12/19/2006 | 12/29/2006 [redacted] | HUDMZ2 |
| Sell | 07389RAN6 | BSABS 06HE10 21A1 | 4,000,000 | (3,465,402) | 3,465,402 | 5/30/2007 | 6/4/2007 LN | HUDMZ2 |
| Buy | 12669WAD8 | CWL 07B 2A2 | 6,844,000 | 6,844,000 | 6,844,000 | 5/21/2007 | 5/31/2007 [redacted] | HUDMZ2 |
| Sell | 12669WAD8 | CWL 07B 2A2 | 2,000,000 | (2,000,000) | 2,000,000 | 5/30/07 | 6/4/2007 LN | HUDMZ2 |
| Buy | 362341KA6 | GSAMP 05HE4 A2B | 255,843,000 | 255,843,000 | 255,843,000 | 8/15/2005 | 8/25/2005 GSAMP Collateral | HUDMZ2 |
| Sell | 362341KA6 | GSAMP 05HE4 A2B | 3,724,000 | (1,559,477) | 1,559,477 | 5/30/2007 | 6/4/2007 LN | HUDMZ2 |
| Buy | 362341QH5 | GSAA 05I1 3A3 | 168,833,000 | 168,833,000 | 168,833,000 | 9/12/2005 | 9/29/2005 Alt A MTG/AL NI | HUDMZ2 |
| Sell | 362341QH5 | GSAA 05I1 3A3 | 3,724,000 | (1,559,478) | 1,559,478 | 5/30/2007 | 6/04/2007 LN | HUDMZ2 |
| Buy | 12669WAD8 | CWL 07B 2A2 | 3,694,000 | 3,694,000 | 3,694,000 | 5/21/2007 | 5/31/2007 [redacted] | HUDMZ2 |
| Sell | 12669WAD8 | CWL 07B 2A2 | 3,694,000 | (3,694,000) | 3,694,000 | 5/31/2007 | 6/5/2007 LN | HUDMZ2 |
| Buy | 36249BAA8 | GSAA 07O7 1A1 | 161,141,000 | 161,141,000 | 161,141,000 | 6/22/2007 | 6/28/2007 ALT A MTG NI ACCT | HUDMZ2 |
| Sell | 36249BAA8 | GSAA 07O7 1A1 | 7,811,000 | (7,811,000) | 7,811,000 | 7/9/2007 | 7/12/2007 LN | HUDMZ2 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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66051.285

## Footnote Exhibits - Page 2552

| Buy/Sell | Cusip | BondName | Orig Face | Actual Face | Current Face | Tradedate | SettleDate | Client | Desc |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 04541GRJ3 | ABSHE 05HE4 A3 | 41,000,000 | 41,000,000 | 9,731,001 | 3/23/2007 | 3/28/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 04541GRJ3 | ABSHE 05HE4 A1 | 41,000,000 | (41,000,000) | 9,731,001 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 04544NAD6 | ABSHE 06HE6 A4 | 10,000,000 | 10,000,000 | 10,000,000 | 3/9/2007 | 3/9/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 04544NAD6 | ABSHE 06HE6 A4 | 1,000,000 | (1,000,000) | 1,000,000 | 3/22/2007 | 3/27/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 04544NAD6 | ABSHE 06HE6 A4 | 9,000,000 | (9,000,000) | 9,000,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 030725F91 | AMSI 05R6 A2 | 97,306,000 | 97,306,000 | 34,470,137 | 3/23/2007 | 3/28/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 030725F91 | AMSI 05R6 A2 | 83,106,000 | (83,106,000) | 29,439,854 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 14452BAB2 | CARR 05NC3 A2 | 10,000,000 | 10,000,000 | 10,000,000 | 4/10/2007 | 4/13/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 14452BAB2 | CARR 05NC3 A2 | 3,597,185 | (3,597,185) | 3,597,185 | 4/17/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 23242MAA9 | CWL 06S3 A1 | 8,970,000 | 8,970,000 | 6,747,372 | 4/9/2007 | 4/12/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 23242MAA9 | CWL 06S3 A1 | 8,970,000 | (8,970,000) | 6,747,372 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 12668AA9 | CWL 06S5 A1 | 7,060,000 | 7,060,000 | 5,836,388 | 4/2/2007 | 4/5/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 12668AA9 | CWL 06S5 A1 | 7,060,000 | (7,060,000) | 5,836,388 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 12668WAA5 | CWL 074 A1A | 10,000,000 | 10,000,000 | 10,000,000 | 3/23/2007 | 3/29/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 12668WAA5 | CWL 074 A1A | 10,000,000 | (10,000,000) | 10,000,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 12669LAC4 | CWL 076 2A2 | 12,000,000 | 12,000,000 | 12,000,000 | 3/29/2007 | 3/30/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 12669LAC4 | CWL 076 2A2 | 12,000,000 | (12,000,000) | 12,000,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 12670BAA7 | CWL 0752 A1 | 70,000,000 | 70,000,000 | 70,000,000 | 3/23/2007 | 3/30/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 12670BAA7 | CWL 0752 A3 | 56,050,000 | (56,050,000) | 56,050,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 32029GAC8 | FFML 07FF2 A2B | 46,500,000 | 46,500,000 | 46,500,000 | 3/27/2007 | 3/30/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 32029GAC8 | FFML 07FF2 A2B | 34,700,000 | (34,700,000) | 34,700,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 362341QH5 | GSAA 0511 3A3 | 168,833,000 | 168,833,000 | 168,833,000 | 9/12/2005 | 9/29/2005 | ALT A MTG NI ACCT | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 362341QH5 | GSAA 0511 3A3 | 21,500,000 | (21,500,000) | 9,778,916 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 362341AM1 | GSAA 057 AV1 | 50,000,000 | 50,000,000 | 11,822,109 | 4/11/2007 | 4/16/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 362341AM1 | GSAA 057 AV1 | 50,000,000 | (50,000,000) | 11,822,109 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 40051CAA5 | GSAA 0651 1A1 | 85,924,000 | 85,924,000 | 79,747,892 | 2/27/2007 | 3/2/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 40051CAA5 | GSAA 0651 1A1 | 1,161,681 | (1,161,681) | 1,029,296 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 3622EAAX8 | GSAA 0703 1A1B | 62,428,000 | 62,428,000 | 62,428,000 | 2/16/2007 | 2/23/2007 | ALT A MTG NI ACCT | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 3622EAAX8 | GSAA 0703 1A1B | 12,050,000 | (12,050,000) | 11,919,451 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 3622EBAA6 | GSAA 0704 A1 | 535,274,000 | 535,274,000 | 535,274,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 3622EBAA6 | GSAA 0704 A1 | 150,191,000 | (150,191,000) | 150,191,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 3622EBAB4 | GSAA 0704 A2 | 143,692,000 | 143,692,000 | 143,692,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 3622EBAB4 | GSAA 0704 A2 | 904,000 | (904,000) | 904,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 57643LGV2 | MABS 05WMC1 A5 | 5,000,000 | 5,000,000 | 5,000,000 | 1/10/2007 | 1/16/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 57643LGV2 | MABS 05WMC1 A5 | 5,000,000 | (5,000,000) | 5,000,000 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 57643JAA7 | MABS 06HE3 A1 | 14,000,000 | 14,000,000 | 11,107,172 | 3/12/2007 | 3/13/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 57643JAA7 | MABS 06HE3 A1 | 14,000,000 | (14,000,000) | 10,613,234 | 4/16/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 76112BEB2 | RAMP 04RS10 AI4 | 5,000,000 | 5,000,000 | 4,544,062 | 4/11/2007 | 4/16/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 76112BEB2 | RAMP 04RS10 AI4 | 5,000,000 | (5,000,000) | 4,544,062 | 4/17/2007 | 4/18/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 362440AC3 | GSAMP 07HE2 A2B | 20,000,000 | 20,000,000 | 20,000,000 | 3/30/2007 | 4/20/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 362440AC3 | GSAMP 07HE2 A2B | 13,347,000 | (13,347,000) | 13,347,000 | 4/16/2007 | 4/20/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 30248EAA6 | FFML 07FF8S3 A | 295,150,000 | 295,150,000 | 295,150,000 | 4/11/2007 | 4/26/2007 | SUBPRIME MTG NZ ACCT | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 30248EAA6 | FFML 07FF8S3 A | 84,313,000 | (84,313,000) | 84,313,000 | 4/16/2007 | 4/26/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 3622ECAA4 | GSAA 0705 1AV1 | 144,477,000 | 144,477,000 | 144,477,000 | 4/11/2007 | 4/30/2007 | ALT A MTG/AL NI | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 3622ECAA4 | GSAA 0705 1AV1 | 113,369,000 | (113,369,000) | 113,369,000 | 4/16/2007 | 4/30/2007 | NY LT | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 02150XAA7 | CWALT 07OH1 A1A | 10,000,000 | 10,000,000 | 10,000,000 | 5/22/2007 | 5/30/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 02150XAA7 | CWALT 07OH1 A1A | 10,000,000 | (10,000,000) | 10,000,000 | 5/31/2007 | 6/5/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 12669WAC0 | CWL 078 2A1 | 10,000,000 | 10,000,000 | 10,000,000 | 5/21/2007 | 5/31/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 12669WAC0 | CWL 078 2A1 | 10,000,000 | (10,000,000) | 10,000,000 | 5/31/2007 | 6/5/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |
| Buy | 02150XAB5 | CWALT 07OH1 A2A | 15,072,000 | 14,655,577 | 14,655,577 | 6/26/2007 | 6/29/2007 | [redacted] | Point Pleasant Funding 2007-1, Ltd. |
| Sell | 02150XAB5 | CWALT 07OH1 A2A | 15,072,000 | (14,655,577) | 14,655,577 | 7/9/2007 | 7/12/2007 | LN | Point Pleasant Funding 2007-1, Ltd. |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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## Footnote Exhibits - Page 2553

| Buy/Sell | Cusip | BondName | Orig Face | Actual Face | Current Face | Tradedate | SettleDate | Client | Deal |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 362341L49 | GSAMP 05WMC3 A2B | 1,000,000 | 1,000,000 | 1,000,000 | 1/10/2007 | 1/12/2007 | [redacted] | Timberwolf I |
| Sell | 362341L49 | GSAMP 05WMC3 A2B | 1,000,000 | (1,000,000) | 1,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 362439AD3 | GSAMP 06HE4 A2C | 10,368,000 | 10,368,000 | 10,368,000 | 3/9/2007 | 3/14/2007 | [redacted] | Timberwolf I |
| Sell | 362439AD3 | GSAMP 06HE4 A2C | 5,368,000 | (5,368,000) | 5,368,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 362334QF4 | GSRPM 061 A2 | 2,400,000 | 2,400,000 | 2,183,305 | 7/18/2006 | 7/19/2006 | [redacted] | Timberwolf I |
| Sell | 362334QF4 | GSRPM 061 A2 | 2,400,000 | (2,400,000) | 1,434,237 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 44386QAA2 | HUDMZ 062 S 144A | 7,900,000 | 7,900,000 | 7,900,000 | 2/6/2007 | 2/8/2007 | [redacted] | Timberwolf I |
| Sell | 44386QAA2 | HUDMZ 062 S 144A | 4,300,000 | (4,300,000) | 4,300,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 46626LEJ5 | JPMAC 05OPT2 A3 | 1,000,000 | 1,000,000 | 1,000,000 | 1/10/2007 | 1/12/2007 | [redacted] | Timberwolf I |
| Sell | 46626LEJ5 | JPMAC 05OPT2 A3 | 1,000,000 | (1,000,000) | 1,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 55275TAC2 | MABS 07WMC1 A3 | 48,850,000 | 48,850,000 | 48,850,000 | 2/12/2007 | 2/27/2007 | [redacted] | Timberwolf I |
| Sell | 55275TAC2 | MABS 07WMC1 A3 | 26,850,000 | (26,850,000) | 26,850,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 59022QAD4 | MLMI 06HE5 A2C | 40,000,000 | 40,000,000 | 40,000,000 | 9/11/2006 | 9/28/2006 | [redacted] | Timberwolf I |
| Sell | 59022QAD4 | MLMI 06HE5 A2C | 22,000,000 | (22,000,000) | 22,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 61749NAC1 | MSAC 06HE5 A2B | 32,000,000 | 32,000,000 | 32,000,000 | 3/13/2007 | 3/16/2007 | [redacted] | Timberwolf I |
| Sell | 61749NAC1 | MSAC 06HE5 A2B | 32,000,000 | (32,000,000) | 32,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 61750FAE0 | MSAC 06HE6 A2C | 30,000,000 | 30,000,000 | 30,000,000 | 9/8/2006 | 9/27/2006 | [redacted] | Timberwolf I |
| Sell | 61750FAE0 | MSAC 06HE6 A2C | 15,000,000 | (15,000,000) | 15,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 617463AC8 | MSIX 062 A3 | 11,470,000 | 11,470,000 | 11,470,000 | 11/3/2006 | 11/28/2006 | [redacted] | Timberwolf I |
| Sell | 617463AC8 | MSIX 062 A3 | 11,470,000 | (11,470,000) | 11,470,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 643529AA8 | NCAMT 06ALT2 AV1 | 186,161,000 | 186,161,000 | 186,161,000 | 10/19/2006 | 10/30/2006 | ALT A MTG NI ACCT | Timberwolf I |
| Sell | 643529AA8 | NCAMT 06ALT2 AV1 | 20,241,000 | (20,241,000) | 13,054,336 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 64352VLG4 | NCHET 053 A2C | 11,570,000 | 11,570,000 | 11,570,000 | 3/15/2007 | 3/20/2007 | [redacted] | Timberwolf I |
| Sell | 64352VLG4 | NCHET 053 A2C | 11,570,000 | (11,570,000) | 11,570,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 64352VNW7 | NCHET 05C A2B | 5,000,000 | 5,000,000 | 5,000,000 | 3/14/2007 | 3/19/2007 | [redacted] | Timberwolf I |
| Sell | 64352VNW7 | NCHET 05C A2B | 5,000,000 | (5,000,000) | 5,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 66988RAC1 | NHEL 066 A2B | 45,000,000 | 45,000,000 | 45,000,000 | 11/20/2006 | 11/30/2006 | [redacted] | Timberwolf I |
| Sell | 66988RAC1 | NHEL 066 A2B | 5,550,000 | (5,550,000) | 5,550,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 69121PBT9 | OWNIT 05S A2B | 31,727,000 | 31,727,000 | 31,727,000 | 3/13/2007 | 3/16/2007 | [redacted] | Timberwolf I |
| Sell | 69121PBT9 | OWNIT 05S A2B | 31,727,000 | (31,727,000) | 31,727,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 71085PBX0 | PCHLT 052 A3 | 11,322,000 | 11,322,000 | 11,322,000 | 1/17/2007 | 1/24/2007 | [redacted] | Timberwolf I |
| Sell | 71085PBX0 | PCHLT 052 A3 | 6,322,000 | (6,322,000) | 6,322,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 76110WF35 | RASC 04KS9 AII4 | 11,650,000 | 11,650,000 | 5,778,245 | 7/26/2006 | 7/31/2006 | [redacted] | Timberwolf I |
| Sell | 76110WF35 | RASC 04KS9 AII4 | 11,650,000 | (11,650,000) | 2,757,206 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 76113ABH3 | RASC 06KS3 AI3 | 10,000,000 | 10,000,000 | 10,000,000 | 3/14/2007 | 3/19/2007 | [redacted] | Timberwolf I |
| Sell | 76113ABH3 | RASC 06KS3 AI3 | 10,000,000 | (10,000,000) | 10,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 78577RAA7 | SACO 069 A1 | 39,000,000 | 39,000,000 | 32,077,010 | 3/14/2007 | 3/19/2007 | [redacted] | Timberwolf I |
| Sell | 78577RAA7 | SACO 069 A1 | 39,000,000 | (39,000,000) | 31,113,939 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 86362YAC0 | SASC 07BC2 A3 | 26,814,000 | 26,814,000 | 26,814,000 | 3/13/2007 | 3/16/2007 | [redacted] | Timberwolf I |
| Sell | 86362YAC0 | SASC 07BC2 A3 | 26,814,000 | (26,814,000) | 26,814,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 04544NAD6 | ABSHE 06HE6 A4 | 10,000,000 | 10,000,000 | 10,000,000 | 3/9/2007 | 3/9/2007 | [redacted] | Timberwolf I |
| Sell | 04544NAD6 | ABSHE 06HE6 A4 | 1,000,000 | (1,000,000) | 1,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 40051CAA5 | GSAA 06S1 IA1 | 85,924,000 | 85,924,000 | 79,747,892 | 2/27/2007 | 3/2/2007 | [redacted] | Timberwolf I |
| Sell | 40051CAA5 | GSAA 06S1 IA1 | 22,924,000 | (22,924,000) | 20,311,589 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 3622EAAX8 | GSAA 0703 1A1B | 62,428,000 | 62,428,000 | 62,428,000 | 2/16/2007 | 2/23/2007 | ALT A MTG NI ACCT | Timberwolf I |
| Sell | 3622EAAX8 | GSAA 0703 1A1B | 15,378,000 | (15,378,000) | 15,211,996 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 07400YAA4 | BSMF 06SL2 A1 | 25,000,000 | 25,000,000 | 20,214,037 | 3/14/2007 | 3/19/2007 | [redacted] | Timberwolf I |
| Sell | 07400YAA4 | BSMF 06SL2 A1 | 25,000,000 | (25,000,000) | 20,214,037 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 144531AY6 | CARR 05NC1 A1C1 | 5,000,000 | 5,000,000 | 5,000,000 | 1/10/2007 | 1/16/2007 | [redacted] | Timberwolf I |
| Sell | 144531AY6 | CARR 05NC1 A1C1 | 5,000,000 | (5,000,000) | 3,049,124 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 144531CV0 | CARR 05NC3 A1C | 30,000,000 | 30,000,000 | 30,000,000 | 3/16/2007 | 3/21/2007 | [redacted] | Timberwolf I |
| Sell | 144531CV0 | CARR 05NC3 A1C | 30,000,000 | (30,000,000) | 30,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 14454AAB5 | CARR 06FRE2 A2 | 23,754,000 | 23,754,000 | 23,754,000 | 1/25/2007 | 1/30/2007 | [redacted] | Timberwolf I |
| Sell | 14454AAB5 | CARR 06FRE2 A2 | 12,754,000 | (12,754,000) | 12,754,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Buy | 14452BAC0 | CARR 06NC3 A3 | 20,000,000 | 20,000,000 | 20,000,000 | 3/21/2007 | 3/26/2007 | [redacted] | Timberwolf I |
| Sell | 14452BAC0 | CARR 06NC3 A3 | 20,000,000 | (20,000,000) | 20,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 14453MAB0 | CARR 06NC4 A2 | 20,000,000 | 20,000,000 | 20,000,000 | 3/15/2007 | 3/20/2007 | [redacted] | Timberwolf I |
| Sell | 14453MAB0 | CARR 06NC4 A2 | 20,000,000 | (20,000,000) | 20,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 144531DL1 | CARR 2005NCS A2 | 48,500,000 | 48,500,000 | 48,500,000 | 3/16/2007 | 3/21/2007 | [redacted] | Timberwolf I |
| Sell | 144531DL1 | CARR 2005NCS A2 | 48,500,000 | (48,500,000) | 48,500,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 1248MXAB1 | CBASS 07SL1 A2 | 148,222,000 | 148,222,000 | 148,222,000 | 3/9/2007 | 3/19/2007 | ABS MTG SYN NI ACCT | Timberwolf I |
| Sell | 1248MXAB1 | CBASS 07SL1 A2 | 38,222,000 | (38,222,000) | 38,000,250 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 126673MY5 | CWHEL 04Q 2A | 94,000,000 | 94,000,000 | 20,206,486 | 3/8/2007 | 3/13/2007 | [redacted] | Timberwolf I |
| Sell | 126673MY5 | CWHEL 04Q 2A | 52,000,000 | (52,000,000) | 10,833,363 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 23245CAC4 | CWL 07I 2A2 | 20,000,000 | 20,000,000 | 20,000,000 | 1/29/2007 | 2/9/2007 | [redacted] | Timberwolf I |
| Sell | 23245CAC4 | CWL 07I 2A2 | 11,000,000 | (11,000,000) | 11,000,000 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 12668TAB0 | CWL 07BC1 2A1 | 16,413,000 | 16,413,000 | 16,413,000 | 3/20/2007 | 3/23/2007 | [redacted] | Timberwolf I |
| Sell | 12668TAB0 | CWL 07BC1 2A1 | 16,413,000 | (16,413,000) | 16,003,309 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 35729VAB3 | FHLT 06D 2A1 | 75,000,000 | 75,000,000 | 75,000,000 | 10/25/2006 | 11/3/2006 | [redacted] | Timberwolf I |
| Sell | 35729VAB3 | FHLT 06D 2A1 | 15,749,123 | (15,749,123) | 13,443,149 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 31659XAA4 | FMIC 06S1 A | 46,140,000 | 46,140,000 | 44,718,008 | 3/14/2007 | 3/19/2007 | [redacted] | Timberwolf I |
| Sell | 31659XAA4 | FMIC 06S1 A | 46,140,000 | (46,140,000) | 44,173,109 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 34957YAA5 | FORTIUS II S 144A | 12,700,000 | 12,700,000 | 12,700,000 | 12/4/2006 | 12/7/2006 | CDO 1 NI ACCT | Timberwolf I |
| Sell | 34957YAA5 | FORTIUS II S 144A | 7,564,865 | (7,564,865) | 7,365,789 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 3622ELAA4 | GSAA 06I8 AV1 | 218,347,000 | 218,347,000 | 218,347,000 | 11/14/2006 | 11/30/2006 | ALT A MTG NI ACCT | Timberwolf I |
| Sell | 3622ELAA4 | GSAA 06I8 AV1 | 18,347,000 | (18,347,000) | 15,354,314 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 3622EAAD2 | GSAA 0703 2A1B | 11,112,000 | 11,112,000 | 11,112,000 | 2/16/2007 | 2/23/2007 | ALT A MTG NI ACCT | Timberwolf I |
| Sell | 3622EAAD2 | GSAA 0703 2A1B | 6,112,000 | (6,112,000) | 6,009,620 | 3/22/2007 | 3/27/2007 | LN | Timberwolf I |
| Buy | 12668UAE1 | CWL 073 2A1 | 47,000,000 | 47,000,000 | 47,000,000 | 3/16/2007 | 3/29/2007 | [redacted] | Timberwolf I |
| Sell | 12668UAE1 | CWL 073 2A1 | 47,000,000 | (47,000,000) | 47,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf I |
| Buy | 3622EBAA6 | GSAA 0704 A1 | 535,274,000 | 535,274,000 | 535,274,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Timberwolf I |
| Sell | 3622EBAA6 | GSAA 0704 A1 | 80,000,000 | (80,000,000) | 80,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf I |
| Buy | 3622EBAB4 | GSAA 0704 A2 | 143,692,000 | 143,692,000 | 143,692,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Timberwolf I |
| Sell | 3622EBAB4 | GSAA 0704 A2 | 45,788,000 | (45,788,000) | 45,788,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf I |
| Buy | 12668UAF8 | CWL 073 2A2 | 18,000,000 | 18,000,000 | 18,000,000 | 3/16/2007 | 3/29/2007 | [redacted] | Timberwolf I |
| Sell | 12668UAF8 | CWL 073 2A2 | 18,000,000 | (18,000,000) | 18,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf I |
| Buy | 12668UAG6 | CWL 073 2A3 | 17,000,000 | 17,000,000 | 17,000,000 | 3/16/2007 | 3/29/2007 | [redacted] | Timberwolf I |
| Sell | 12668UAG6 | CWL 073 2A3 | 17,000,000 | (17,000,000) | 17,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf I |
| Buy | 12668UAE1 | CWL 073 2A1 | 47,000,000 | 47,000,000 | 47,000,000 | 3/16/2007 | 3/29/2007 | [redacted] | Timberwolf |
| Sell | 12668UAE1 | CWL 073 2A1 | 47,000,000 | (47,000,000) | 47,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf |
| Buy | 12668UAG6 | CWL 073 2A3 | 17,000,000 | 17,000,000 | 17,000,000 | 3/16/2007 | 3/29/2007 | [redacted] | Timberwolf |
| Sell | 12668UAG6 | CWL 073 2A3 | 17,000,000 | (17,000,000) | 17,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf |
| Buy | 12668UAF8 | CWL 073 2A2 | 18,000,000 | 18,000,000 | 18,000,000 | 3/16/2007 | 3/29/2007 | [redacted] | Timberwolf |
| Sell | 12668UAF8 | CWL 073 2A2 | 18,000,000 | (18,000,000) | 18,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf |
| Buy | 3622EBAB4 | GSAA 0704 A2 | 143,692,000 | 143,692,000 | 143,692,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Timberwolf |
| Sell | 3622EBAB4 | GSAA 0704 A2 | 45,788,000 | (45,788,000) | 45,788,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf |
| Buy | 3622EBAA6 | GSAA 0704 A1 | 535,274,000 | 535,274,000 | 535,274,000 | 3/13/2007 | 3/29/2007 | ALT A MTG NI ACCT | Timberwolf |
| Sell | 3622EBAA6 | GSAA 0704 A1 | 80,000,000 | (80,000,000) | 80,000,000 | 3/22/2007 | 3/29/2007 | LN | Timberwolf |
| Buy | 92976BU4 | WBCMT 06WL7A A1 | 7,600,000 | 5,638,626 | 5,638,626 | 8/02/2007 | 8/07/2007 | [redacted] | Timberwolf |
| Buy | 92976BU4 | WBCMT 06WL7A A1 | 6,300,000 | 4,674,124 | 4,674,124 | 8/03/2007 | 8/06/2007 | [redacted] | Timberwolf |
| Sell | 92976BU4 | WBCMT 06WL7A A1 | 13,900,000 | (10,118,550) | 10,118,550 | 9/25/2007 | 9/28/2007 | LN | Timberwolf |
| Buy | 22545RAA4 | CSMC 0STF2A A1 | 7,600,000 | 6,343,192 | 6,343,192 | 8/16/2007 | 8/16/2007 | [redacted] | Timberwolf |
| Sell | 22545RAA4 | CSMC 2006-TF2A A1 | 7,600,000 | (6,017,626) | 6,017,626 | 9/25/2007 | 9/28/2007 | NY MOG | Timberwolf |

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PSI_QFR_GS0311

# ATTACHMENT 10

GOLDMAN SACHS/LLOYD BLANKFEIN
RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD
PSI_QFR_GS0312

**FOIA CONFIDENTIAL TREATMENT**
**REQUESTED BY GOLDMAN, SACHS & CO.**

UNITED STATES OF AMERICA

before the

SECURITIES AND EXCHANGE COMMISSION

| | |
|---|---|
| In the Matter of ABACUS CDO | File No. HO-10911 |

**SUBMISSION ON BEHALF OF GOLDMAN, SACHS & CO.**

Richard H. Klapper
Michael T. Tomaino, Jr.
Christopher J. Dunne
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, NY 10004

*Attorneys for Goldman, Sachs & Co.*



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00302 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

66051.300

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Confidential Treatment
Requested by Goldman Sachs



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UNITED STATES OF AMERICA

before the

SECURITIES AND EXCHANGE COMMISSION

| | |
|---|---|
| In the Matter of ABACUS CDO | File No. HO-10911 |

**SUBMISSION ON BEHALF OF GOLDMAN, SACHS & CO.**

Goldman, Sachs & Co. ("Goldman Sachs") makes this submission in response to the Staff's proposed recommendation that an enforcement action be brought against Goldman Sachs.[1] No such action is warranted.

[1] This submission is provided solely in connection with the Staff's consideration of possible action against Goldman Sachs, and is made without any admission that the conduct under investigation violated any laws, rules or regulations. Should the Staff decide to make any recommendation that varies in any respect from the issues and positions Goldman Sachs has addressed, we expressly reserve the right to revise this submission in accordance with Rule 5(c) of the Commission's Rules Regarding Information and Other Proceedings, 17 C.F.R. § 202.5(c), and Procedures Relating to the Commencement of Enforcement Proceedings and Termination of Staff Investigations, Nos. 33-5310, 34-9796, 1972 WL 130244, at *1-2 (Sept. 27, 1972). Goldman Sachs also expressly reserves the right to object to the admissibility of this submission and those submitted by any other person in any subsequent proceeding. Finally, Goldman Sachs hereby asserts that this submission constitutes attorney work product and requests that (a) it be treated confidentially and not as a waiver of any privilege or immunity from production, and (b) pursuant to Commission Rule 83, 17 C.F.R. § 200.83, that this submission not be disclosed in response to any request made under the Freedom of Information Act, 5 U.S.C. § 552.



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**PRELIMINARY STATEMENT**

In early 2007, Goldman Sachs acted as the underwriter of privately-placed notes issued in a synthetic CDO transaction known as ABACUS 2007-AC1 ("2007-AC1"). There was nothing unusual or remarkable about the transaction or the portfolio of assets it referenced. Like countless similar transactions during that period, the synthetic portfolio consisted of dozens of Baa2-rated subprime residential mortgage-backed securities ("RMBS") issued in 2006 and early 2007 that were identified in the offering materials (the "Reference Portfolio"). As in other synthetic CDO transactions, by definition *someone* had to assume the opposite side of the portfolio risk, and the offering documents made clear that Goldman Sachs, which took on that risk in the first instance, might transfer some or all of it through a hedging and trading strategies using derivatives. Like other transactions of this type, all participants were highly sophisticated institutions that were knowledgeable about subprime securitization products and had both the resources and the expertise to perform due diligence, demand any information that was important to them, analyze the portfolio, form their own market views and negotiate forcefully at arm's length. And like other transactions with similar lower-rated subprime portfolios, 2007-AC1's performance was battered by the unprecedented subprime market meltdown, which has impaired cashflow to countless noteholders in such transactions and caused many participants in the market to fail altogether.

Now, with the benefit of perfect hindsight about the magnitude of the market downturn, the Staff proposes to charge Goldman Sachs with misrepresenting material facts relating to the offering. Notably, the Staff does not contend that anything about the Reference Portfolio itself was incorrectly disclosed. Rather, the Staff's theory relates exclusively to the role of Paulson & Co., Inc. ("Paulson") – now recognized as a heavy bettor against the subprime market but at the time a relatively unknown hedge fund manager – in making suggestions to the



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independent selection agent as to the composition of the Reference Portfolio and taking a negative position on that portfolio through a swap with Goldman Sachs. Moreover, the Staff proposes not only to base its charges on theories of negligence under Section 17(a) of the Securities Act of 1933, but also to assert that Goldman Sachs made *intentional* misrepresentations concerning Paulson in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. There is no basis in the law, the record or common sense for such charges.

*First*, what *was* important to the note investors, as embodied in Regulation AB, were the offering documents' descriptions of the Reference Portfolio and the distribution of proceeds, which sophisticated institutional investors in asset-backed securities input into their models in order to make their investment decisions based on their views of market and housing trends. This information was accurately disclosed, and the Staff does not contend otherwise. By contrast, we are aware of no synthetic CDO offering that disclosed how the protection buyer would manage the risk it took on, other than to disclose generally that it may do so, as occurred here. Certainly, nothing in Regulation AB requires disclosure of the underwriter's risk management plans, which may shift as parties change their market views and adjust their risk tolerance over time.

*Second*, given the absence of an affirmative directive in Regulation AB to disclose the involvement of Paulson, the Staff relies on a theory that references in the offering documents to the Portfolio Selection Agent were misleading because they somehow implied that the agent, ACA Capital Management LLC ("ACA"), picked the portfolio in isolation without input from any participant, including ones whose true economic interests at the time were opposite those of the noteholders. But the Reference Portfolio, however it was selected, was



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fully disclosed and available for all to evaluate on its merits. To the extent that investors took comfort from ACA's involvement, it was only because an independent expert had approved the portfolio, and that is precisely what ACA did. ACA plainly exercised its own judgment in deciding which securities were included (whatever its impression as to the economic interests of Paulson), rejected dozens that it disliked, and was entirely satisfied with the resulting portfolio. Indeed, ACA put its own money behind its analysis by investing in the notes itself and entering into a large swap referencing the portfolio. There is no industry definition of "Portfolio Selection Agent" that implied that ACA would operate within an ivory tower or refuse to consider suggestions made by interested parties in exercising its independent judgment. In fact, it was a customary feature of the market that participants (including those here) often offered their views on potential securities to be included in referenced portfolios, so no one would have been surprised that Paulson was doing so.

*Third*, and more fundamentally, while Paulson's investment strategy and success are well known today, nothing in the record establishes that Paulson's involvement would have been significant in early 2007 to anyone involved in the 2007-AC1 transaction. All participants in the transaction understood that *someone* had to take the other side of the portfolio risk, and the offering documents clearly stated that Goldman Sachs might lay off some or all of the short exposure to the portfolio that it had taken on. A disclosure that the relatively unknown Paulson was the entity to which Goldman Sachs transferred that risk would have been immaterial to investors in April 2007.

*Fourth*, there is no basis to suggest that the portfolio would have performed any differently or that the economic outcome for the participants would have changed in the least had Paulson's role and interest been more transparent. The portfolio that ACA originally selected



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had the same characteristics as the Reference Portfolio, and both experienced virtually the same poor performance in the face of the subprime meltdown. Further, the principal note investor, IKB Deutsche Industriebank AG ("IKB"), was an active investor in the CDO markets, had expressed its specific interest in transactions like 2007-AC1, had invested in similar ABACUS transactions before, and thoroughly evaluated the portfolio. ACA was a major player in the CDO marketplace with billions under management and had every reason – reputationally and economically – to perform its job well. ABN Amro ("ABN"), which intermediated Goldman Sachs' swap with ACA, showed little interest in the portfolio and relied instead as a swap intermediary on the credit of its other swap counterparty, ACA, which proved fatal when ACA failed. In the end, every portfolio of lower-rated subprime RMBS was decimated in the market meltdown, and any marginal differences in bond quality underlying the Staff's theory would not have resulted in any materially different outcome.

*Fifth*, beyond these fatal deficiencies in the Staff's materiality theory, there is no basis for a finding that Goldman Sachs made any alleged misrepresentations about Paulson's role with the negligence required under Section 17(a), much less with the *scienter* mandated by Section 10(b). The Staff has pointed to two ambiguous statements contained in an e-mail from Goldman Sachs that it contends caused ACA to infer that Paulson would be an equity investor. As an initial matter, it is difficult to reconcile such an inference with the Staff's theory that Paulson tried to influence ACA to select dozens of riskier Baa2-rated securities, which would have raised questions about Paulson's true economic interests for any sophisticated market participant. The record, in all events, contains no evidence that Goldman Sachs caused ACA to infer that Paulson had an equity position. Nor does the record support the conclusion that any confusion by ACA as to the nature of Paulson's involvement in 2007-AC1 changed how ACA



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selected the Reference Portfolio. Similarly, the absence of any disclosure of Paulson's role did not affect IKB's decision to invest. IKB regularly invested through Goldman Sachs and other firms in numerous CDOs and other complex securities and conducted its own evaluations of the underlying reference portfolios, including for the 2007-AC1 transaction.

*Finally*, the Staff's proposed theory ignores the fact that, as a broker-dealer acting as an intermediary on behalf of a client, Goldman Sachs had a duty to keep information concerning its client's (Paulson's) trades, positions and trading strategy confidential. The Staff itself has recognized this obligation in other contexts, but seeks here to impose a duty to disclose the identity and market views of swap counterparties.

In short, the Staff's contention that Goldman Sachs had a duty to disclose Paulson's involvement in the process by which ACA selected the portfolio is without support in either the factual record or the law, would impose obligations not recognized in existing law and would be directly contrary to market practice, where broker-dealers intermediate between parties taking opposite views and do not disclose those parties' identity or roles to each other. No enforcement action is warranted even on the existing record. If this matter is litigated, Goldman Sachs is confident that a fuller record – including its own discovery of all transaction participants – will underscore that no one in fact considered Paulson's role important and that no one was misled.

## THE RECORD

### A. Relevant Parties

*1. Goldman Sachs*

Goldman Sachs is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-



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net-worth individuals. Through its mortgage group, Goldman Sachs structured and distributed RMBS and CDO-related products.

*2. ACA*

ACA was the asset management subsidiary of ACA Capital Holdings, Inc., and provided asset management services and credit protection products to investors. As of May 31, 2007, ACA was managing "26 outstanding CDOs with underlying portfolios consisting of $17.5 billion of assets." (GS MBS-E-003525837.) ACA acted as the Portfolio Selection Agent for the 2007-AC1 transaction, invested $42 million in the 2007-AC1 notes, and sold protection to Goldman Sachs on the $909 million notional amount super senior tranche of the transaction.

ACA suffered serious financial troubles at the end of 2007 and beginning of 2008. In November of 2007, ACA posted a $1.04 billion third-quarter loss. After a restructuring supervised by the Maryland Insurance Administration (Maryland's insurance commissioner), ACA Capital Holdings, Inc. is now operating under the name Manifold Capital. ACA is currently operating as a run-off financial guaranty insurance company.

*3. Paulson*

Paulson is an employee-owned hedge fund founded in 1994. Beginning in 2006, Paulson created two funds, the Paulson Credit Opportunities Funds, which took a bearish view on subprime mortgage loans by purchasing protection through credit default swaps ("CDSs") on various debt securities. These funds earned substantial profits, and have recently received significant media attention. At the time that 2007-AC1 was being transacted, however, Paulson's investment strategy was not yet widely known in the industry. (*See* Kreitman Tr. 40-41; Herald-Granoff Tr. 25.) Paulson now has more than $30 billion under management.



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*4. IKB*

IKB is a German Bank founded in 1924. In January of 2007, IKB Credit Asset Management, the asset management arm of IKB, had approximately "$23.9 billion of assets under management" and "over $16.8 billion of [collateralized loan obligations]/CDOs [had been] launched and managed within IKB group." (GS MBS-E-007698102.) IKB publicly stated that "Securitization and CDO investments are an integral part of IKB AG's business model." (*Id.*) IKB was a highly sophisticated institutional investor that marketed itself as a CDO manager with:

- a large investment team, including 20 portfolio managers and analysts and 20 compliance, IT, legal and operations and surveillance staff;
- "one of the largest databases of CDO structures and performance";
- a "[m]arket leading ABS/CDO evaluation and surveillance platform"; and
- "extensive ABS focused research capabilities and relationships."

(GS MBS-E-007698113; GS MBS-E-007698102.) Indeed, in January of 2007, IKB launched Rhinebridge Plc, a structured investment vehicle that invested heavily in the United States subprime market. Rhinebridge Plc was to be the "flagship vehicle in IKB CAM's expansion into ABS asset management." (GS MBS-E-007698102.)

IKB invested in multiple ABACUS transactions through Goldman Sachs, including ABACUS 2004-1, 2005-3, 2006-11, 2006-15, 2006-8 and 2007-AC1. (*See* GS MBS 0000018045 – 18046; Tourre Tr. Vol. 1, 16.) In fact, IKB made the reverse inquiry that led to the first ABACUS transaction, ABACUS 2004-1. (*See* Tourre Tr. Vol. 1, 16.) In late 2006 and early 2007, Goldman Sachs was working with IKB on a number of transactions, including multiple ABACUS transactions. (*See* Nartey Tr. 23.)



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*5. ABN*

ABN is a Dutch bank currently owned by RFS Holdings B.V. ABN was in the business of intermediating CDS between parties that would not or could not accept each other's credit risk. In 2007-AC1, Goldman Sachs would not accept ACA's credit risk without an agreement to post cash collateral, which ACA would not provide. (*See* Gerst Tr. 75.) ABN agreed to intermediate the protection that ACA sold to Goldman Sachs on the super senior tranche of the 2007-AC1 transaction by entering into a CDS with Goldman Sachs and agreeing to post collateral, and then entered into a back-to-back CDS with ACA. (*See* Gerst Tr. 75.). ABN appears to have evaluated only ACA's corporate credit rating, and had little or no interest as to the Reference Portfolio. (GS MBS-E-002485173.) Prior to agreeing to intermediate the transaction, ABN purchased from Goldman Sachs a $27 million CDS providing ABN protection if ACA's credit weakened. (GS MBS-E-003528155.)

**B. The Subprime and CDO Market**

A CDO is a debt security collateralized by debt obligations, including mortgage-backed securities in many instances. These securities are packaged and held by a special purpose vehicle ("SPV"), which issues notes that entitle their holders to payments derived from the underlying assets. In a synthetic CDO, the SPV does not own a portfolio of actual fixed income assets, but rather enters into CDSs that reference the performance of a portfolio. The SPV does hold some collateral securities (separate from the reference portfolio), which it uses to meet its payment obligations.

Beginning in 2005, the market for CDOs expanded extremely rapidly. According to a study performed by the Securities Industry and Financial Markets Association ("SIFMA"), the Global CDO Issuance Volume for 2005 and 2006, not including unfunded synthetic tranches, was approximately one trillion dollars. (SIFMA, Global CDO Market Issuance Data, *available*



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*at* www.sifma.org/research/pdf/CDO_ Data2008-Q4.pdf (last visited Sept. 10, 2009).) The markets for mortgage-backed securities became volatile and unpredictable in late 2006 and early 2007. Investors and speculators in those markets developed conflicting views of the future direction of the principal factors that drove the market – housing prices, interest rates, defaults and delinquencies, delinquencies on loans made by different originators or in different regions of the country, the health of subprime originators and other factors – all of which were entirely within the public domain. Some hedge funds, including Paulson's funds, bet aggressively against the mortgage market, while other investors and speculators believed that any weakness in the housing markets or RMBS would be temporary and mild. Up to the middle of 2007, no one view of the market predominated.

**C. The ABACUS Transactions Generally**

The ABACUS transactions were synthetic CDOs in which the CDO entities sold notes referencing specific portfolios of securities. The proceeds from the sale of the notes were used to purchase collateral securities, which were held by the SPV. At the same time, the SPV entered into a CDS transaction, whereby it agreed to provide a "protection buyer" with "insurance" payments in the event of write-downs on the referenced securities in exchange for periodic premium payments. These premium payments, along with interest on the collateral securities, were used to pay the noteholders. The collateral securities themselves were used either to pay principal to noteholders or to make payments due to the protection buyer under the CDS, depending on the performance of the reference portfolio. The first ABACUS transaction was ABACUS 2004-1, which was developed in response to IKB's desire to invest in AAA, AA and A rated CDO notes referencing a portfolio of high-grade asset-backed securities. (Tourre Tr. Vol. 1, 16, 24.)



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**D. ABACUS 2007-AC1**

ABACUS 2007-AC1 ("2007-AC1") was a synthetic CDO transaction referencing a $2 billion portfolio consisting of 90 Baa2-rated subprime RMBS issued in 2006 and early 2007. (GS MBS-E-005974542; GS MBS-E-002407039-2407041.) The securities issued in the 2007-AC1 transaction were offered in a private placement pursuant to Rule 144A. (GS MBS 0000010089.)

*1. The Paulson Reverse Inquiry*

In late 2006, Paulson initiated a "reverse inquiry" by approaching Goldman Sachs to determine whether it would enter into a CDS in which Paulson bought protection on a portfolio of Baa2-rated RMBS from the 2006 vintage. To mitigate the significant market risk that it would take on if it entered into the CDS, Goldman Sachs structured two separate transactions.

In the first transaction, Goldman Sachs created the 2007-AC1 SPV, which would issue notes and enter into a CDS through which Goldman Sachs would purchase credit protection on a portfolio of Baa2-rated 2006 vintage subprime securities. The investors that bought the notes issued by the SPV would, by definition, be taking the view that the securities in the Reference Portfolio would perform at least moderately well, while Goldman Sachs as credit protection buyer took the contrary view that those securities would perform poorly. In the second transaction, Goldman Sachs would enter into the CDS that Paulson had requested. To the extent that Paulson's requested CDS portfolio matched the 2007-AC1 Reference Portfolio, Goldman Sachs would effectively neutralize its market risk. (GS MBS-E-003272296; GS MBS-E-003272305.) David Gerst and Fabrice Tourre explained this dual structure to the Staff. (*See* Tourre Tr. Vol. 1, 95; Gerst Tr. 139).



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2. *The Portfolio Selection Process*

ACA, the Portfolio Selection Agent for 2007-AC1, had extensive experience and a strong reputation in the industry. In its role as Portfolio Selection Agent, ACA was to select a portfolio of Baa2-rated RMBS from the 2006 and 2007 vintages to comprise the Reference Portfolio, but would not provide any ongoing asset management or other services.

Goldman Sachs started the portfolio selection process by providing Paulson with a database of RMBS securities and a spreadsheet listing securities that fit Paulson's requirement that the portfolio be restricted to 2006-vintage subprime RMBS that were rated Baa2 by Moody's Investor Service and approximately BBB by Standard & Poor's. (Gerst Tr. 13-14.) Paulson then provided Goldman Sachs with a spreadsheet of 123 securities. Goldman Sachs sent this spreadsheet of 123 securities to ACA for its evaluation and potential inclusion in the 2007-AC1 Reference Portfolio. (GS MBS-E-007974381.)

ACA evaluated each of the 123 securities using its proprietary models and methods of analysis. ACA rejected more than half of the securities, and sent Goldman Sachs a revised spreadsheet listing 86 securities, including 55 from the list of 123 securities and 31 additional 2006-vintage Baa2-rated securities. (GS MBS-E-002537707.) ACA later proposed an additional 26 reference securities. (GS MBS-E-002480599.) Goldman Sachs suggested that two of the proposed securities be rejected, and ACA suggested three replacements. (GS MBS-E-003026086.)

ACA and Paulson then met on February 2, 2007 to discuss the reference portfolio. During this meeting, Paulson proposed a list of securities, nine of which ACA had already rejected. After the meeting, ACA emailed Paulson and Goldman Sachs, reiterating its rejection of the nine securities and attaching a spreadsheet listing 100 securities (79 of which previously had been approved by Paulson and ACA). (GS MBS-E-0038338442.) Paulson suggested



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removal of eight of the securities (seven of which were removed) and Goldman Sachs suggested removal of two of the securities (one of which was removed). (GS MBS-E-002483508; GS MBS-E-002983660.) Paulson then circulated a list of 90 reference securities. Of these 90, ACA requested that the parties make substitutions for three of the securities. (GS MBS-E-003782252; GS MBS-E-002445333.) ACA proposed eleven alternative securities and Paulson agreed to three out of those eleven securities. (GS MBS-E-002444961-2444962; GS MBS-E-002445333-2445334; GS MBS-E-002444961-2444962.) ACA thereafter agreed to the removal of three New Century securities, and the substitution of three securities to include in the final portfolio.[2] (GS MBS-E-003740868; GS MBS-E-003740867-3740869.)

ACA ultimately approved 90 securities that it stood behind as the portfolio selection agent, albeit from the category of 2006/2007-vintage Baa2-rated subprime RMBS. There is no indication that ACA "rubber stamped" any of the securities suggested by Paulson, or that it behaved in any way that was inconsistent with the normal obligations of a Portfolio Selection Agent. And as a sophisticated market player that managed billions of dollars in subprime securities, ACA should easily have recognized any tendencies or marginal biases in the securities that Paulson recommended.

*3. Marketing and Sale of the 2007-AC1 Transaction*

Because of IKB's prior interest in ABACUS transactions, Goldman Sachs approached IKB as a potential investor in 2007-AC1. IKB ultimately decided to purchase $150 million in senior certificates with the view that it would have a relatively protected senior position in a risky portfolio. (*See* GS MBS 0000018046.) ACA purchased $42 million worth of

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[2] IKB had previously expressed concern over RMBS for which New Century and Fremont were the servicers, which may have been the reason for removing those securities. (GS MBS-E-0029722269.)



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senior secured notes. (GS MBS 0000018046.) The 2007-AC1 transaction closed on April 26, 2007. The SPV used the proceeds of the sale to purchase AAA-rated certificates to hold as collateral.

Goldman Sachs entered into a CDS with the SPV in a notional amount of $192 million in which Goldman Sachs agreed to make premium payments in return for protection on the Reference Portfolio. In addition to the CDS purchased from the SPV, on May 31, 2007 Goldman Sachs also entered into a $909 million notional amount CDS referencing the super-senior (50-100%) tranche of the 2007-AC1 CDO. (GS MBS 0000018052.) ABN served as intermediary for this trade by entering into the $909 million CDS with Goldman Sachs and an offsetting CDS with ACA, thereby assuming credit risk if ACA was unable to pay. (GS MBS-E-002485172-2485173.) ABN appears to have principally evaluated only ACA's corporate credit rating before entering into the CDS.[3] (GS MBS-E-002485172-2485173.) The record does not indicate whether ABN entered into other CDS trades with ACA, but Goldman Sachs is confident that a full record would reflect ABN's familiarity with ACA and consistent approach to such transactions as solely credit decisions.

**E. The Credit Default Swaps Between Goldman Sachs and Paulson**

Through CDSs with Paulson, Goldman Sachs sold all of the protection that it had purchased from the SPV and from ACA (through ABN). (Tourre Tr. Vol. 1, 33.) Because Goldman Sachs purchased protection from ACA on a portion (50-100%) of the super senior tranche, but wrote protection to Paulson on the entire (45-100%) super senior tranche, it bore the

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[3] In connection with this evaluation, ABN purchased $27 million in corporate CDS protection on ACA from Goldman Sachs, which entitled it to payment if ACA's credit rating fell below a certain level. (GS MBS E-003528155.)



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risk that poor performance of the Reference Portfolio would affect the 45-50% portion. (Tourre Tr. Vol. 1, 33.)

The 2007-AC1 Offering Circular could not have been more clear that Goldman Sachs might enter into transactions to increase, reduce or even eliminate its exposure to the SPV:

- "The Protection Buyer is not required to have any credit exposure to any Reference Entity or any Reference Obligation." (GS MBS 0000010105.)
- "[T]he Protection Buyer . . . may hold long or short positions with respect to Reference Obligations and/or other securities or obligations of related Reference Obligations and/or other securities or obligations of related Reference Entities and may enter into credit derivative or other derivative transactions with other parties pursuant to which it sells or buys credit protection with respect to one or more related Reference Entities and/or Reference Obligations. . . . [i]f the Protection Buyer . . . holds claims against a Reference Entity or a Reference Obligation other than in connection with the transactions contemplated in this Offering Circular, such party's interest as a creditor may be in conflict with the interests of the Issuer." (GS MBS 0000010127.)

Nothing stopped any other transaction participant – from the noteholders, to ABN, to Paulson – from similarly reducing or adjusting their own exposure depending on their own perceptions and views as market and economic conditions evolved.

**F. The Collapse of the Subprime Market**

As was clear to all of the parties, the market for securities backed by subprime loans had already begun to weaken in late 2006, as housing prices stopped increasing and began to decline in some regions of the country. The ABX.HE 06-2 BBB Index,[4] which referenced BBB securities issued in the second half of 2006, decreased in early 2007, reaching a low of $67 on February 27, 2007. It rebounded to as high as $84.5 on May 24-25, 2007 (a week before ACA, ABN and Goldman Sachs entered into the $909 million CDS), and then dropped

[4] The ABX.HE Indices, or Asset-Backed Securities Indices, are synthetic indices distributed by Markit Group, Limited. Each references a basket of 20 CDSs on subprime mortgage-backed securities of a specific vintage and rating.



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precipitously from $80.875 on June 11 to $20.5 at the end of 2007. (*See* Appendix 1.) The securities in the Reference Portfolio, which in April 2007 were rated Baa2 by Moody's Investor Service and at or around BBB by Standard & Poor's, were severely affected. The historical performance data relied on by rating agencies, investment banks, government agencies and other participants in the market turned out to be an unreliable predictor of future prices and performance. As reflected by the prices of the ABX indices in early 2007, most sophisticated market participants – including senior government officials – did not predict the severity and breadth of the downturn in U.S. housing markets, and many suffered dramatic losses as a result.

The significant divergence between the expected and actual performance of Baa2-rated RMBSs resulted in large part from the unanticipated severity and breadth of housing market price declines, and the weakening of local economies throughout the United States. The combination of high loan-to-value ratios, the unexpected severity and speed of deterioration in residential housing prices throughout the country and the lack of available refinancing provided little incentive for borrowers to continue making payments on mortgage loans on properties in which they had little or no equity. *See, e.g., Semiannual Monetary Policy Report to the Congress*, Statement of Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System (Mar. 28, 2007). In addition to these unexpected economic factors, an unknown amount of fraud by borrowers, originators, brokers, appraisers and others involved in the loan origination process may have resulted in underwriting of material numbers of loans to borrowers lacking either the means to (or the intention of) making payments on the loans. *See, e.g.*, Tyler Cowen, *So We Thought, But Then Again ...*, N.Y. TIMES, Jan. 13, 2008, at 6; Carolyn Said, *Plenty of Blame for Lending Mess; Mortgage Meltdown*, S.F. CHRON., Feb. 3, 2008, at C1.



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**THE STAFF'S INVESTIGATION AND ALLEGATIONS**

The Staff's investigation of 2007-AC1 began on August 29, 2008. The Staff has taken five days of testimony from five Goldman Sachs witnesses: Gail Kreitman and Melanie Herald-Granoff, Michael Nartey, Fabrice Tourre, and David Gerst. Goldman Sachs has produced approximately 8,000,000 pages of documents to the Staff.

Goldman Sachs understands that the Staff currently proposes to recommend that the Commission bring an enforcement action against Goldman Sachs alleging violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Staff contends that:

- Goldman Sachs deceived ACA by leading ACA to believe that Paulson would invest in the equity tranche of 2007-AC1, thereby allegedly causing ACA to believe that Paulson had the same interests as ACA when Paulson's interests were, according to the Staff, the opposite of ACA's interests.
- Goldman Sachs deceived investors in the 2007-AC1 transaction by describing ACA as the Portfolio Selection Agent when, in fact, Paulson had played a significant role in selecting the Reference Portfolio.

To Goldman Sachs' understanding, the Staff's theory is that Goldman Sachs should have made the role of Paulson in the 2007-AC1 transaction clear to ACA, and disclosed that role (and Paulson's identity) in the offering documents. If the Commission chooses to proceed against Goldman Sachs, the Staff has indicated it will seek disgorgement of Goldman Sachs' profits on the 2007-AC1 transaction, as well as penalties and injunctive relief.

**DISCUSSION**

**I. THE ABACUS OFFERING DOCUMENTS CONTAINED NO MATERIAL MISREPRESENTATIONS.**

To prove materiality under Sections 10(b) and 17(a), the Commission must show a "substantial likelihood" that the alleged misstatement or omission would be deemed significant by a reasonable investor in light of the "total mix" of information available about the investment



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at the time the investment decision is made. *Basic, Inc.* v. *Levinson*, 485 U.S. 224, 231-32 (1988). In evaluating whether an alleged misrepresentation was material, the offering documents must be read as a whole, focusing not "on whether particular statements, taken separately, were literally true, but whether defendants' representations, taken together and in context, would have mis[led] a reasonable investor about the nature of the [securities]." *DeMaria* v. *Andersen*, 318 F.3d 170, 180 (2d Cir. 2003) (emphasis added).

The offering documents for the 2007-AC1 transaction provided all material information that the sophisticated institutional investors here required – most fundamentally, the particulars of the portfolio that the investors could (and did) analyze and evaluate on an equal footing with Paulson and Goldman Sachs. The offering documents contained nothing materially false or misleading about ACA's role, and no reasonable investor would have needed disclosures describing the participation of Paulson, which at the time was little-known and only one of many market participants that investors understood routinely took the opposite risk in transactions of this type (and were a structural necessity for synthetic CDOs).

**A. The Offering Documents Fully Disclosed the Material Facts Relating to the Reference Portfolio.**

Regardless of how the Reference Portfolio was selected, the offering documents comprehensively described each asset backing the securities. Nothing about the selection process affected the inherent value or risks of the Reference Portfolio. The offering documents provided the sophisticated potential investors in 2007-AC1 with the material information about the constituent securities that they needed to perform their own analyses and modeling of the creditworthiness and cash flows of the assets underlying their investment.

Regulation AB recognizes that in an asset-backed securities transaction, investors view information about the asset portfolio and the distribution of proceeds as material, because



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performance of those assets, as affected by macro-economic factors and trends that any investor can analyze, will dictate the performance of asset-backed securities.[5] Regulation AB thus focuses on the underlying assets, and sets forth in great detail the disclosures required in offering documents for asset-backed securities, including: (1) the title and type of securities being offered, (2) a summary of the flow of funds, (3) statements detailing servicer or other fees, (4) detailed descriptions of the characteristics of the assets, and (5) a description of any credit enhancement features. *See, e.g.*, 17 C.F.R. §§ 229.1102, 229.1103, 229.1105, 229.1111.

The value of the assets underlying asset-backed securities does not change based on any "inside" information within the issuer's control. No subjective corporate judgments about budgets, sales, reserves or any other matters relevant to traditional corporate issuers impact a portfolio of mortgage-backed securities. Accordingly, Regulation AB's comprehensive disclosure scheme does not require any mention of the underwriter's (or its clients') subjective view of the assets, or a comprehensive listing of all of the parties that had input into the selection of the assets backing the securities. Rather, Regulation AB focuses on disclosures of the objective features of the underlying assets, which allows potential investors to perform their own analyses and evaluations based on their assessment of economic trends, regardless of the views of the underwriter or other entities as to the value of the underlying assets. This focus on the intrinsic character of the portfolio also is consistent with the distinction drawn by the courts between "hard" and "soft" information. Only the former must be disclosed to investors:

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[5] Although the ABACUS notes at issue here were offered pursuant to the limited requirements of Rule 144A, Regulation AB's focus on information about the underlying assets and how the proceeds of those assets will be distributed reflects what is material to an investor in any asset-backed transaction.



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> Hard information is typically historical information or other factual information that is objectively verifiable. Publicly disclosed, hard information is actionable if false and material. Soft information, on the other hand, includes predictions and matters of opinion. The failure to disclose soft information is actionable only if [it is] . . . virtually as certain as hard facts.

*City of Monroe Employees Ret. System* v. *Bridgestone Corp.*, 399 F.3d 651, 669 (6th Cir. 2005); *see also Glassman* v. *Computervision Corp.*, 90 F.3d 617, 631 (1st Cir. 1996) ("[T]he federal securities laws focus on the mandatory disclosure of backward-looking hard information, not forecasts.").

In accordance with this regulatory focus, the offering documents at issue here set forth *precisely which* RMBS would comprise the Reference Portfolio. (*See* GS MBS 0000010274-10277.) The offering documents for each of these RMBS in turn disclosed the various categories of information required by Regulation AB, including detailed information concerning the loans held by the trust that issued the RMBS. This is all that was required. The offering documents need not interpret the information they disclose in ways that "might have facilitated an investor's task," because "interpretations drawn from the facts presented in the prospectus[]" do not provide new information, and thus cannot "significantly alter[] the 'total mix' of the information already presented." *Benzon* v. *Morgan Stanley Distributors, Inc.*, 420 F.3d 598, 609 (6th Cir. 2005). In light of the extensive, objective disclosures contained in the offering documents, investors – particularly the sophisticated entities at issue here in the context of a Rule 144A offering – had all the information they needed to understand and evaluate the reference securities, just as a consumer purchaser can evaluate a store's inventory of merchandise regardless of how it was selected, fully understanding that there may be other brands available elsewhere. *See Ley* v. *Visteon Corp.*, 543 F.3d 801, 808 (6th Cir. 2008) ("The federal securities laws do not ordain that the issuer of a security compare itself in myriad ways to its competitors, whether favorably or unfavorably . . . . [I]t is precisely and uniquely the function



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of the prudent investor, not the issuer of securities, to make such comparisons among investments.").

**B. The Sophisticated Investors in 2007-AC1 Were More Than Capable of Evaluating the Transaction Based on the Portfolio Information.**

The sophisticated investors in 2007-AC1 were fully capable of evaluating the Reference Portfolio, and nothing in the record suggests that their analysis turned on how the securities were selected here or, for that matter, in any of the countless other transactions they considered over time.

ACA, as described above, was a well-recognized collateral manager as well as a sophisticated investor in CDOs. It was paid to analyze the Reference Portfolio and approved every security in it. It applied rigorous and disciplined financial modeling to evaluate the portfolio, as it did every day with respect to the billions of dollars it managed.

IKB had long described itself as one of the most highly-sophisticated CDO investors in the world. (*See* GS MBS-E-007698102; *see also Conservative Mittelstand lender IKB has transformed itself into Germany's biggest investor in structured credit – with a taste for riskier deals,* RISK, February 1, 2004.) It stated in January 2007 that it had launched and managed approximately $16.8 billion of its own CDOs and related securities. (GS MBS-E-007698102.) IKB regularly invested through Goldman Sachs and other firms in CDOs and other sophisticated and complex securities, including ABACUS and other synthetic CDOs in which other parties took the opposite view of the portfolio . (GS MBS 0000018045-18046.) IKB had its own significant capabilities to (a) research and analyze market conditions and relevant, underlying loan data (*e.g.*, housing statistics, ABX index prices and volumes, subprime securities pricing levels, origination volumes and performance of loans in securitized pools), and (b) obtain expert and knowledgeable advice and counsel.



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Similarly, in early 2007, ABN was "a leading international bank with total assets of EUR 999 [billion]" and "operate[d] more than 4,500 branches in 53 countries" with a "staff of more than 110,000 full-time employees worldwide." Press Release, ABN AMRO, ABN AMRO Announces Sale of ABN AMRO Mortgage Group, Inc. to Citigroup, Jan. 22, 2007, *available at* http://www.abnamro.com/pressroom/pressreleasedetail.cfm? ReleaseID=278522 (last visited Sept. 10, 2009). ABN regularly assumed credit risk by "act[ing] as an intermediary on behalf of customers or other third parties or issue[d] guarantees." ABN AMRO Holding N.V., 2006 Annual Report at 204, *available at* http://www.shareholder.com/visitors/dynamicdoc/document.cfm?CompanyID=ABN&DocumentID=1448&PIN=&Page=2&Zoom=1 (last visited Sept. 10, 2009). In connection with these activities, ABN's senior management "establish[ed] the credit policies" and "procedures required to analyze, manage and control credit risk." *Id.* ABN closely "monitored on an ongoing basis" the "risk that counterparties might default on their obligations." *Id.*

Consistent with their sophistication, ACA and IKB were Qualified Institutional Buyers within the meaning of Rule 144A. The Master Repurchase Agreement between Goldman Sachs and ACA stated that, with respect to each of the transactions comprising 2007-AC1, ACA agreed that:

> It is acting for its own account, and it has made its own independent decisions to enter into that Transaction. It has evaluated for itself 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 the 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. . . .
>
> 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,



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> conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(GS MBS-E-009154451.)

Thus, the investors had more than sufficient resources and market knowledge to evaluate the portfolio based on the inherent characteristics of the securities, demand additional information or changes to the portfolio, and decline to invest if they were not entirely satisfied or preferred other investment alternatives. There is no evidence that they approached this transaction any differently than the countless other similar transactions they considered. If this matter is litigated, Goldman Sachs is confident that a full record will show that their behavior here conformed to their overall investment approaches.

**C. To the Extent that Investors Considered ACA's Participation Important, ACA's Role Was Described Accurately.**

Significantly, the Staff has not alleged that the offering documents for 2007-AC1 misrepresented anything about the Reference Portfolio. Rather, the Staff's position appears to be that investors would have wanted to know that Paulson had input into the *process* by which ACA ultimately selected the RMBS included in the Reference Portfolio, and that the description of ACA as "Portfolio Selection Agent" was therefore misleading without including a description of Paulson's role. That position is fundamentally flawed for several reasons.

As a threshold matter, the Staff's position incorrectly assumes that the term "Portfolio Selection Agent" conveys to investors that the agent selected the portfolio without any input from others. Nothing in the offering documents asserted that ACA was acting in isolation, and no definition of "Portfolio Selection Agent" would create that impression. The Offering Circular, which described ACA's role as Portfolio Selection Agent, merely stated that "[ACA would], pursuant to the Portfolio Selection Agreement . . . select the Initial Reference Portfolio." (GS MBS 0000010178.) Nowhere did the Offering Circular state that ACA would not consult



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with other entities regarding the selection of the Reference Portfolio, and it was common in CDO transactions for participants to offer views in the process of selecting the referenced assets, as Goldman Sachs and IKB did here. (Herald-Granoff Tr. 26; Narty Tr. 18-19, 57 ("I don't think I can recall a transaction we worked on with [IKB], where we didn't have a back and forth on the portfolio").) *See In re Worlds of Wonder Sec. Litig.*, 35 F.3d 1407, 1417-18 (9th Cir. 1994) (common industry practices require no disclosure). Rather, the Offering Circular states only that ACA would "select" the Reference Portfolio, and the record in this investigation has shown that ACA did so. ACA ultimately approved each security for inclusion in the Reference Portfolio. (*See,e.g.*, GS MBS-E-002537707; GS MBS-E-003838442-3838443.)

Indeed, ACA had served as portfolio selection agent or collateral manager for numerous other transactions, and no doubt was accustomed to an interactive selection process. What is important is that ACA used its own expertise and models in scrutinizing and approving the referenced securities and earned substantial fees for doing so. Whether certain securities were initially suggested by Paulson, Goldman Sachs or IKB, ACA subjected the securities proposed for inclusion in the Reference Portfolio to its own proprietary models and analysis. ACA conducted its own analysis and engaged in significant dialogue with Goldman Sachs and Paulson, and it rejected *75 securities* that Paulson initially proposed. (*See*, *e.g.*, GS MBS-E-002537707; GS MBS-E-003838442-3838443; GS MBS-E-007974381.)

There is no evidence that ACA included any securities that it thought were inappropriate. Indeed, ACA demonstrated its confidence in the quality of the Reference Portfolio by purchasing $42 million worth of ABACUS 2007-AC1 notes and entering into a $909 million notional value CDS referencing the portfolio. It defies credulity to assert that ACA would have invested $42 million of its own funds and entered into a $909 million CDS based on



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the Reference Portfolio if it had any concerns about the referenced securities. Although Goldman Sachs has not yet had the opportunity to take discovery of ACA, it is confident that if this matter is litigated, the full record will demonstrate ACA's independence, full conviction about the portfolio it selected and professional work quality in performing its function.

**D. Paulson's Economic Interests Were Not Material to Investors.**

The Staff's theory appears to be that Paulson's role would have been significant both to ACA in its role as Portfolio Selection Agent and to investors because – like Warren Buffett or E.F. Hutton – it would have raised a red flag that a prominent "short" strategist was betting against the portfolio. Paulson's name and precise role were not material, however, particularly at the time of the transaction.

First, although Paulson's name and his successful strategy of shorting the subprime RMBS market are now well known, they were not in April 2007. Even Goldman Sachs witnesses testified that they had no knowledge of Paulson or its strategies at the time of the 2007-AC1 transaction. (*See* Herald-Granoff Tr. 25; Kreitman Tr. 40-41.) Indeed, the Staff does not contend that ACA had heard of Paulson prior to the 2007-AC1 transaction. The fact that Paulson was unknown to ACA – which, as of May 31, 2007, had 26 CDOs valued at $17.5 billion under management – demonstrates that the fact of Paulson's involvement would not have been material. Nor is there any evidence that IKB or ABN knew of Paulson at the time or would have changed their investment decisions one iota had they fully understood his involvement. Certainly, those will be significant matters in dispute if this matter is litigated.

Second, given the structure of synthetic CDOs such as 2007-AC1, investors understood that *someone* (whether Goldman Sachs, Paulson or another entity) would necessarily be taking a position contrary to the Reference Portfolio. As the CDS counterparty, Goldman Sachs stood to gain if the Reference Portfolio performed poorly (GS MBS 0000010095) unless it



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entered into an offsetting CDS with another counterparty. The Offering Documents clearly disclosed that Goldman Sachs was the Protection Buyer, and also that the

> Protection Buyer . . . may hold long or short positions with respect to Reference Obligations and/or other securities or obligations of related Reference Entities and may enter into credit derivative or other derivative transactions with other parties pursuant to which it sells or buys credit protection with respect to one or more related Reference Entities and/or Reference Obligations.

(GS MBS 0000010127; *see also* GS MBS 0000010105 ("The Protection Buyer is not required to have any credit exposure to any Reference Entity or any Reference Obligation.").) This is precisely what Goldman Sachs did through its swap transaction with Paulson. The Goldman Sachs-Paulson CDS was from Goldman Sachs' perspective nothing more than a standard risk-mitigating strategy, which is commonplace in the industry (and indeed beneficial to it) and did not require disclosure.[6] *Donovan* v. *Am. Skandia Life Assurance Corp.*, No. 02 CV 9859, 2003 WL 21757260, *2 (S.D.N.Y. July 31, 2003) ("Liability does not arise from the failure to disclose that which should be obvious to the average investor."); *In re Ultimate Corp. Sec. Litig.*, No. 86 CIV. 5944 (CSH), 1989 WL 79372, at *2 (S.D.N.Y. July 11, 1989) (no duty to disclose obvious facts, such as risk that executive might leave company in future). Ultimately, some entity would take a position opposite the debt investors – whether Goldman Sachs kept that position or transferred it to another entity (such as Paulson) was not material.

Similarly, the fact that ACA may have perceived Paulson to be an equity investor is of no moment. As a threshold matter, the interests of an equity investor would not necessarily be aligned with those of ACA or other noteholders, and holders of equity may also hold other long or short positions that offset or exceed their equity exposure. Indeed, Laura Schwartz of

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[6] Indeed, as Mr. Tourre testified, the ABACUS platform originated as a way to hedge Goldman Sachs' exposure to RMBS products. (*See* Tourre Tr. Vol. 1, 20-21.)



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ACA understood this from her work on a transaction that closed in December 2006 in which Magnetar, a hedge fund that bought equity and took short positions in mezzanine-level debt, participated. (*See* GS MBS-E-007992234 ("Magnetar-like equity investor").) Certainly, ACA could have questioned Paulson about its interests if it that information were significant to it.

More fundamentally, the Staff does not appear to contend that ACA would have refused to approve the Reference Portfolio or that investors would have declined to proceed with the transaction if they had known of Paulson's precise interest. Indeed, the Staff does not contend that prior to the 2007-AC1 transaction ACA even knew that Paulson existed. Paulson's participation in the portfolio selection process did not diminish ACA's extensive analysis. ACA evaluated Paulson's list of 123 securities using its proprietary methods, and rejected more than half of them. ACA then generated its own list of securities, including 31 not proposed by Paulson. Ultimately, ACA vetted and approved all of the 90 securities included in the Reference Portfolio. The mere fact that Paulson – as well as Goldman Sachs and IKB – offered views on the securities proposed for the Reference Portfolio does not support the allegation that ACA failed to perform its duties or compromised its standards.

In short, all of the parties involved evaluated potential investments based on the fundamentals of the securities and not on who offered suggestions as to which securities to include in the Reference Portfolio. There was no "substantial likelihood" that a reasonable sophisticated investor would have deemed Paulson's involvement in selecting the portfolio to be significant in light of the "total mix" of information available. *Basic*, 485 U.S. at 231-32; *see also Capri Optics Profit Sharing* v. *Digital Equipment Corp.*, 760 F. Supp. 227, 233 (D. Mass. 1991) ("This Court questions whether the information allegedly not disclosed was even material, *i.e.*, information affecting a reasonable investor's decision to invest. No evidence is presented



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that Capri would have refrained from investing had those things been done which Capri says ought have been done." (citation omitted)).

**E. Investor Losses Were Attributable Solely to the Overall Market Collapse and Not to Any Alleged Misrepresentations by Goldman Sachs.**

The Staff appears to suggest that materiality is somehow established by the poor performance of the transaction. But the cause of those losses was the collapse of the subprime market, and not anything unique to this transaction or its disclosures. Goldman Sachs should not be held responsible for losses caused by a general market-wide decline. *Wielgos* v. *Commonwealth Edison Co.*, 892 F.2d 509, 515 (7th Cir. 1989) ("Securities laws require issuers to disclose firm-specific information . . . . [They] needn't disclose the hazards of its business, hazards apparent to all serious observers and most casual ones." (citation omitted)).[7]

There is no evidence that the original reference portfolio proposed by ACA – or any other portfolio of similar securities for that matter – would have performed any differently. To the contrary, any portfolio of this type would have been swept up in the meltdown of the subprime market and experienced considerable write-downs, and none would have materially outperformed the other. (*See* Appendix 2.) The Reference Portfolio was designed to contain high-risk tranches of RMBS issued in 2006 and 2007, and nearly all Baa2-rated, 2006/2007-vintage subprime RMBS – including those initially proposed by ACA without Paulson's involvement – have suffered materially similar losses. (*Id.*)

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[7] And indeed, the offering documents disclosed these general market risks, stating:

> The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower.

(GS MBS 0000010121.)



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In that respect, the transaction participants received precisely what they bargained for. When ACA and IKB bought notes in 2007-AC1 or sold protection referencing the 2007-AC1 Reference Portfolio, they took the view that the senior tranches of 2007-AC1 would suffer losses only if a significant percentage of the 90 referenced securities were written down. ACA and IKB ultimately suffered losses not because Paulson played a role in the portfolio selection process, but because *every security* of that rating and vintage decreased in value as a result of unprecedented market events. The Reference Portfolio was a fair representation of the credit quality of 2006/2007-vintage Baa2-rated subprime RMBS; that credit quality, however, turned out to be very poor.

Similarly, ABN's losses stemmed from overall market forces, not anything relating to the disclosure issues the Staff has raised. ABN was in the business of intermediating credit default swaps for monoline insurers such as ACA and, in connection with that business, intermediated the swap between Goldman Sachs and ACA that referenced the super-senior tranche of the 2007-AC1 securitization. (GS MBS-E-002485172- 2485174; GS MBS-E-002461503-2461505) ABN principally evaluated ACA's credit rating, ultimately deeming the risks associated with the swap transaction to be acceptable in light of its compensation and appetite for *the risk associated with ACA*. (*See* GS MBS-E-002485172-2485173 (Fabrice Tourre tells ABN that entities that had intermediated trades for ACA in the past had "slowly gotten full on ACA's name and that is why we are now trading at the . . . wider level for ACA intermediation").) Consistent with this approach, ABN purchased protection from Goldman Sachs in the form of a $27 million corporate CDS referencing ACA's credit rating. (GS MBS-E-003528155.) To Goldman Sachs' knowledge, ABN did not purchase credit protection referencing the Reference Portfolio.



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Nor did ABN give substantive scrutiny to the 2007-AC1 transaction itself. Rather, the discussions between Goldman Sachs traders and ABN focused almost entirely on what compensation would be appropriate for ABN's intermediation. (*See* Tourre Tr. Vol. 1, 88.) ABN's losses (and Goldman Sachs' on the $27 million CDS it entered into with ABN) were attributable to ACA's collapse, not the characteristics of the Reference Portfolio or any representations pertaining to it.

Finally, nothing stopped any transaction participant from changing its views and adjusting its exposure. The only constant was the Reference Portfolio once it had been selected. If participants suffered losses, they did so solely because they projected that the economic downturn would be less severe than it was.

## II. THERE IS NO EVIDENCE THAT GOLDMAN SACHS ACTED NEGLIGENTLY, LET ALONE WITH THE LEVEL OF SCIENTER REQUIRED TO SUPPORT A SECTION 10(b) CLAIM.

A party's fraudulent intent, defined as "a mental state embracing intent to deceive, manipulate, or defraud," is the touchstone of a violation under Sections 10(b) and 17(a)(1). *Ernst & Ernst* v. *Hochfelder*, 425 U.S. 185, 193 n.12 (1976). Some courts have held that this standard can be met by a showing of "extreme recklessness," which has been described as an "extreme departure from the standards of ordinary care . . . which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it. In other words, it is a lesser form of intent." *SEC* v. *Steadman*, 967 F.2d 636, 641-42 (D.C. Cir. 1992) (internal quotations omitted). Additionally,

> [t]o prove scienter with respect to a non-disclosure, it is not enough to simply show that the defendant was aware of an undisclosed fact that a court later determines is material. Rather, a plaintiff must show that the defendant must have been aware of both the materiality of the undisclosed fact and that its non-disclosure would likely mislead investors.



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*SEC* v. *Gane*, No. 03-61553-CIV-SEITZ, 2005 WL 90154, at *15 (S.D. Fl. Jan. 4, 2005) (internal citations omitted); *see also SEC* v. *Patty*, 891 F.2d 295, 295 (9th Cir. 1989) (stating that "the question is not merely whether [the defendant] had knowledge of the undisclosed facts; rather, it is the *danger of misleading buyers* that must actually be known or so obvious that any reasonable man should be legally bound as knowing.") (internal citations omitted)).

With respect to Section 17(a)(2) and (3), although the Staff need not establish fraudulent intent, it still must demonstrate the existence of negligence, defined as a departure from the standard of reasonable care. *Aaron* v. *SEC*, 446 U.S. 680, 687-91 (1980). The reasonableness of conduct must be judged in light of the customs and practices of others in similar circumstances at the time the conduct occurred. *See Cherokee Ins. Co.* v. *E.W. Blanch Co.*, 66 F.3d 117, 123 (6th Cir. 1995) (insurance broker "acted in accordance with practices customary in the industry at the time"); *Ward* v. *Hobart Mfg. Co.*, 450 F.2d 1176, 1182 and n.16 (5th Cir. 1971) (design of product consistent with industry practices at the time); Restatement (Second) of Torts § 295A. Compliance with industry standards is a factor (although not dispositive) in determining whether a party met the appropriate standard of care in cases under the securities laws. *See Vernazza* v. *SEC*, 327 F.3d 851, 861 (9th Cir. 2003) ("relevant to show standard of care necessary to a recklessness inquiry"); *Messer* v. *E.F. Hutton & Co.*, 847 F.2d 673, 679 (11th Cir. 1988) (same); *Coates* v. *Heartland Wireless Communications, Inc.*, 100 F. Supp. 2d 417, 425 n.6 (N.D. Tex. 2000) (absent contrary evidence, a defendant who follows industry practices is not liable for fraud under 10(b)); *In re Piper Capital Management, Inc.*, SEC Rel. No. 2163, 2003 WL 22016298, at *8 (Aug. 26, 2003) ("compliance with industry standards is a consideration"). The record in this investigation has revealed no evidence of negligence, let alone fraudulent intent or extreme recklessness.



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**A. Goldman Sachs Did Not Mislead ACA Regarding Paulson's Involvement in the Portfolio Selection Process.**

The Staff's theory is predicated on the notion that ACA believed that Paulson would be an equity investor in the 0-9% tranche of the 2007-AC1 transaction, and that Goldman Sachs intentionally or negligently led ACA to this belief. In support of this contention, the Staff principally cites:

- Laura Schwartz of ACA's January 8, 2007 e-mail to Gail Kreitman in which she wrote "I have no idea how [the Paulson meeting] went – I wouldn't say it went poorly, not at all, but I think it didn't help that we didn't know exactly how they want to participate in the space. Can you give us some feedback?" (GS MBS-E-003499710);
- Fabrice Tourre's January 10, 2007 e-mail to Ms. Schwartz containing the "Transaction Summary" in which he stated that the transaction was "sponsored by Paulson" and included the line: "[0] - [9]%: pre-committed first loss," (GS MBS E-003504901) which the Staff stated described the equity tranche; and
- Ms. Kreitman's e-mail exchanges with Ms. Schwartz on January 14 and 28, 2007 in which Ms. Kreitman did not correct Ms. Schwartz's apparent misunderstanding that Paulson was an equity investor (GS MBS-E-007980762; GS MBS-E-007992234).[8]

Nothing in those e-mails or elsewhere supports an inference of scienter.

To the extent that ACA inferred from the January 10 e-mail that Paulson would act as an equity investor in the transaction, there is no evidence in the record to suggest that Goldman Sachs intended that ACA draw this inference. The Staff has not asserted that Goldman Sachs or Paulson told ACA that Paulson was an equity investor, and Goldman Sachs is not aware that Ms. Schwartz could recall any such representation being made. Mr. Tourre's reference to "[0] - [9]%: pre-committed first loss" did not state that Paulson would be purchasing a long position, and the record contains no evidence indicating what Mr. Tourre meant by this

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[8] The Staff has also asserted that certain internal ACA documents state that Paulson intended to invest in the equity tranche of the 2007-AC1 transaction. Copies of those documents have not been provided to Goldman Sachs.



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statement. Indeed, Mr. Tourre himself testified that he had no recollection of its meaning. (Tourre Tr. Vol. 2, 145.)

Further, as several Goldman Sachs employees testified, the term "sponsor" is not uniformly defined in the context of a CDO transaction, and it need not refer to an equity investor at all. (*See* Tourre Tr. Vol. 1, 13 (stating that the term transaction sponsor is "not necessarily . . . a defined term" and "a very loose concept"); Gerst Tr. 105 ( "I don't really think of ["sponsor"] as . . . an official designated role in a transaction per se."); Nartey Tr. 31 ("[W]e use [transaction sponsor] in different ways.").)

Indeed, the documents and testimony show that that the term "sponsor" was sometimes used to refer to an investor that initiated a reverse inquiry, a counterparty that initiated a reverse inquiry, the entity that selected the portfolio, or Goldman Sachs itself. (*See* Tourre Tr. Vol. 1, 24 (describing IKB as the "sponsor investor" for the first ABACUS deal ); Tourre Tr. Vol. 1, 71 (stating that the term "ACA Sponsorship" in the 2007-AC1 flipbook referred to the fact that ACA selected the 2007-AC1 Reference Portfolio); GS MBS 0000010036 (ABACUS 2007-AC1 Flipbook dated February 26, 2007) (stating that ABACUS 2007-AC1 was being "sponsored by ACA."); Gerst Tr. 105 (stating that he thought of the investor who "initiated the inquiry" as a transaction sponsor); Nartey Tr. 31 (stating that clients, managers, and Goldman Sachs itself could be deemed a sponsor)). If Ms. Schwartz inferred that Paulson was an equity investor from Mr. Tourre's email, that at most indicates that a misunderstanding occurred. It does not indicate that Goldman Sachs negligently (let alone recklessly or intentionally) led ACA to believe this was the case, particularly in light of the amorphous language from which Ms. Schwartz apparently drew her inference. Indeed, there is no indication that a reasonable professional under the circumstances presented here would have expected Ms. Schwartz to



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construe the term "sponsor" to mean that Paulson necessarily was an equity investor. *See Gebhart* v. *SEC*, 255 F. App'x 254, 255 (9th Cir. 2007) ("The objective component of scienter asks what a reasonably prudent securities professional under the circumstances would have done.")

Additionally, the fact that Ms. Kreitman did not correct Ms. Schwartz's statements that Paulson was an equity investor does not indicate that she attempted to conceal the truth from ACA. The record shows that Ms. Kreitman, who provided sales coverage on ACA, acted as an "intermediary between the [various] trading desk[s] and clients." (Kreitman Tr. 11.). Ms. Kreitman's role in 2007-AC1 was to "manage the relationship for ACA," meaning that she "acted as an intermediary between the trading desk and [ACA] facilitating meetings and phone calls." (*Id.* at 27-28.) She did not "attend or participate [in the meetings she arranged]" relating to the 2007-AC1 transaction, nor was she "involved in" the creation of the 2007-AC1 CDO. (*Id.* at 31-33.) Nothing in the record suggests that Ms. Kreitman understood the significance of Ms. Schwartz's statements suggesting that she believed Paulson to be an equity investor, much less that Ms. Kreitman acted with scienter or departed from the standard of ordinary care by not correcting them. *Salster* v. *Singer Sewing Mach. Co.*, 361 F. Supp. 1056, 1062 (D. Miss. 1973) ("Reasonable care does not demand perfection.").

Finally, ACA's purported belief that Paulson was an equity investor would have been neither reasonable nor credible if one accepts the major premise of the Staff's theory that Paulson proposed literally dozens of weaker securities that were systematically rejected by ACA. If this premise were true, then a market participant as sophisticated as ACA would have quickly recognized this trend, and questioned at least in its own mind what Paulson's economic interest



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was. Certainly, the credibility of ACA's purported interpretation will be subject to vigorous attack in a contested proceeding.

**B. No Evidence Supports an Inference that Goldman Sachs Retained ACA or Characterized ACA as the Portfolio Selection Agent in Order to Deceive Investors.**

The Staff has focused on Goldman Sachs' reasons for including ACA in the 2007-AC1 transaction, citing: (1) statements in a memorandum to the Goldman Sachs Mortgage Capital Committee Memo to the effect that ACA's involvement would enhance the marketability the 2007-AC1 transaction; and (2) an email in which Mr. Tourre wrote, "One thing that we need to make sure ACA understands is that we want their name on this transaction. This is a transaction for which they are acting as portfolio selection agent, this will be important that we can use ACA's branding to help distribute the bonds." (GS MBS-E-006142887.)

The Staff contends that these statements – as well as Jonathan Egol's February 11, 2007 e-mail stating "You know I love it all I'm saying is the cdo biz is dead and we don't have a lot of time left" (GS MBS-E-002633997) – indicate that Goldman Sachs believed that the 2007-AC1 securitization could not be marketed without the ACA brand name. Thus, the Staff contends that Goldman Sachs deliberately concealed Paulson's role in order to maintain the "false" appearance that ACA had selected the Reference Portfolio because, without this deception, the transaction would not be marketable. The Staff's theory does not withstand scrutiny.

ACA was no mindless dupe that could be so easily manipulated. It was a significant player in the CDO marketplace, with a strong reputation as a collateral manager and portfolio selection agent. (GS MBS-E- 003525837.) IKB was familiar with ACA and respected its skills as a collateral manager. (GS MBS-E-002668754.) Although the documents cited by the Staff show that Goldman Sachs wanted ACA to assume the role of Portfolio Selection Agent,



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they provide no basis for concluding that Goldman Sachs did so in order to conceal Paulson's role. ACA indisputably fulfilled its role as Portfolio Selection Agent, and ACA's approval of the 90 reference securities may have appealed to some potential investors, including IKB. The non-disclosure of Paulson's role (and its separate hedging transaction with Goldman Sachs) simply reflected industry practice not to disclose client names and strategies, as well as the lack of materiality of Paulson's name to potential investors. *See Gane*, 2005 WL 90154, at *15 (to prove scienter, plaintiff must show that defendant was aware that non-disclosed fact was material).

Additionally, there is no evidence whatsoever that Goldman Sachs would have had any intention to mislead investors. In fact, the record reflects that the 2007-AC1 transaction – which was approved by the Mortgage Capital Committee, an independent committee within Goldman Sachs – was very much routine, and one of numerous CDO transactions underwritten by Goldman Sachs. Although Goldman Sachs certainly hoped to earn profits by structuring the 2007-AC1 transaction, it is well established that allegations of fraud cannot rest on this ground alone, because such a "generalized motive . . . could be imputed to any publicly owned, for-profit endeavor." *Chill* v. *Gen. Elec. Co.*, 101 F.3d 263, 267 (2d Cir. 1996). More fundamentally, Goldman Sachs would not have compromised its reputation in the industry or its longstanding customer relationships in order to marginally increase its profitability in a single transaction.

Moreover, it has never been industry practice for financial institutions to disclose the identities of clients with which they enter into hedging transactions. Such disclosures would have been particularly unnecessary here, where the existence of the CDS between Goldman Sachs and the SPV – as well as Goldman's right to transfer the risk assumed thereunder – was



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disclosed in the offering documents. Goldman Sachs acted appropriately in not disclosing that ACA conferred with Paulson, because Paulson's involvement was not material. *See SEC* v. *Todd*, No. 03-CV-2230-BEN (WMC), 2006 WL 1564892, at *7 (S.D. Cal. May 30, 2006) (holding that Commission had not proven scienter where, although defendant knew that certain transactions had occurred but did not disclose them, Commission had failed to point to any evidence demonstrating that the defendant "had knowledge of [the] impropriety [of the transactions], or was reckless in not knowing" (emphasis added)).

As to Mr. Egol's February 11, 2007 e-mail, even if that e-mail suggests that Mr. Egol (from whom the Staff did not take testimony) had a negative view of the CDO marketplace, Goldman Sachs' non-disclosure of that view does not indicate that it was using ACA's brand name to perpetrate some fraud on investors by concealing its own market views or those of Paulson. Goldman Sachs certainly could have sponsored the transaction itself without disclosing its own market outlook, because is well established that market participants need not disclose their internal views of the market, even if those views have implications for securities being offered.[9] *See Dirks* v. *SEC*, 463 U.S. 646, 654 (1983) ("A duty [to disclose] arises from the relationship between parties . . . and not merely from one's ability to acquire information because of his position in the market." (internal quotation marks omitted; alterations in original)); *Moss* v. *Morgan Stanley Inc.*, 719 F.2d 5, 15 (2d Cir. 1983) ("[N]othing in the language or legislative

---

[9] Indeed, Mr. Egol's statement that "the cdo biz is dead" did not reflect a belief that widespread CDO failures would occur. Mr. Egol's email addressed an analysis of the then soon-to-be launched Markit ABX.HE Tranche Indices ("TABX"). The TABX indices referenced the BBB and BBB- rated tranches of the ABX indices, and provided investors with the ability to gain or hedge exposure to specific levels of risk in the referenced securities, which previously could only be achieved through bespoke CDOs. As a result, the market for bespoke CDOs could suffer because TABX provided a more liquid and transparent way for investors to buy or sell tranche-specific protection.



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history of section 10(b) or rule 10b-5 . . . suggests that Congress intended to impose a special duty of disclosure on broker-dealers simply by virtue of their status as market professionals"). It certainly cannot be held liable for failing to disclose a counterparty's views.

Once the pertinent facts have been disclosed, investors in asset-backed securities bear responsibility for evaluating the credit quality of the underlying assets. Ultimately, the 2007-AC1 transaction sustained losses because of a general decline experienced by RMBS of similar rating and vintage, not because of the particular Baa2-rated securities in the Reference Portfolio.

## III. THE STAFF'S THEORY THAT GOLDMAN SACHS COMMITTED FRAUD BY FAILING TO DISCLOSE PAULSON'S ROLE MISCONCEIVES THE FUNCTION AND OBLIGATIONS OF A BROKER-DEALER.

The Staff claims that Goldman Sachs' failure to disclose Paulson's role in the process of selecting the Reference Portfolio is actionable. This assertion, however, rests on two faulty assumptions: (1) that Paulson's involvement – in light of Paulson's now-known market view and investment strategy – would have been material to investors at the time of the 2007-AC1 transaction, and (2) that Goldman Sachs was free to disclose Paulson's role if it wished to do so.

The Staff's first assumption relies on hindsight, and is colored by the knowledge that Paulson later went on to record substantial profits by betting against the subprime market. As discussed above (*see supra,* part I(D)), it does not account for the market reality of the time, which was that Paulson was a little-known hedge fund with a market strategy that ran counter to the views of many sophisticated investors. Simply put, to most investors (including ACA and IKB) the name Paulson would not have been significant even if it had been disclosed.

The second assumption overlooks Goldman Sachs' duty as a broker-dealer to keep information concerning its clients' trades and positions confidential. As disclosed in the



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Offering Circular, Goldman Sachs was the original protection buyer for the 2007-AC1 transaction. The CDSs entered into by Goldman Sachs and Paulson were separate, albeit related, transactions from the 2007-AC1 securitization. Indeed, the Staff argued on our July 28, 2009 call that in computing Goldman Sachs' profits it intended to treat the Paulson CDSs as separate transactions that did not offset Goldman Sachs' profits on its CDSs with the SPV and ABN. Leaving aside the lack of logic or fairness of refusing to consider offsetting hedge transactions in computing profit, the Staff did recognize that the Paulson CDSs were separate transactions from those with the SPV and ABN. Given that the offering documents disclosed that Goldman Sachs might enter into just such transactions to convey to other parties the credit protection it purchased in CDSs with the 2007-AC1 SPV, the Staff's argument reduces to nothing more than Goldman Sachs' failure to disclose the *identity* of one of its counterparty clients.

Consistent with one of the fundamental ethical standards governing their conduct, broker-dealers do not have to disclose their clients' positions or strategies to other parties with whom they engage in trades. The Commission itself recently described the obligation not to divulge client information as "one of the most fundamental ethical standards in the securities industry," noting that "[t]he duty to maintain the confidentiality of client information is grounded in fundamental fiduciary principles." *In re Thomas W. Heath, III*, SEC Rel. No. 59223, 2009 WL 56755, at *4 (Jan. 9, 2009) (affirming sanctions against former registered representative of member of national securities exchange who divulged confidential client information).

Through the enforcement action being proposed here, the Staff would create a new disclosure obligation requiring broker-dealers to disclose the identities and positions of their counterparties or customers to other market participants. The creation of this obligation would greatly expand existing disclosure requirements, and would run afoul of the existing obligation to



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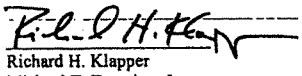
maintain the confidentiality of client transactions. It should therefore be effected – if at all – through formal rulemaking rather than an enforcement action.

**CONCLUSION**

For the foregoing reasons, no enforcement action is warranted.

Dated: New York, New York
September 10, 2009

Respectfully submitted,



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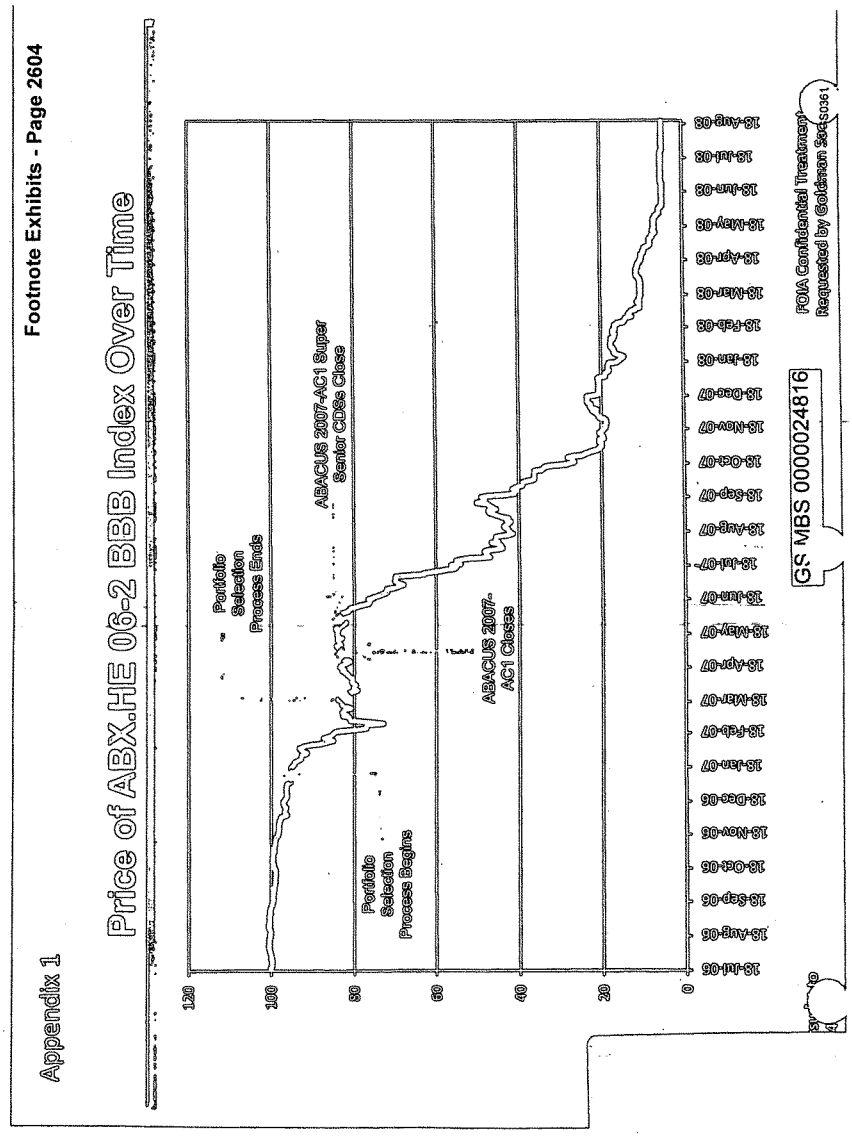
# ATTACHMENT 11

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0360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Appendix 1
Price of ABX.HE 06-2 BBB Index Over Time
Portfolio Selection Process Ends
ABACUS 2007-AC1 Super Senior CDSs Close
Portfolio Selection Process Begins
ABACUS 2007-AC1 Closes
120
100
80
60
40
20
0
18-Jul-06
18-Aug-06
18-Sep-06
18-Oct-06
18-Nov-06
18-Dec-06
18-Jan-07
18-Feb-07
18-Mar-07
18-Apr-07
18-May-07
18-Jun-07
18-Jul-07
18-Aug-07
18-Sep-07
18-Oct-07
18-Nov-07
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Footnote Exhibits - Page 2605

# ATTACHMENT 12

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0362

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Appendix 2

# Performance of the Reference Portfolio

| Data | 2007-AC1 Final Reference Portfolio | Initial Portfolio Suggested by ACA | Subprime Deals From 2006/1Q07* |
|---|---|---|---|
| Number of Bonds | 90 | 86 | 293 |
| Average % 60+ Days Delinquent Loans | 46.2 | 45.9 | 44.4 |
| Average Cumulative Loss on Loans | 13.1 | 12.5 | 12.2 |
| Average Borrower FICO Score | 629 | 627 | 624 |
| Average Loan-to-Value Ratio | 80 | 80 | 81 |
| Average % Limited Documentation | 37 | 40 | 33 |
| Average Original Credit Enhancement | 4.5 | 4.6 | 4.6 |
| Average Weighted Average Loan Age (months) | 37 | 38 | 38 |
| Average % Written Down | 85 | 80 | 72 |
| Average Time to Writedown (months)** | 0.8 | 1.4 | 1.7 |

** All Subprime RMBS deals from 2006/1Q07 as classified by LoanPerformance, with a Moody's rating of Baa2 or S&P rating of BBB, without split ratings.*

***Goldman Sachs estimate.*

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# ATTACHMENT 13

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0364

**FOIA CONFIDENTIAL TREATMENT**
**REQUESTED BY GOLDMAN, SACHS & CO.**

UNITED STATES OF AMERICA

before the

SECURITIES AND EXCHANGE COMMISSION

| | |
|---|---|
| In the Matter of ABACUS CDO | File No. HO-10911 |

**SUPPLEMENTAL SUBMISSION ON BEHALF OF GOLDMAN, SACHS & CO.**

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UNITED STATES OF AMERICA

before the

SECURITIES AND EXCHANGE COMMISSION

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|---|---|
| In the Matter of ABACUS CDO | File No. HO-10911 |

**SUPPLEMENTAL SUBMISSION ON BEHALF OF GOLDMAN, SACHS & CO.**

Goldman, Sachs & Co. ("Goldman Sachs") makes this supplemental submission to respond to certain factual questions posed by the Staff during our September 15, 2009 meeting about the ABACUS 2007-AC1 CDO transaction ("2007-AC1"), as well as to provide additional observations with respect to the Staff's theory as it was explicated during the course of the meeting.[1]

[1] This submission is provided solely in connection with the Staff's consideration of possible action against Goldman Sachs, and is made without any admission that the conduct under investigation violated any laws, rules or regulations. Should the Staff decide to make any recommendation that varies in any respect from the issues and positions Goldman Sachs has addressed, we expressly reserve the right to revise this submission in accordance with Rule 5(c) of the Commission's Rules Regarding Information and Other Proceedings, 17 C.F.R. § 202.5(c), and Procedures Relating to the Commencement of Enforcement Proceedings and Termination of Staff Investigations, Nos. 33-5310, 34-9796, 1972 WL 130244, at *1-2 (Sept. 27, 1972). Goldman Sachs also expressly reserves the right to object to the admissibility of this submission and those submitted by any other person in any subsequent proceeding. Finally, Goldman Sachs hereby asserts that this submission constitutes attorney work product and requests that (a) it be treated confidentially and not as a waiver of any privilege or immunity from production, and (b) pursuant to Commission Rule 83, 17 C.F.R. § 200.83, that this



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## I. FACTUAL QUESTIONS POSED BY THE STAFF

During the September 15, 2009 meeting, the Staff raised the following factual matters, which Goldman Sachs undertook to investigate and address:

1. The Staff inquired whether the 293 Baa2-rated securities from the 2006/2007 vintage included in the chart attached as Appendix 2 to Goldman Sachs' Wells Submission included securities backed by "midprime" as well as subprime loans, and thus whether the performance of all subprime and "midprime" Baa2-rated RMBS differed materially from that of the Reference Portfolio.

2. The Staff also raised the issue whether certain undisclosed criteria – such as average borrower FICO scores and geographical concentration of loans – restricted the ability of ACA Capital Management LLC ("ACA") to include in the Reference Portfolio certain securities from within the category of 2006/2007 Baa2-rated RMBS backed by subprime and "midprime" mortgage loans.

3. The Staff asserted its belief that in transactions marketed as having a portfolio selected by a Portfolio Selection Agent, other market participants had disclosed the participation in the portfolio selection process of a party taking a short position with respect to the portfolio and cited the Auriga CDO, Norma CDO I and Sorrento 2006-1 CDOs as examples.

We address these factual matters in sequence.

### A. The 293 Securities Described in Appendix 2 to Goldman Sachs' Initial Submission Included "Midprime" RMBS.

The 293 securities in Goldman Sachs' summary of performance of subprime RMBS in Appendix 2 to Goldman Sachs' Wells Submission included "midprime" RMBS. To gather the information set forth in the column labeled "Subprime Deals From 2006/1Q07" in Appendix 2, Goldman Sachs compiled data for all securitizations other than those classified as "prime" or "alt-A" by LoanPeformance. The 293 securities thus consisted of "midprime" and

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submission not be disclosed in response to any request made under the Freedom of Information Act, 5 U.S.C. § 552.



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"subprime" securitizations.[2] As the Appendix (a copy of which is attached to this submission) illustrates, this universe of Baa2-rated, 2006/2007-vintage mid and subprime RMBS suffered losses that were materially similar to those of the Reference Portfolio, because nearly all mid and subprime RMBS of that rating and vintage – including those initially proposed by ACA without Paulson's involvement – have performed poorly.

**B. The Portfolio Selection Criteria Were Fully Disclosed in the Offering Documents.**

At our September 15 meeting, the Staff asserted that criteria such as average borrower FICO scores and geographic concentration of loans restricted the ability of ACA to include in the Reference Portfolio certain securities from within the category of 2006/2007 Baa2-rated RMBS backed by subprime and "midprime" mortgage loans.

Based on the record available to Goldman Sachs, the only evidence of criteria in addition to the limitation to 2006/2007 Baa2-rated RMBS backed by sub and midprime mortgage loans are draft engagement letters between Goldman Sachs and Paulson & Co., Inc. ("Paulson"), which contain additional criteria initially discussed by Goldman Sachs and Paulson prior to the

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2 The term "midprime" is used by Moody's Investor Service, which defines "midprime" RMBS as having a weighted-average borrower FICO score between 625 and 700. "Prime" loans have FICO scores greater than 700: of the 222 RMBS issued in 2006 and the first quarter of 2007 and characterized as "prime" by LoanPerformance, only two had average borrower FICO scores less than 700, and in these two securities the average borrower FICO score was 699.73 and 696.36, respectively. Alt-A securitizations generally contain loans that do not fully meet the definition of "prime." The Federal Housing Finance Authority defines an "alt-A" loan as "[a] conventional single-family mortgage made to a borrower who typically provides limited income or asset verification or no evidence of an employer. Such loans may have other non-standard underwriting." Federal Housing Finance Authority, Mortgage Market Note 07-1, *available at* http://www.fhfa.gov/webfiles/1246/MMNOTE9607.pdf (last visited Sept. 24, 2009). Of the 634 securitizations issued in 2006 and the first quarter of 2007 and characterized as "alt-A" by LoanPerformance, 111 had average borrower FICO scores of less than 700. The average borrower FICO score among these 111 securities, however, was 690.97.



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selection of ACA as Portfolio Selection Agent.[3] (*See* GS MBS-E-002755993-2756029.) As Goldman Sachs witnesses testified, however, these criteria were used to guide Goldman Sachs' preliminary search for potential reference securities. (Gerst Tr. 134-36; Tourre Tr. Vol. 1, 47-49.) No formal engagement letter was ever executed, and Goldman Sachs has seen no evidence that the criteria listed in the draft engagement letters were ever conveyed to ACA. (Gerst Tr. 51-53.) Indeed, Mr. Tourre testified that the only criteria conveyed to ACA were that the securities be 2006/2007-vintage, Baa2-rated and backed by sub or midprime loans. (Tourre Tr. Vol. 1, 62.) Further, counsel for Paulson deleted the reference to these criteria in the last draft of the engagement letter. (*See* GS MBS-E-006121092.) The record available to Goldman Sachs does not indicate that *any* restrictions were imposed on ACA's selection process other than those set forth in the various term sheets, namely, that the portfolio would be comprised of 2006/2007-vintage, Baa2-rated mid and subprime RMBS.

**C. Market Practice Did Not Entail Disclosure of a Short Investor's Participation.**

At our meeting, the Staff suggested that at least some market participants disclosed the involvement in the portfolio selection process of third parties that took short positions with respect to the CDO's portfolio and referenced as examples the Auriga, Norma and Sorrento transactions. Respectfully, those examples are readily distinguishable, and we have identified no evidence of any such general market practice.

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[3] The draft of the Engagement Letter dated January 3, 2007, lists six criteria disclosed in the Term Sheet, plus two additional criteria: (i) the value of collateral in the securitization must exceed $500 million, and (ii) at least 80% of the collateral should consist of adjustable-rate mortgages. (GS MBS-E-002756016.) The draft also limits the reference securities to those issued after March 1, 2006, while the Term Sheet refers to 2006- and 2007-vintage securities. The Reference Portfolio, however, contained eight securities issued in January and February 2006, one security with less than $500 million in collateral and 20 securities in which less than 80% of the collateral consisted of adjustable-rate mortgages.



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Auriga, unlike 2007-AC1, is an actively-managed CDO transaction without a static Reference Portfolio. (Auriga Offering Circular at 200.) Its collateral manager is 250 Capital LLC, a subsidiary of Merrill Lynch & Co., the underwriter of the transaction. (*Id.* at 197.) At our meeting, the Staff made no reference to particular disclosures used in the Auriga, Norma or Sorrento transactions. Our own examination of the Auriga Offering Circular has revealed no relevant disclosures, but we have excerpted three provisions that the Staff may have had in mind.

First, the Auriga Offering Circular discloses that an "Initial Preferred Securityholder"[4] may take a position opposite that of the noteholders:

> *Initial Preferred Securityholder may enter into credit derivative transactions relating to Reference Obligations or Cash Collateral Debt Securities in the Issuer's portfolio.* On or after the Closing Date, the Initial Preferred Securityholder may enter into credit derivative transactions relating to Reference Obligations or Cash Collateral Debt Securities in the Issuer's portfolio, under which it takes a short position (for example, by buying protection under a credit default swap relating to such obligation or security) or otherwise hedges certain of the risks to which the Issuer is exposed. The Issuer and Noteholders will not receive the benefit of these transactions by the Initial Preferred Securityholder and, as a result of these transactions, the interests of the Initial Preferred Securityholder may not be consistent with those of Noteholders.

(*Id.* at 55.) Goldman Sachs understands that the Initial Preferred Securityholder was Magnetar Capital LLC ("Magnetar"), but this information is not disclosed in the offering circular. Goldman Sachs does not know the extent to which Magnetar played a role in the selection of the Auriga portfolio, and this too is not disclosed in the offering circular. In fact, other than listing 18 pages of "eligibility criteria" (*id.* at 143-161), which state in general terms what the portfolio may contain, the Auriga offering circular does not mention the contents of the portfolio *at all.*

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[4] The "Initial Preferred Securityholder" was the purchaser of the Class H Notes, Class I Notes and the "Preferred Securities," which were the three most subordinate classes of securities issued in the Auriga transaction. (Auriga Offering Circular at 1-3.) These three classes of securities were sold in a separate offering and are not described in detail in the Auriga Offering Circular.



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Second, the Auriga Offering Circular discloses that the Credit Default Swap Counterparty, Merrill Lynch International ("MLI"), "is likely to seek to eliminate any credit exposure to the Reference Obligations by entering into back-to-back hedging transactions." (*Id.* at 56.) This disclosure is materially similar to that stated in the 2007-AC1 Offering Circular. (*See* GS MBS 0000010105 ("The Protection Buyer is not required to have any credit exposure to any Reference Entity or any Reference Obligation."); GS MBS 0000010127 ("[T]he Protection Buyer . . . may hold long or short positions with respect to Reference Obligations . . . and may enter into credit derivative or other derivative transactions with other parties pursuant to which it sells or buys credit protection with respect to one or more related Reference Entities and/or Reference Obligations. . . .").)

Finally, the Auriga Offering Circular discloses that, in its capacity as Credit Default Swap Counterparty, MLI may have conflicts of interest because the terms of the transaction permit it to determine when defaults of the Reference Obligations – events that trigger payment to it under the Credit Default Swap – have occurred:

> *Conflicts of Interest of Credit Default Swap Counterparty*. MLI will, in its role as Credit Default Swap Counterparty for all of the Credit Default Swaps, have the right to make determinations regarding the Reference Obligations (including a decision to give notice that a credit event or "floating amount event" has occurred and require the Issuer to make payments to it). In addition, MLI, as Credit Default Swap Counterparty to the Synthetic Securities, will have sole discretion to determine whether and when to declare a Credit Event and to deliver any notice that a Credit Event or a Floating Amount Event has occurred under a Synthetic Security.

(Auriga Offering Circular at 69.) This disclosure, however, relates not to the selection of the reference securities but to the determination that certain credit events have occurred with respect



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to them.[5] Moreover, Auriga's structure is so radically different from that of 2007-AC1 that any attempt to analogize the two transactions would be futile.

The Norma CDO, which also was an actively managed transaction underwritten by Merrill Lynch & Co., contained disclosures that were materially similar to those used in Auriga. (Norma Offering Circular at 56, 67.) We understand that Magnetar was the "Initial Preference Shareholder"[6] for the Norma transaction, but this information is not disclosed in the offering circular. Similarly, we do not know whether Magnetar played a role in the selection of the Norma portfolio, and this too is not disclosed in the offering circular.[7]

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5 The 2007-AC1 Offering Circular disclosed that Goldman Sachs, as Protection Buyer, would have certain conflicts of interest, including that it might enter into other transactions that have an adverse effect on the reference securities. (GS MBS 0000010126-10127.)

6 The "Initial Preference Shareholder" was the purchaser of the Class G Notes, Class H Notes and the "Preference Shares," which were the three most subordinate classes of securities issued by the Norma CDO. (Norma Offering Circular at 1-3.) These three classes of securities were sold in a separate offering and are not described in detail in the Norma Offering Circular.

7 The Norma CDO was the subject of a December 27, 2007 Wall Street Journal article entitled "Wall Street Wizardry Amplified Credit Crisis – A CDO Called Norma Left 'Hairball of Risk.'" The article states that Norma was "[c]reated at the behest of an Illinois hedge fund" understood by "people familiar with the matter" to be Magnetar. Carrick Mollenkamp and Serena Ng, *Wall Street Wizardry Amplified Credit Crisis – A CDO Called Norma Left 'Hairball of Risk,'* THE WALL STREET JOURNAL, Dec. 27, 2007, at A1. The article goes on to note that:

> Most [of the collateral was] not actual securities, but derivatives linked to triple-B-rated mortgage securities. Called credit default swaps, these derivatives worked like insurance policies on subprime residential mortgage-backed securities or on the CDOs that held them. Norma, acting as the insurer, would receive a regular premium payment, which it would pass on to its investors. The buyer of protection, which was initially Merrill Lynch, would receive payouts from Norma if the insured securities were hurt by losses. *It is unclear whether Merrill retained the insurance, or resold it to other investors who were hedging their subprime exposure or betting on a meltdown.*

*Id.* (emphasis added).



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Sorrento was a $67.4-million bespoke CDO transaction. Goldman Sachs has been unable locate the offering documents used in the transaction. In any event, the disclosure practices used in a $67.4-million offering cannot be said to reflect market norms for multi-billion-dollar transactions such as 2007-AC1.

More fundamentally, if it were market practice to disclose reverse inquiries and participation by entities with long or short positions in selecting the reference portfolio, we would have expected to see many examples of that disclosure, because those activities were a regular feature of synthetic CDO transactions. Even the existing record reflects that ACA and IKB themselves offered views on reference portfolios in transactions in which they participated. We have confirmed with outside counsel experienced in the drafting of CDO offering materials that market participants were well aware that participants in CDO transactions routinely provided input on selection of the portfolio securities, and that it was not market practice to disclose their involvement in the portfolio selection process. Goldman Sachs has no doubt that a fully developed record would reflect that both long and short investors often initiated transactions through reverse inquiries, and that they and other potential participants regularly expressed views as to the reference portfolio's composition. Market participants understood that those activities occurred, and in the end all were fully capable of analyzing the resulting portfolio and making their investment decision on the merits of the portfolio.

## II. THE OFFERING MATERIALS DISCLOSED ALL MATERIAL FACTS.

The September 15 meeting was very useful in helping us understand the Staff's evolving thinking. We appreciate the Staff's willingness to engage in an open and robust discussion of the issues, and take this occasion to offer several additional observations based on the additional insights gained as to the Staff's theory.



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Goldman Sachs had prepared its Wells Submission in response to the proposed charges as outlined in the Staff's Wells call and ensuing letter in early August, which appeared to highlight the role of Paulson, as well as ACA's apparent belief that Paulson was an equity investor. The Staff clarified at the meeting that its theory does not turn on disclosure of Paulson's name or on anything unique to Paulson, but rather rests on the degree of participation by *any* entity in the selection of a reference portfolio when the offering documents refer to a portfolio selection agent and the entity participating in the selection process intends to take a short position with respect to the reference portfolio. As we understand the Staff's position, participation by that entity in that manner would have qualified the offering materials' statement that ACA was the Portfolio Selection Agent, because that statement implied that the Agent acted without input or comment from others in selecting the portfolio.

With the benefit of this clarification of the Staff's position, we revisit below several points we have previously made to sharpen our observations:

- *First*, investors already understood and therefore required no disclosure that (i) a synthetic CDO transaction could not occur absent market participants absorbing both the long and short side of the exposure, and (ii) it is a regular aspect of the market for those participants to make reverse inquiries about transactions and express their views as to the reference portfolio. The reference to a Portfolio Selection Agent did not suggest otherwise or impliedly disclaim the normal interaction among participants in the transaction, and so needed no qualification as to the degree of investor participation in the process. (Section A)

- *Second*, to the extent that investors took comfort in ACA's role in selecting the Reference Portfolio, they received the benefit of ACA's participation, because in the end the Portfolio *was selected* by ACA, and no transaction could have occurred absent its approval. There can simply be no question as to ACA's



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satisfaction with the Reference Portfolio as it invested its own capital heavily in the transaction. (Section B)

- *Third*, however the Reference Portfolio came to be, the sophisticated institutional investors in the resulting ABACUS private placement were well-equipped to perform their own objective analysis of the underlying assets, which turned on information equally available to all participants. (Section C)

**A. All Investors Understood That Synthetic CDO Transactions Emanate From Inquiries by Market Participants and That Those Participants Provide Input Into the Portfolio's Composition.**

The Staff's theory hinges on the proposition that investors assumed by virtue of the reference to a Portfolio Selection Agent that the Agent would operate alone and without input from other participants in the transaction, and that the transaction had emanated from Goldman Sachs rather than from a reverse inquiry. Respectfully, the very sophisticated participants involved in 2007-AC1 knew differently, and required no disclosure regarding the role of participants taking a short position.

These and other regular CDO investors were fully aware that a synthetic CDO transaction can occur only if there are market participants taking long and short exposure to the reference portfolio. They also understood that synthetic CDOs routinely arose as a result of reverse inquiries; indeed, they had themselves made such inquiries from time to time. For example, IKB's own inquiry led to the initial ABACUS transaction. Finally, they were also fully aware that in synthetic CDO transactions, participants often express their views as to the composition of the portfolio; they had all expressed their views in such circumstances in the past. Accordingly, they had every reason to assume that these same dynamics – participants shorting



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the portfolio, reverse inquiries and interactions as to the portfolio composition – would exist in the case of 2007-AC1.[8]

The reference in the offering materials to a Portfolio Selection Agent did not imply otherwise. The Staff expressed the view that such a selection agent presumptively assembles a portfolio without input from investors or reference to selection criteria, but provided no basis in industry practice or otherwise for such a presumption. Certainly there was nothing in the offering materials that so suggested.[9] All those materials said was that *this* agent would select the ultimate portfolio, subject to disclosed criteria, and even under the Staff's theory there cannot be any question that ACA made the selections. That ACA had input from interested participants does not diminish its exclusive authority to select the portfolio, its thorough review

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[8] Goldman Sachs does not understand the Staff to contend that it should have disclosed the participation of *any* entity that intended to take a short position, no matter how little that entity had participated in the portfolio selection process. Further, customary market practices do not generally have to be disclosed to investors. *See In re Worlds of Wonder Sec. Litig.*, 35 F.3d 1407, 1417-18 (9th Cir. 1994) (common industry practices require no disclosure).

[9] The offering circular described the role of the Portfolio Selection Agent as follows:

> The Portfolio Selection Agent will, pursuant to the terms of the Portfolio Selection Agreement, (a) select the Initial Reference Portfolio and (b) have the right to review the calculations of the Credit Default Swap Calculation Agent and the Trustee on any Determination Date. The Portfolio Selection Agent will not be responsible for producing or providing reports, notices or other information relating to the Notes or the Reference Portfolio. The Portfolio Selection Agent will not provide any other services to the Issuer or act as the "collateral manager" for the Collateral. The Portfolio Selection Agent will not have any fiduciary duties or other duties to the Issuer or to the holders of the Notes and will not have any ability to direct the Trustee to dispose of any items of Collateral.

(GS MBS 0000010178.) The Portfolio Selection Agreement gave ACA the authority to select the Reference Portfolio, and said nothing about whether ACA would act with or without input from third parties. (*See* GS MBS-E-0003639016.)



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of each security included using its proprietary analytic models, and its complete satisfaction with the resulting portfolio as evidenced by its investment of its own cash in the deal.

We also pause to consider precisely what the additional disclosure advocated by the Staff would say. Based on our discussion at the September 15 meeting, Goldman Sachs understands that the Staff apparently has in mind the addition of a disclosure such as the following:

> The Portfolio Selection Agent may, from time to time, receive recommendations as to the content of the Reference Portfolio from third parties, including third parties whose interests are adverse to those of the noteholders. The Portfolio Selection Agent may consider and accept or reject such recommendations, with the result that any or all of the Reference Obligations may have initially been proposed by such third parties, and that Reference Obligations originally proposed for inclusion by the Portfolio Selection Agent may be deleted from the Reference Portfolio. Investors should review the list of Reference Obligations set forth herein and conduct their own investigation and analysis with respect to the creditworthiness of each Reference Obligation.

Such a disclosure would provide a potential investor with no information the investor did not already know, since the dynamics described represented a regular course of dealing in the market. A disclosure more narrowly tailored to the facts of the 2007-AC1 transaction would convey even less. For example, a potential disclosure of the discussions at issue here might read:

> The Portfolio Selection Agent has received recommendations as to the content of the Reference portfolio from third parties, including a third party that intends to take a short position with respect to the Reference Portfolio (the "Third Party"). The Third Party initially suggested 123 securities to the Portfolio Selection Agent. The Portfolio Selection Agent evaluated these 123 securities, rejected 68 of these securities, accepted 55 of these securities and proposed an additional 31 securities. The Portfolio Selection Agent later proposed an additional 26 securities. Goldman Sachs requested that two of the proposed securities be rejected, and the Portfolio Selection Agent suggested three replacements. After a meeting between the Portfolio Selection Agent and the Third Party, the Portfolio Selection Agent circulated a spreadsheet of 100 securities, including the securities that the two parties had agreed upon, as well as several additional securities. The Third Party requested removal of eight of these securities and Goldman Sachs requested removal of two other securities. The Third Party then circulated a list of 90 securities. The Portfolio Selection Agent requested removal of 3 securities and proposed 11 alternative securities, 3 of which were agreed upon by the Third



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Party. The parties than further discussed the substitution of a handful of securities and settled on the final portfolio.

The bottom line is that no amount of disclosure would change that the very sophisticated investors already knew that some entity or entities by necessity had to take a short position, and that any and all participants – including themselves – might express their views as to the reference portfolio. None of these descriptions contains any concrete, analyzable information that might educate the sophisticated institutional investors that typically purchase synthetic CDOs. Regardless of who selected them, the offering documents for each of the reference securities disclosed detailed information on their underlying assets, as required by Regulation AB. It is this concrete information on the assets – not the economic interest of the entity that selected them – that investors could analyze and use to inform their decisions.[10]

**B. ACA Selected the Reference Portfolio, and the Offering Documents Properly Described ACA as Portfolio Selection Agent.**

The Staff questioned at times during the September 15 meeting whether ACA actually selected the portfolio. The record in this investigation is clear that the overwhelming majority of the securities were identified by ACA. Of the 90 securities in the Reference Portfolio:

- 47 were among the 55 selected by ACA from the 123 securities initially sent to ACA (*see* GS MBS 0000010274-10277; GS MBS-E-007988151-007988152),

[10] At the September 15 meeting, the Staff stated that it had asked some market participants whether they would have wanted to know prior to investing in a securitization that a participant in the portfolio selection process intended to take a short position, and that these market participants stated that they would have wanted to know this information. Leaving aside whether these market participants could truly and objectively recall – without hindsight – what they thought was material given the market conditions prevalent in 2006 and early 2007, it is unlikely that an informal survey, without reference to the specific, detailed information provided to investors here, would yield meaningful responses.



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- 19 were among the 31 initially recommended by ACA for its first portfolio of 86 securities (*see id.*),
- 21 were initially recommended by ACA later in the process (*see* GS MBS 0000010274-10277; GS MBS-E-003026086; GS MBS-E-003838442-3838443; GS MBS-E-002444961-2444962; GS MBS-E-003740868) and
- 3 were initially recommended by Paulson (*see* GS MBS 0000010274-10277; GS MBS-E-003740868; GS MBS-E-007974382).

The record is equally clear that, regardless of who proposed or commented on any particular security, in the end, ACA carefully analyzed every security, and ACA alone selected the final portfolio and underscored its satisfaction by investing its own money. Only ACA had the authority to select and approve the Reference Portfolio; certainly Paulson had no such authority. If investors took any comfort from ACA's role as Portfolio Selection Agent, they got precisely what they were expecting.

**C. Investors Had All the Objective Information They Required to Make an Informed Investment Decision.**

As Goldman Sachs noted in its initial Submission, what mattered to investors – particularly the sophisticated institutions that invested here – were the details of the Reference Portfolio. Every investor was simply applying its own broad directional bet on macro-economic and housing trends to a portfolio of securities. That objective portfolio information was entirely static and involved no corporate inside knowledge. Regardless of how the Reference Portfolio was selected, the offering documents comprehensively described each individual asset backing the securities. Nothing about the selection process affected the inherent value or risks of the resulting Reference Portfolio. And nothing stopped any investor from adjusting its risk tolerance to the extent that its economic outlook and view of the housing market changed.



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Knowledge that a participant in the portfolio selection process intended to short the portfolio – especially in a synthetic CDO, where there *must always* be participants shorting the portfolio – would not alter the "total mix" of information available, given the extensive, objective disclosures present here. *Basic, Inc.* v. *Levinson*, 485 U.S. 224, 231-32 (1988). Regulation AB's objective disclosure scheme reflects as much, *see, e.g.*, 17 C.F.R. §§ 229.1102, 229.1103, 229.1105, 229.1111, and the Staff has not suggested what – if any – additional analysis a description of the portfolio selection process would have permitted investors to perform on the underlying assets.

## III. THERE IS NO BASIS FOR ALLEGING THAT GOLDMAN SACHS ACTED WITH SCIENTER OR INTENDED TO MISLEAD ANYONE.

While the September 15 meeting included a robust discussion of materiality, the issue of scienter was never raised. Although we are therefore hopeful that our Wells submission was sufficient to dispel any continuing consideration of charges requiring scienter, out of an abundance of caution we comment briefly as to this issue as well.

We respectfully believe that the Staff has at most shown that ACA may have been confused about the role of Paulson. But nothing in the record establishes that anyone at Goldman Sachs intended to mislead ACA, and the drafts of the offering materials Goldman Sachs provided to ACA expressly indicated that the first loss tranche was "N/A," rather than identifying Paulson as the investor. The notion that ACA was misled into believing that Paulson was an equity investor is in all events difficult to reconcile with the Staff's theory that Paulson proposed weaker securities to ACA, a trend that would have caused a market participant with ACA's deep knowledge to question Paulson's true interest.

Nor is there any basis to suggest that Goldman Sachs would have intentionally jeopardized its own reputation and relationship with established customers and counterparties.



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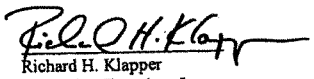
This transaction at the time was just one of many in the marketplace, and because it was a synthetic CDO, Goldman Sachs had no inventory of securities that it would need to dispose of if the transaction did not close, or any other reason to proceed with a transaction that could potentially damage its reputation or relationships. Goldman Sachs had no reason to mislead anyone.

**CONCLUSION**

For the foregoing reasons, as well as those set forth in the Submission of Goldman, Sachs & Co. dated September 10, 2009, no enforcement action is warranted.

Dated: New York, New York
September 25, 2009

Respectfully submitted,



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# ATTACHMENT 14

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**
PSI_QFR_GS0384

**MEMORANDUM**

Goldman Sachs

**To:** Mortgage Capital Committee

**From:** Jonathan Egol
David Gerst
Jordan Kaufman
Darren Thomas
Fabrice Tourre
Geoff Williams
Shin Yukawa

**Cc:** Armen Avanessians
Robert Berry
Justin Gmelich
Margaret Holen
Bill McMahon
Bunty Bohra
Slim Bentami
Josh Bimbaum
David Lehman
Peter Ostrem
Matt Schroeder
Mike Swenson
Mike Turok
Steve Elia
Glade Jacobsen
Rob Leventhal
Darren Littlejohn
Mary Marr
Mitch Resnick

**Date:** March 12, 2007

**Re:** **ABACUS Transaction sponsored by ACA**

**I. Introduction**

The Structured Product Correlation Trading Desk is currently structuring a synthetic CDO, ABACUS 2007-AC1 ("AC1", or the "Transaction"). AC1 will reference a $2 billion static portfolio consisting entirely of Baa2-rated midprime and subprime RMBS (such portfolio, the "Reference Portfolio"). ACA Capital Management (the "Portfolio Selection Agent"), will be the portfolio selection agent for the transaction. The Desk will distribute on a best efforts basis the super senior through A/A2 layers of credit risk of AC1 (such risk layers, the "Targeted Tranches"), and consistent with prior ABACUS transactions, Goldman will act as protection buyer in connection with the Transaction. Simultaneously with the distribution of AC1, Goldman will write protection on the Targeted Tranches to Paulson Credit Opportunities Master Ltd. ("Paulson"). Goldman will receive an upfront premium from Paulson for distributing risk at or within specified strike spreads. Through this arrangement, Goldman is effectively working an order for Paulson to buy protection on specific layers of the AC1 capital structure at or inside specific spread levels.



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Several additional key aspects of the AC1 transaction include:

- The tranches offered in connection with AC1 (other than the super senior tranche, which is expected to be executed privately through one or more supersenior swaps) are intended to be distributed broadly to suitable investors through the Structured Products Syndicate Desk.
- This will be the first ABACUS transaction in which a portfolio selection agent has been appointed. There have been three prior ABACUS transactions that were lightly-managed by a third party, the first being ABACUS 2005-CB1, which priced in November 2005, the second being ABACUS 2006-NS1 which priced in July 2006 and the third being ABACUS 2006-HGS1, which priced in November 2006. We expect the strong brand-name of ACA as well as our market-leading position in synthetic CDOs of structured products to result in a successful offering.
- Goldman is not taking any warehouse risk in this transaction. The underlying portfolio will not be ramped in the CDS market. Goldman is solely working as agent and but retains the option to underwrite the risk as principal.
- As described below, we project the profitability of the transaction to be between $15 million and $20 million, depending on the amount of CDO tranches distributed, and the levels at which those CDO tranches are distributed at.
- We do not expect the transaction to result in the creation of additional EITF 02-3 balances, as the tranches that are distributed will be immediately be crossed to Paulson, resulting in no retained unobservable tranches on the closing date.

We are pursuing this transaction for the following reasons:

- Partnering with ACA on this innovative, franchise-building transaction will enhance our leadership position in the market for structured product synthetic CDOs. We expect that the role of ACA as Portfolio Selection Agent will broaden the investor base for this and future ABACUS offerings.
- As described above, upon execution of the Distributed Tranches, Goldman will simultaneously sell protection on such CDO tranches of the Reference Portfolio to Paulson for a fee, which will depend on the notional amount the CDO tranche executed and the spread it was executed at. This format therefore enables Goldman to work as agent on a best efforts basis, with the ability to principal any layer of risk of the Transaction.
- This transaction will enhance Goldman's franchise as a leading firm in the synthetic structured product CDO sector.

We expect to price the Transaction by the end of March, and close by the end of April.

Given the franchise value and innovative nature of this transaction, as well as the potential to benefit the overall structured products business, we request the Committee's approval to execute the proposed synthetic CDO.

## II. Transaction Overview

A Cayman's special purpose vehicle will be established for the sole purpose of issuing approximately $700 million of Notes (such special purpose vehicle, the "Issuer").

The Issuer will enter into a CDS with Goldman to write protection on the mezzanine layers of risk of the Reference Portfolio. Under the CDS, the Issuer will write protection to Goldman covering cumulative losses between 10.00% and 45.00% of the notional amount of the Reference Portfolio. The Issuer's obligations to Goldman under the CDS will be collateralized by triple-A securities selected by Goldman. In return for this credit protection, Goldman will pay a stated premium equal to the periodic administrative expenses of the Issuers, the spread over LIBOR on the outstanding classes of Notes and the portfolio selection fees accrued actual/360 and paid monthly on the outstanding classes of the Notes. The structure is described in more detail in the Appendix.

We intend to separately purchase credit default swap protection from one or more suitable counterparties approved by Credit on the super senior 45% to 100% risk layer. The Desk has been in discussions with ACA and AMBAC to transact on this supersenior tranche at a level of approximately 40bps. The structure



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and margin terms of such exposure will be reviewed and approved by Legal and Credit prior to execution of such private CDS trades.

The expected issuance is summarized below:

| Tranche | Notional Amount ($MM) | Loss Exposure | ACA Selection Fees [b] | Expected Ratings (Moody's/S&P) | Target Investors / Distribution |
|---|---|---|---|---|---|
| Super Senior [a] | 1,100.00 | 45.00% - 100.00% | NA | Not Applicable | ACA, other hedge funds, monolines |
| Class A1 | 200.00 | 35.00% - 45.00% | 0.250% | Aaa/AAA | Syndicated Tranche |
| Class A2 | 180.00 | 21.00% - 35.00% | 0.250% | Aaa/AAA | Syndicated Tranche |
| Class B | 60.00 | 18.00% - 21.00% | 0.500% | Aa2/AA | Syndicated Tranche |
| Class C | 100.00 | 13.00% - 18.00% | 0.500% | Aa3/AA- | Syndicated Tranche |
| Class D | 60.00 | 10.00% – 13.00% | 1.000% | A2/A | Syndicated Tranche |
| First Loss | 200.00 | 0.00% - 10.00% | NA | NR/NR | Not Offered |
| Total | 2,000.00 | | | | |

[a] We expect to buy protection on the super senior tranche of the AC1 transaction from one or more suitable counterparties. Such super senior trade would be executed in the form of a private credit default swap transaction.

[b] ACA will earn portfolio selection fees accrued actual/360 and paid monthly on the outstanding notional amount (as reduced from time-to-time by amortization or credit losses) of the Notes as set forth above.

We expect on the closing date to issue up to $700 million of Notes as summarized in the table above. All of the Notes will be rated by both S&P and Moody's.

We intend to target suitable structured product investors who have previously participated in ACA-managed cashflow CDO transactions or who have previously participated in prior ABACUS transactions.

The Notes will have a legal maturity of 30 years. However, the expected average life of the Notes will be between 3 and 5 years. Goldman shall have the option to terminate the CDS and cause one or more classes of Notes to be redeemed on any payment date occurring on or after 2 years following the closing date.

The Reference Portfolio has been selected and mutually agreed upon by ACA and Goldman. Following is a summary of the Reference Portfolio characteristics expected to pertain as of the pricing date:

- 90 equally-sized Reference Obligations, $22.22 million notional per name.
- Each Reference Obligation is a midprime or subprime RMBS obligation.
- All of the Reference Obligations were issued after January 1, 2006.
- Each Reference Obligation has an actual rating by Moody's of "Baa2".

Pursuant to a portfolio selection agency agreement that ACA will enter into on the Closing Date with the Issuer, ACA will select the initial Reference Portfolio. Following the Closing Date, the Reference Portfolio will remain static, and no discretionary removals, substitutions nor reinvestments will be permitted.



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III. **ACA's role**

ACA Capital Management (the "Portfolio Selection Agent"), will be the portfolio selection agent for the transaction. ACA has selected a Reference Portfolio of 90 Baa2 rated RMBS obligations for the Transaction. ACA has approximately $16 billion of assets in 22 CDOs under management. ACA currently employs 30 full-time professionals who are dedicated to the CDO asset management business and is active in both the cash and synthetic structured product markets. We expect to leverage ACA's credibility and franchise to help distribute this Transaction.

The financial guarantee insurance company arm of ACA has also indicated its interest in participating as risk taker at the supersenior level of the capital structure. ACA has indicated that they would have interest in writing protection on the 45% - 100% supersenior tranche of the Reference Portfolio at a spread of approximately 40bps. This level does not include intermediation costs that will be incurred in order to be able to hedge the ACA counterparty risk. We expect the cost of such intermediation to be 10bps p.a. The Desk is still working on identifying counterparties that will be able to take ACA's counterparty risk.

IV. **Paulson's role**

Paulson is a large macro hedge fund that has taken directional views on the subprime RMBS market for the past few months. In 2006 the Desk worked an order for Paulson to buy protection on a supersenior tranche off a portfolio similar to the Reference Portfolio selected by ACA, and the AC1 Transaction is another mean for Paulson to accomplish their trading objective: buying protection in tranched format on the subprime RMBS market.

The Desk expects to enter over the next few days into a letter agreement with Paulson. Under such agreement, Goldman will work an order for Paulson to buy protection on specific layers of the AC1 capital structure (such layers, the "Targeted Tranches") at or inside specific spread levels (the "Strike Spreads"). If Goldman succeeds in placing a given Targeted Tranche inside the related Strike Spread, Goldman will receive from Paulson a fee on the notional amount of such Targeted Tranche distributed. Such fee will have a floor component (the "Minimum Fee Rate") and an upside sharing component, under which Goldman will share with Paulson any execution delivered at levels tighter than the Strike Spreads.

Using reasonable pricing assumptions for the super senior and the mezzanine layers of risk as disclosed below, in conjunction with the Strike Spreads that we expect to negotiate with Paulson, we project the all-in profit for this transaction to be between $15mm and $20mm.

| Tranche | Expected Ratings (Moody's/S&P) | Strike Spread (% p.a.) | Expected Pricing Spread (% p.a.) |
|---|---|---|---|
| Super Senior [a] | Not Applicable | 0.95% | 0.50% |
| Class A1 | Aaa/AAA | L+1.25% | L+1.00% |
| Class A2 | Aaa/AAA | L+1.50% | L+1.25% |
| Class B | Aa2/AA | L+2.40% | L+1.75% |
| Class C | Aa3/AA- | L+2.90% | L+2.50% |
| Class D | A2/A | L+5.75% | L+5.00% |
| First Loss | NR/NR | NA | NA |

V. **Accounting Treatment**

With respect to Goldman's accounting treatment, AC1 has been reviewed and approved by Mary Marr in Accounting Policy, and the transaction contains the same structural provisions which were approved by Accounting Policy for the prior ABACUS transactions. In particular, given that the junior-most class of notes in each transaction is exposed to the substantial majority of expected losses in the structure and



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the expectation that Goldman will not purchase any of the junior-most class of notes, Accounting Policy is comfortable that Goldman would not be required to consolidate the transaction. Similar to the prior ABACUS transactions, AC1 uses the so-called Beneficial Interest Exchange ("BIE") Option structure approved by Accounting Policy which permits Goldman to sell the initial triple-A collateral to the issuer at fair market value without requiring Goldman to consolidate the transaction. The BIE Option allows noteholders to substitute the triple-A collateral securities held by the issuer with other eligible securities of their choosing, subject to approval of Goldman (such approval not to be unreasonably withheld).

Mary Marr in Accounting Policy has reviewed and approved this aspect of the transaction with respect to regulatory and accounting considerations. To the extent Goldman was to purchase Notes on the Closing Date, further review might be required to confirm the FIN 46 and FAS 140 analysis of this transaction. Tim Saunders has received this memo and will sign off on the legal considerations prior to pricing.

P&L recognition and valuation adjustments for ABACUS transactions will follow the valuation adjustment policy as approved by Brian Lee and Rob Leventhal in Controllers. As noted above, we expect to have full capital structure price observability on the pricing date.

The CDS transaction will be marked to market, and P&L will be recognized reflecting observable spread movements on the reference obligations. For example, a general widening of spreads, holding implied correlation constant, would result in the recognition of a gain on the transaction, and conversely a general tightening of spreads would result in the recognition of a loss. Spreads on the reference obligations will be marked to market by the secondary traders responsible for cash and synthetic trading of such securities, and will be subject to price verification by Controllers. However, so long as Goldman's offsetting credit default swap trades with Paulson remain outstanding, Goldman should remain mark to market neutral following any such spread movements.

## VI. Model and Booking Policy

There is not yet an industry standard model for ABACUS type transactions. FICC Strategies have developed and Derivatives Analysis has approved a pricing model and tradable infrastructure specifically for the ABACUS CDS transactions which are in compliance with Firm policy. The model reflects the economic and legal structure of the reference obligations, the specialized credit events and settlement mechanisms applicable to the ABACUS CDS transactions, and a correlation framework for the structured product portfolios referenced in the ABACUS CDS transactions. This ABACUS CDS model is fully consistent with the pricing model and infrastructure which has already been put in place for single-name credit default swaps on structured products. No model waiver will be required for this transaction.

As with the prior ABACUS transactions, the issuance of Notes will require the relevant Goldman affiliates to enter into a new basis swap and a new collateral security put. These aspects of the ABACUS structure are described in more detail in the Appendix. FICC Strategies has recently developed a pricing model for the basis swap and the put options for ABACUS trades. This model has been blessed by FICC Strategies, approved by Derivatives Analysis and affirmed by Model Control.

## VII. Strengths / Issues to Consider

**Strengths**

- **Franchise:** This transaction is a new and innovative transaction for Goldman Sachs and the CDO market; it is the first ABACUS transaction using a Portfolio Selection Agent, using an attractively structured reference portfolio of Baa2 midprime and subprime RMBS obligations that will be appealing to investors, in a challenging market environment. This transaction addresses the objectives of multiple clients of the firm: it helps ACA increase their assets under management and their fee income; it enables Paulson to execute a macro hedge on the RMBS market; it offers to CDO investors an attractive product relative to other structured credit products available in the market. Our ability to structure and execute complicated transactions to meet multiple client's needs and objectives is key for our franchise.
- **Attractive Risk/Return Profile:** Goldman is not taking any warehouse risk in this transaction. No underlying risk is ramped before the execution of AC1, and Goldman's profits come directly from the purchase of credit protection on tranches of an RMBS portfolio (selected by ACA) from the CDO market and simultaneous re-offering of such protection under the same terms for a pre-negotiated



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premium that will be payable by Paulson. Goldman is therefore acting as agent, but retains the option to principal this AC1 transaction.

- **Establish Leadership in Growing Market Segment:** Executing this transaction and others like it helps position Goldman to compete more aggressively in the growing market for synthetics written on structured products.
- **Profit:** Assuming distribution in full of the super senior through "A2/A" tranches this transaction is expected to generate, after fees and expenses, between $15 and $20 million in P&L.

**Issues to Consider**

- **Potential Conflicts of Interest:** Although the reference portfolio has been selected by AC1 as portfolio selection agent, as in all the ABACUS transactions Goldman is acting as principal as a protection buyer in these transactions (as well as taking other principal roles summarized in the Appendix). The transaction disclosure notes the various capacities in which Goldman entities act as counterparty to the transactions and the risk factors section notes the potential for conflicts of interest. As with prior ABACUS transactions, we receive advice of outside counsel (McKee Nelson) regarding disclosure in ABACUS securities offerings and all such disclosure will be reviewed and approved by Tim Saunders in Legal.
- **Expense and Protection Cost:** The AC1 transaction will entail non-refundable upfront expenses which are expected to be paid from an upfront expense payment made by Paulson to Goldman pursuant to the letter agreement expected to be entered into between Goldman and Paulson as well as ongoing protection costs (inclusive of portfolio selection fees paid to ACA) that will match the ongoing protection costs payable by Paulson to Goldman under our credit default swaps with Paulson.
- **Distribution Cannibalization:** This transaction will be appealing to the same type of investors who traditionally purchase mezzanine ABS CDOs. The firm is currently prioritizing the sale of ABS CDOs for which the risk has already been aggregated vs. CDOs that have not been ramped. For this reason the AC1 transaction is only being showed to accounts that have already declined to participate in other ABS CDO transactions where Goldman has taken warehouse risk.
- **Contingent Market Value Risk on Collateral Securities:** Similar to the prior ABACUS transactions, in the event that some or all of the collateral securities need to be liquidated to fund protection payments to Goldman under the credit default swap, or to fund certain other principal payments on the notes, Goldman will be exposed to the risk that such collateral securities have a market value less than par at the time of liquidation. This risk is mitigated somewhat by the facts that (1) the collateral securities will be triple-A floating rate structured securities selected by Goldman, (2) Goldman may select the particular securities to be liquidated and thus may select the securities expected to trade at or above par at such time and (3) only a relatively small amount of securities are expected to be liquidated at any given time. The exception to this third point is the case of optional redemption, which is entirely at Goldman's discretion.
- **Accounting:** We do not expect any consolidation issues with respect to this transaction. P&L recognition, valuation adjustment policies and infrastructure/control enhancements are continuing subjects of discussion with Brian Lee and Rob Leventhal in Controllers.



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VIII. **Appendix: Structural Summary**

The Issuer will enter into a CDS with GSCM (as protection buyer), as well as several other hedging transactions with other Goldman entities as described below. Under the CDS, the Issuer will be obligated to pay GSCM for credit losses experienced on the Reference Portfolio to the extent a relevant tranche is impacted by such losses and the Issuer has sold protection to Goldman under the CDS on such tranche. In exchange for the protection payments, GSCM will be obligated to pay a stated running premium to the Issuer, which shall be used to make interest payments under the notes.

No Goldman entity shall be required to own or be otherwise exposed to any of the reference obligations as a condition for payment under the CDS.

The CDS will be cash settled immediately upon satisfaction of conditions to settlement after a credit event. All credit events and related settlement mechanics are consistent with the current form of the Standard Terms Supplement for a Credit Derivative Transaction on a Mortgage- Backed Security with Pay-As-You-Go or Physical Settlement (Form I) (Dealer Form) and Form of Confirmation.

The Notes will be collateralized by relatively liquid triple-A structured product securities (none of which shall be issued by the same issuer as any reference obligation). GSCM (as protection buyer) will have the right to select the collateral securities, subject however to several constraints specified in the Offering Circular. Note that selection of high-quality collateral is generally in Goldman's interest and that in this respect our incentives are largely aligned with that of Noteholders. The collateral securities will be reviewed by Credit prior to closing.

GSMMDP will enter into a basis swap with the Issuer, under which the accrued interest payments on the collateral securities (which bear interest at rates indexed to LIBOR) will be paid to GSMMDP and GSMMDP shall pay the related Issuer LIBOR flat. Noteholders will bear the credit risk of collateral security non-payment, as failure of the Issuer to pay the accrued coupons on the collateral securities to GSMMDP will be an event of default under the notes, and GSMMDP will not be required to continue payments under the basis swap. Amounts owed to GSMMDP under the basis swap will be senior to payments due under the notes. The combination of the LIBOR index payments by GSMMDP and the CDS premium by GSCM will always equal the sum of ongoing expenses of the Issuer and interest payments under the Notes.

The rating agencies require that noteholders be protected against market value declines in the collateral securities, in the event that collateral must be liquidated to fund (1) cash settlements to GSCM, (2) amortization of the Notes (other than a mandatory early redemption), or (3) an optional redemption of the Notes if GSCM exercises its termination option under the CDS.

Goldman, Sachs & Co. (as collateral disposal agent) will select which collateral securities are to be liquidated in each case above, and will be responsible for determining in good faith the strategy (in its commercially reasonable discretion) likely to achieve the highest proceeds for the collateral securities to be liquidated.

In the first circumstance (cash settlements under the CDS), Goldman will bear the risk that the collateral has declined in value. When a loss amount is determined, a commensurate face amount of collateral will be liquidated, and GSCM under the CDS will only be entitled to receive such proceeds received on such liquidation.

With respect to the other two circumstances, GSI (as put provider) shall be required to buy the collateral securities to be liquidated at par, if GS&Co. (as collateral disposal agent) is unable to obtain a price in the market of at least par.

In the case of optional termination, the put is not really a risk to Goldman, since our decision to terminate the transaction will by definition include both the value of the CDS termination and the value of the collateral securities. We view the put more as a modest reduction in the value of our option to terminate the CDS.

We believe the put risk arising from amortization of the notes (other than in connection with Goldman terminating the CDS) is small for the following reasons:

- The notes cannot begin to amortize until after the super senior notional has been reduced to zero. We do not expect any of the Notes to receive any principal payments for at least 4.0 years under base-case prepayment assumptions.



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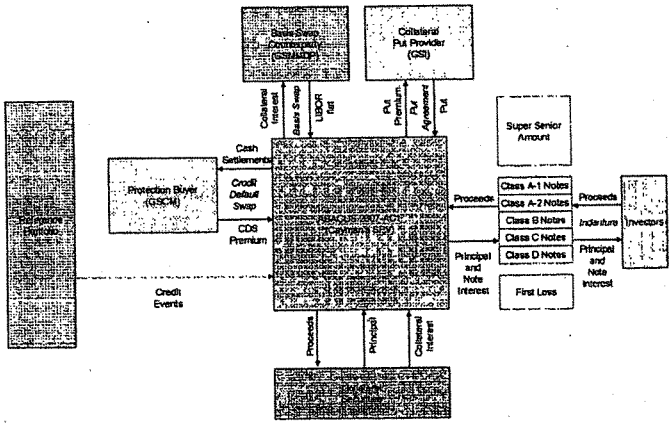
- The amount of collateral required to be liquidated in any month is purely a function of reference portfolio amortizations in that month, which is likely to be small in relation to the principal balance of the notes and should be smoothly distributed over time.
- Goldman (as protection buyer) has the right to direct reinvestment of any principal on collateral securities. The initial collateral securities are expected to have approximately a 2- to 3-year weighted average life. In the future, prior to any amortization of the notes occurring, we could direct the trustee to keep a suitable portion of the collateral invested in cash, incurring more negative carry on our protection in exchange for negligible put risk.

The spread on the initial collateral securities is expected to be approximately 7-10 bps over LIBOR. It is the put to Goldman which enables us to select high-quality collateral and earn this positive spread over LIBOR in the ABACUS structure. For these reasons outlined above, we believe that this positive carry generated by the put feature creates significant value for the synthetic transaction and more than adequately compensates for the put risk.

Lastly, as noted above, in a mandatory early redemption of the Notes (arising from an adverse tax event or from a default of one or more Goldman entities that are parties to the transaction), the put would not be exercisable against Goldman, exposing noteholders to the market value of the collateral.

The transaction structure is depicted in the schematic below.



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# ATTACHMENT 15

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0393

Derivative Trades versus AIG
January 2006 - December 2008

| Reference Obligation | CUSIP | External Trade ID | Trade Date | Notional |
|---|---|---|---|---|
| BACM 2004-6 AJ | 05947UCZ2 | SDB2012886109 | 4/21/2006 | 44,500,000 |
| BACM 2005-1 AJ | 05947UD54 | SDB2012886111 | 4/21/2006 | 44,500,000 |
| BACM 2005-4 AJ | 05947UX60 | SDB2012886113 | 4/21/2006 | 44,500,000 |
| BACM 2005-5 AJ | 05947UZT4 | SDB2012886117 | 4/21/2006 | 44,500,000 |
| BACM 2006-1 AJ | 05947U7N2 | SDB2012886119 | 4/21/2006 | 44,500,000 |
| BSCMS 2005-PW10 AJ | 07387BEE9 | SDB2012886121 | 4/21/2006 | 44,500,000 |
| BSCMS 2005-PWR9 AJ | 07387BAL7 | SDB2012886123 | 4/21/2006 | 44,500,000 |
| CD 2005-CD1 AJ | 12513EAK0 | SDB2012886125 | 4/21/2006 | 44,500,000 |
| CD 2006-CD2 AJ | 12513XAH5 | SDB2012886127 | 4/21/2006 | 44,500,000 |
| CGCMT 2005-C3 AJ | 173067HB8 | SDB2012886131 | 4/21/2006 | 44,500,000 |
| CSFB 2005-C5 AJ | 225470AS2 | SDB2012886133 | 4/21/2006 | 44,500,000 |
| CSFB 2005-C6 AJ | 225470NN9 | SDB2012886135 | 4/21/2006 | 44,500,000 |
| GECMC 2005-C4 AJ | 36828QQH2 | SDB2012886137 | 4/21/2006 | 44,500,000 |
| GMACC 2006-C1 AJ | 361849R48 | SDB2012886139 | 4/21/2006 | 44,500,000 |
| GSMS 2005-GG4 AJ | 38228CVX8 | SDB2012886141 | 4/21/2006 | 44,500,000 |
| JPMCC 2005-LDP3 AJ | 46625YSM8 | SDB2012886145 | 4/21/2006 | 44,500,000 |
| JPMCC 2005-LDP5 AJ | 46625YXV0 | SDB2012886147 | 4/21/2006 | 44,500,000 |
| MLMT 2005-MCP1 AJ | 59022HHM7 | SDB2012886149 | 4/21/2006 | 44,500,000 |
| WBCMT 2005-C17 AJ | 929766C43 | SDB2012886151 | 4/21/2006 | 44,500,000 |
| WBCMT 2005-C22 AJ | 929766BR2 | SDB2012886153 | 4/21/2006 | 44,500,000 |
| WBCMT 2006-C23 AJ | 929768DX7 | SDB2012886155 | 4/21/2006 | 44,500,000 |
| BSCMS 2004-T16 A6 | 07383FU71 | SDB2012886159 | 4/21/2006 | 44,500,000 |
| CSFB 2005-C4 A5 | 225458S66 | SDB2012886163 | 4/21/2006 | 44,500,000 |
| CSMC 2006-C1 A4 | 225470F73 | SDB2012886165 | 4/21/2006 | 44,500,000 |
| LBUBS 2004-C8 A6 | 52108HK78 | SDB2012886201 | 4/21/2006 | 44,500,000 |
| MSC 2005-HQ7 A4 | 617451CL1 | SDB2012886211 | 4/21/2006 | 44,500,000 |
| WBCMT 2004-C14 A4 | 929766UK7 | SDB2012886216 | 4/21/2006 | 44,500,000 |
| WBCMT 2005-C21 A4 | 929766TG2 | SDB2012886220 | 7/12/2006 | 12,500,000 |
| BACM 2004-6 A5 | 05947UB72 | SDB2012987809A | 7/12/2006 | 12,500,000 |
| BACM 2005-1 A5 | 05947UD39 | SDB2012987858A | 7/12/2006 | 12,500,000 |
| BACM 2005-4 A5A | 05947UX37 | SDB2012987916A | 7/12/2006 | 12,500,000 |
| BACM 2005-5 A4 | 05947U2R8 | SDB2012987934A | 7/12/2006 | 12,500,000 |
| BACM 2006-1 A4 | 05947U7L8 | SDB2012987938A | 7/12/2006 | 12,500,000 |
| BSCMS 2004-T16 A6 | 07383FU71 | SDB2012987940A | 7/12/2006 | 12,500,000 |
| BSCMS 2005-PW10 A4 | 07387BEB5 | SDB2012987943A | 7/12/2006 | 12,500,000 |
| BSCMS 2005-PWR9 A4A | 07387BAH9 | SDB2012987947A | 7/12/2006 | 12,500,000 |
| CD 2005-CD1 A4 | 12513EAG3 | SDB2012987952A | 7/12/2006 | 12,500,000 |
| CGCMT 2005-C3 A4 | 173067GT0 | SDB2012987954A | 7/12/2006 | 42,500,000 |
| COMM 2005-LP5 A4 | 20047PAE7 | SDB2012987959A | 7/12/2006 | 15,000,000 |
| COMM 2005-LP5 AJ | 20047PAH0 | SDB2012987962A | 7/12/2006 | 13,000,000 |
| CSFB 2005-C4 A5 | 225458S66 | SDB2012987971A | 7/12/2006 | 12,500,000 |
| CSFB 2005-C5 A4 | 225470AP8 | SDB2012987973A | 7/12/2006 | 12,500,000 |
| CSFB 2005-C6 A4 | 225470NK5 | SDB2012988039A | 7/12/2006 | 12,500,000 |
| CSMC 2006-C1 A4 | 225470F73 | SDB2012988040A | 7/12/2006 | 42,500,000 |
| GCCFC 2005-GG3 A4 | 396789JA4 | SDB2012988042A | 7/12/2006 | 15,000,000 |
| GCCFC 2005-GG3 AJ | 396789JW0 | SDB2012988043A | 7/12/2006 | 42,500,000 |
| GECMC 2005-C1 A5 | 36828QKR8 | SDB2012988045A | 7/12/2006 | 15,000,000 |
| GECMC 2005-C1 AJ | 36828QKT2 | SDB2012988049A | 7/12/2006 | 48,500,000 |
| GECMC 2005-C2 A4 | 36828QMC7 | SDB2012988047A | 7/12/2006 | 11,000,000 |
| GECMC 2005-C2 AJ | 36828QME3 | SDB2012988048A | 7/12/2006 | 42,500,000 |
| GECMC 2005-C3 A7A | 36828QPW0 | SDB2012988050A | 7/12/2006 | 15,000,000 |
| GECMC 2005-C3 AJ | 36828QNZ5 | SDB2012988052A | 7/12/2006 | 12,500,000 |
| GECMC 2005-C4 A4 | 36828QQE9 | SDB2012988053A | 7/12/2006 | 12,500,000 |
| GMACC 2006-C1 A4 | 361849Q98 | SDB2012988054A | 7/12/2006 | 12,500,000 |
| GSMS 2005-GG4 A4A | 38228CVU4 | SDB2012988055A | 7/12/2006 | 42,500,000 |
| JPMCC 2005-LDP2 A4 | 46625YNC3 | SDB2012988056A | 7/12/2006 | 15,000,000 |
| JPMCC 2005-LDP2 AJ | 46625YNF6 | SDB2012988057A | 7/12/2006 | 12,500,000 |
| JPMCC 2005-LDP3 A4A | 46625YSG9 | SDB2012988058A | 7/12/2006 | 12,500,000 |
| JPMCC 2005-LDP5 A4 | 46625YXP3 | SDB2012988059A | 7/12/2006 | 12,500,000 |
| LBUBS 2004-C8 A6 | 52108HX78 | SDB2012988060A | 7/12/2006 | 42,500,000 |
| LBUBS 2005-C1 A4 | 52108H2U7 | SDB2012988061A | 7/12/2006 | 15,000,000 |
| LBUBS 2005-C1 AJ | 52108H2W3 | SDB2012988062A | 7/12/2006 | 13,000,000 |
| MSC 2005-HQ7 A4 | 617451CL1 | SDB2012988071A | 7/12/2006 | 12,500,000 |
| WBCMT 2004-C14 A4 | 929766UK7 | SDB2012988074A | 7/12/2006 | 12,500,000 |
| WBCMT 2005-C17 A4 | 929766C35 | SDB2012988077A | 7/12/2006 | 15,500,000 |
| WBCMT 2005-C21 A4 | 929766TG2 | SDB2012988084A | 7/12/2006 | 12,500,000 |
| WBCMT 2005-C22 A4 | 92976BBN1 | SDB2012988088A | 7/12/2006 | 12,500,000 |
| WBCMT 2006-C23 A4 | 92976BDT5 | SDB2012988092A | 7/12/2006 | 12,500,000 |
| MLMT 2005-MCP1 A4 | 59022HHJ4 | SDB2012988167A | 7/12/2006 | 12,500,000 |
| ~~CD 2005-CD2 A4~~ | ~~12513XAE2~~ | ~~SDB2012988168A~~ | ~~7/12/2006~~ | ~~12,500,000~~ |
| CMBS Total | | | | 2,002,500,000 |



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**Derivative Trades versus AIG**
**January 2006 - December 2008**

| Reference Obligation | CUSIP | External Trade ID | Trade Date | Notional | |
|---|---|---|---|---|---|
| MKP 3A A1 | G6177YAA0 | NUUQ403JD0080000A0 | 4/7/2004 | 140,000,000 | * |
| DUKEF 2004-7A 1A2 | 264403AJ5 | NUUQ407410080000B0 | 8/12/2004 | 129,650,000 | * |
| DUKEF 2004-7A 1A2V | 264403AK2 | NUUQ4075U0870000000 | 8/12/2004 | 100,000 | * |
| GLCR 2004-2A A1NV | 37638VAG8 | NUUQ409IHR0080000000 | 10/12/2004 | 324,800,000 | * |
| GLCR 2004-2A A1V | 37638VAA1 | NUUQ409IN0080000000 | 10/12/2004 | 100,000 | * |
| RESF 2004-1A A1NV | 76112CAB4 | NUUQ409IHS0080000000 | 10/26/2004 | 374,800,000 | * |
| RESF 2004-1A A1V | 76112CAA6 | NUUQ409IP0080000000 | 10/26/2004 | 100,000 | * |
| MRCY 2004-1A A1NV | 58936RAB3 | NUUQ4102N0080000000 | 11/3/2004 | 299,800,000 | * |
| MRCY 2004-1A A1VA | 58936RAA5 | NUUQ4102O0080000000 | 11/3/2004 | 100,000 | * |
| DUNHL 2004-1A A1NV | 265450AC2 | NUUQ4123N0080000 | 12/16/2004 | 327,000,000 | * |
| DUNHL 2004-1A A1VA | 265450AA7 | NUUQ4123O0080000000 | 12/16/2004 | 250,000 | * |
| RIVER 2005-1A A1 | 768277AA3 | NUUQ4125H0080000000 | 1/19/2005 | 149,750,000 | * |
| HUNTN 2005-1A A1A | 446278AA9 | NUUQ5030K00800 | 3/29/2005 | 406,500,000 | * |
| HUNTN 2005-1A A1B | 446278AC5 | NUUQ5030L0080000000 | 3/29/2005 | 250,000 | * |
| ORCHD 2005-2A A1 | 68571UAA7 | NUUQ5035B0080000000 | 4/19/2005 | 113,750,000 | * |
| SCF 7A A1AN | 83743YAS2 | NUUQ504GD0080000000 | 5/25/2005 | 773,500,000 | * |
| SCF 7A A1B | 83743YAB9 | NUUQ504GE00800 | 5/25/2005 | 250,000 | * |
| MDO ABACUS04-1 S Q2L9 00 K3J 1 | mufti | NUUQ505GJ0030000800 | 6/9/2005 | 1,760,000,000 | |
| MDO ABACUS04-2 S 9HYC 00 K3J 1 | mufti | NUUQ505GI0030000B00 | 6/9/2005 | 730,000,000 | |
| SATV 2005-1A A1 | 80410RAA4 | NUUQ5055C0080000000 | 6/9/2005 | 267,750,000 | * |
| COOL 2005-1A | 218444AA7 | NUUQ5068O0420000A00 | 7/22/2005 | 274,700,000 | * |
| ICM 2005-2A A1A | 46426RAA7 | BUUQ5060J0080000000 | 7/27/2005 | 213,750,000 | * |
| ICM 2005-2A A1B | 46426RAB5 | BUUQ5060K0080000000 | 7/27/2005 | 50,000,000 | * |
| MDO ABACUS05-3 S 8SQZ 00 4LX 0 | mufti | NUUQ5074F0030000000 | 7/28/2005 | 1,200,000,000 | |
| JPTR 2005-3A A1NV | 48206AAG3 | NUUQ507B50800 | 8/10/2005 | 1,299,500,000 | * |
| JPTR 2005-3A A1VA | 48206AAA8 | NUUQ507CD0080000000 | 8/10/2005 | 250,000 | * |
| LEXN 2005-1A A1AN | 52902TAC0 | NUUQ508IU0080000000 | 10/25/2005 | 199,500,000 | * |
| LEXN 2005-1A A1B | 52902TAE8 | NUUQ508IV0080000000 | 10/25/2005 | 250,000 | * |
| ORPT 2005-1A A1V | 68618MAJ0 | NUUQ510DL0080000000 | 10/25/2005 | 250,000 | * |
| ORPT 2005-1A A1VB | 68618MAQ4 | NUUQ510DN00800 | 10/25/2005 | 649,750,000 | * |
| ORPT 2005-1A A1VF | 68618MAL5 | NUUQ510DP00800 | 10/25/2005 | 647,250,000 | * |
| MDO ABACUS05-2 S C7FF 00 322 0 | mufti | NUUQ5102A0030000B00 | 10/28/2005 | 1,000,000,000 | |
| ALTS 2005-2A A1 | 02149WAA5 | NUUQ510L300800 | 11/10/2005 | 1,277,800,000 | * |
| MDO ABACUS05-C S SEMJ 00 H34 0 | mufti | BUUQ5110303000B00 | 12/7/2005 | 480,000,000 | |
| BROD 2005-1A A1NA | 112021AB8 | BUUQ5111500800 | 12/13/2005 | 354,500,000 | * |
| BROD 2005-1A A1B1 | 112021AC4 | BUUQ5111600800000 | 12/13/2005 | 485,000,000 | * |
| BROD 2005-1A A1V | 112021AA8 | BUUQ5111900800000 | 12/13/2005 | 250,000 | * |
| SHERW 2005-2A A1 | 82437XAA8 | BUUQ5111400800 | 12/15/2005 | 322,250,000 | * |
| KLROS 2006-2A A1NV | 49858BAC8 | BUUQ5120L00800 | 1/10/2006 | 869,500,000 | * |
| KLROS 2006-2A A1V | 49858BAA0 | NUUQ512BM0080000000 | 1/10/2006 | 250,000 | * |
| SCF 8A A1NV | 83743LAC5 | NUUQ8013A0080000000 | 1/25/2006 | 344,500,000 | * |
| SCF 8A A1AV | 83743LAA9 | NUUQ8014M0080000000 | 1/25/2006 | 250,000 | * |
| TOS FORTS1 A1 JDES 00 ATU 0 | mufti | SDB2012930412 | 3/8/2006 | 390,000,000 | * |
| MDO HOUTB081 C T GSL4 00 R22 0 | mufti | NUUQ6055902400000000 | 5/19/2006 | 825,000,000 | * |
| WESTC 2006-1A A1A | 952186AA2 | SDB503565139 | 7/26/2006 | 1,187,950,000 | * |
| WESTC 2006-1A A1B | 952186AB0 | SDB503565518 | 7/26/2006 | 1,187,850,000 | * |
| MDO ABACUS06-N S TUQ4 01 634 0 | mufti | NUUQ6090V0030000A00 | 9/12/2006 | 329,000,000 | |
| TRIAX 2006-2A A1B1 | 896008AB5 | SDB504492863 / SDB504678635 | 12/14/2006 | 1,499,850,000 | ** |
| TRIAX 2006-2A A1B2 | 896008AC3 | SDB504493409 / SDB504678606 | 12/14/2006 | 1,498,850,000 | * |
| Dominican Republic | AP077877XX | SDB505280114 | 3/16/2007 | 6,900,000 | |
| MDO ABAC07-18 S 2BRB 01 634 0 | mufti | SDB5816523S2A | 3/22/2007 | 470,000,000 | |
| ROMFIN A3 | XS0181520868 | NEEQ3040500900 | 5/11/2007 | 234,639,910 | |
| ORKN 2005-1 | 68633SAA8 | NUUQ5022A00700 | 7/11/2007 | 600,000,000 | |
| INDES 5A A1 | 45343PAA3 | NUUQ402B10080000000 | 4/24/2008 | 200,000,000 | |
| DUKEF 2003-5A 1A1 | 264402AK4 | NUUQ308FT00800 | 6/3/2008 | 175,000,000 | |
| CDO Total | | | | 24,074,289,910 | |

** These trades were terminated during 2008 as part of the Maiden Lane III transaction, all other trades remained open beyond December 2008.*

*** This trade was partially terminated in 2008 as part of the Maiden Lane III transaction, 500M original notional remained open.*



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**Supplemental Response Received From Goldman Sachs**

**Footnote Exhibits - Page 2639**

**Confidential Treatment Requested by Goldman Sachs**

**LB 5: Does Goldman consider a "desk" to be the same as a "business unit?" If not, what desk and business unit is responsible for each trade?**

In response to the Staff's follow-up question, Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000087061) providing information on the desks responsible for the trades identified in GS MBS 0000035877. Goldman Sachs does not consider "desks" and "business units" to be the same; there may be a number of desks (*e.g.*, Structured Products Trading) within a business group (*e.g.*, Mortgages).



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# Supplemental Response Received From Goldman Sachs

Confidential Treatment Requested by Goldman Sachs
Derivative Trades versus AIG
January 2006 - December 2008

| Entity | Reference Obligation | CUSIP | External Trade ID | Trade Date | Notional | Type | Trading desk | Status | Termination Pmt | Termination Date |
|---|---|---|---|---|---|---|---|---|---|---|
| GSCM | BACM 2004-6 AJ | 05947UC22 | SDB2012888109 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2005-1 AJ | 05947UD54 | SDB2012888111 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2005-4 AJ | 05947UX80 | SDB2012888113 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2005-5 AJ | 05947U2T4 | SDB2012888117 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2006-1 AJ | 05947U7N2 | SDB2012888119 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BSCMS 2004-T16 AJ | 07383FU71 | SDB2012888159 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Terminated | 2,601,902 | 7/15/2009 |
| GSCM | BSCMS 2005-PWR8 AJ | 07387BEE9 | SDB2012888121 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BSCMS 2005-PWR9 AJ | 07387BAL7 | SDB2012888123 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CD 2005-CD1 AJ | 12513EAK0 | SDB2012888125 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CD 2006-CD2 AJ | 12513XAH5 | SDB2012888127 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CGCMT 2005-C3 A | 173067HB8 | SDB2012888131 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CSFB 2005-C4 AS | 225458S86 | SDB2012888183 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Terminated | 2,447,500 | 7/31/2009 |
| GSCM | CSFB 2005-C5 AJ | 225470AS2 | SDB2012888133 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CSFB 2005-C6 AJ | 225470NN9 | SDB2012888135 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CSMC 2006-C1 AM | 225470F73 | SDB2012888165 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GECMC 2005-C4 A | 36828QDH2 | SDB2012888137 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GMACC 2006-C1 AJ | 361849R46 | SDB2012888139 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GSMS 2005-GG4 AJ | 36228CVX8 | SDB2012888141 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | JPMCC 2005-LDP3 AJ | 46625YSM8 | SDB2012888143 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | JPMCC 2005-LDP3 AJ | 46625YXV0 | SDB2012888147 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | LBUBS 2004-C8 AS | 52108HK76 | SDB2012888201 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Terminated | 2,405,711 | 7/15/2009 |
| GSCM | MLMT 2003-MCP1 AJ | 59022HHM7 | SDB2012888149 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | MSC 2005-HQ7 A4 | 617451CL1 | SDB2012888211 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2004-C14 A4 | 929766UK7 | SDB2012888219 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Terminated | 2,345,192 | 7/15/2009 |
| GSCM | WBCMT 2005-C17 AJ | 929766C43 | SDB2012888151 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2005-C21 AM | 929766TG2 | SDB2012888220 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2005-C22 AJ | 92978BBR2 | SDB2012888153 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2006-C23 AJ | 92978BDX7 | SDB2012888155 | 4/21/2006 | 44,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2004-6 A5 | 05947UB72 | SDB2012887209A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Assigned | - | 7/15/2009 |
| GSCM | BACM 2005-1 A5 | 05947UD39 | SDB2012887858A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Terminated | 687,500 | 8/4/2009 |
| GSCM | BACM 2005-4 A5A | 05947UX37 | SDB2012887918A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2005-5 A4 | 05947U2R6 | SDB2012887934A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BACM 2006-1 A4 | 05947U7L8 | SDB2012887938A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BSCMS 2004-T16 A6 | 07383FU71 | SDB2012887940A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Terminated | 733,126 | 7/15/2009 |
| GSCM | BSCMS 2005-PWR8 A4 | 07387BE85 | SDB2012887843A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | BSCMS 2005-PWR9 A4A | 07387BAH6 | SDB2012887847A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CD 2005-CD1 A4 | 12513EAG9 | SDB2012887852A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CD 2006-CD2 A4 | 12513XAE2 | SDB2012888168A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CGCMT 2005-C3 AJ | 173067GT0 | SDB2012887854A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Terminated | 687,500 | 7/31/2009 |
| GSCM | COMM 2005-LP5 AJ | 20047PAE7 | SDB2012887958A | 7/12/2006 | 42,500,000 | CMBS | Mortgage desk | Terminated | 2,337,500 | 7/31/2009 |
| GSCM | COMM 2005-LP5 AJ | 20047PAH0 | SDB2012887992A | 7/12/2006 | 15,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CSFB 2005-C4 A5 | 225458S86 | SDB2012887971A | 7/12/2006 | 13,000,000 | CMBS | Mortgage desk | Terminated | 715,000 | 7/31/2009 |
| GSCM | CSFB 2005-C5 A4 | 225470AP8 | SDB2012887973A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CSFB 2005-C6 A4 | 225470NK5 | SDB2012888038A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | CSMC 2006-C1 A4 | 225470F73 | SDB2012888040A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GCCFC 2005-GG3 A4 | 396789JU4 | SDB2012888042A | 7/12/2006 | 42,500,000 | CMBS | Mortgage desk | Terminated | 2,738,574 | 7/15/2009 |
| GSCM | GCCFC 2005-GG3 AJ | 396789JW0 | SDB2012888043A | 7/12/2006 | 15,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GECMC 2005-C1 AS | 36828QKR8 | SDB2012888045A | 7/12/2006 | 42,500,000 | CMBS | Mortgage desk | Terminated | 2,740,508 | 7/15/2009 |
| GSCM | GECMC 2005-C1 AJ | 36828QKT2 | SDB2012888046A | 7/12/2006 | 15,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GECMC 2005-C2 A4 | 36828QMC7 | SDB2012888047A | 7/12/2006 | 46,500,000 | CMBS | Mortgage desk | Terminated | 2,557,500 | 8/4/2009 |
| GSCM | GECMC 2005-C2 AJ | 36829QME3 | SDB2012888048A | 7/12/2006 | 11,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GECMC 2005-C3 AFX | 36828QPV0 | SDB2012888050A | 7/12/2006 | 42,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GECMC 2005-C3 AJ | 36828QN23 | SDB2012888052A | 7/12/2006 | 15,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GECMC 2005-C4 A1 | 36828QQE9 | SDB2012888053A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GMACC 2006-C1 A5 | 361849QW6 | SDB2012888054A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | GSMS 2005-GG4 AAB | 36228CVU4 | SDB2012888035A | 7/12/2006 | 13,500,000 | CMBS | Mortgage desk | Terminated | 687,500 | 8/4/2009 |
| GSCM | JPMCC 2005-LDP2 A4 | 46625YNC3 | SDB2012888056A | 7/12/2006 | 42,500,000 | CMBS | Mortgage desk | Terminated | 2,337,500 | 8/4/2009 |
| GSCM | JPMCC 2005-LDP2 AJ | 46625YNF6 | SDB2012888057A | 7/12/2006 | 15,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | JPMCC 2005-LDP3 AAB | 46625YSC8 | SDB2012888058A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Terminated | 687,500 | 8/4/2009 |
| GSCM | JPMCC 2005-LDP5 A4 | 46625YXP3 | SDB2012888059A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | LBUBS 2004-C8 AS | 52108HK78 | SDB2012888060A | 7/12/2006 | 13,500,000 | CMBS | Mortgage desk | Terminated | 677,887 | 7/15/2009 |
| GSCM | LBUBS 2005-C1 A4 | 52108HGU7 | SDB2012888061A | 7/12/2006 | 42,500,000 | CMBS | Mortgage desk | Assigned | - | |
| GSCM | LBUBS 2005-C1 AJ | 52108H2W3 | SDB2012888062A | 7/12/2006 | 15,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | MLMT 2005-MCP1 A4 | 59022HHJ4 | SDB2012888187A | 7/12/2006 | 13,500,000 | CMBS | Mortgage desk | Terminated | 687,500 | 8/4/2009 |
| GSCM | MSC 2005-HQ7 A4 | 617451CL1 | SDB2012888071A | 7/12/2006 | 13,000,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2004-C14 A4 | 929766UK7 | SDB2012888074A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Terminated | 660,621 | 7/15/2009 |
| GSCM | WBCMT 2005-C17 A4 | 929766C35 | SDB2012888077A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Assigned | - | |
| GSCM | WBCMT 2005-C21 A4 | 929766TG2 | SDB2012888084A | 7/12/2006 | 13,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2005-C22 A4 | 929766BH1 | SDB2012888086A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSCM | WBCMT 2006-C23 A4 | 92978BDT8 | SDB2012888062A | 7/12/2006 | 12,500,000 | CMBS | Mortgage desk | Open | | |
| GSIL | MDO ABACUS04-1[S 02L9 00 KJJ 1 | mwt5 | NUUQ505GJ0030000800 | 6/8/2005 | 1,780,000,000 | CDO | Mortgage desk | Terminated | 605,492,319 | 6/15/2009 |

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**Derivative Trades versus AIG**
**January 2006 - December 2008**

| Entity | Reference Obligation | CUSIP | External Trade ID | Trade Date | Notional | Type | Trading desk | Status | Termination Paid | Termination Date |
|---|---|---|---|---|---|---|---|---|---|---|
| GSIL | MDO ABACUS04-2 S SHYC 00 KJJ 1 | multi | NUUQ505GI0030000B00 | 6/8/2005 | 730,000,000 | CDO | Mortgage desk | Terminated | 259,897,424 | 6/16/2009 |
| GSIL | MDO ABACUS05-3 S SSQZ 00 4LK 0 | multi | NUUQ3074F0030000000 | 7/18/2005 | 1,200,000,000 | CDO | Mortgage desk | Open | | |
| GSIL | MDO ABACUS05-2 S CTFF 00 322 0 | multi | NUUQ3102A0030000000 | 10/28/2005 | 1,000,000,000 | CDO | Mortgage desk | Terminated | 519,462,344 | 6/16/2009 |
| GSIL | MDO ABACUS05-C S SEMJ 00 H34 0 | multi | BUUQ51103030000B00 | 12/7/2005 | 460,000,000 | CDO | Mortgage desk | Terminated | 143,070,903 | 6/16/2009 |
| GSIL | MDO ABACUS06-H S TUQ4 01 634 0 | multi | NUUQ6090V0030000A00 | 9/12/2006 | 328,000,000 | CDO | Mortgage desk | Open | | |
| GSIL | TRIAX 2006-2A A1B1 | 896068AB3 | SDB5044826B3 / SDB5044678635 | 12/14/2006 | 600,000,000 | CDO | Credit desk | Open | | |
| GSIL | Dominican Republic | AP077877XX | SDB5052B0114 | 3/16/2007 | 9,900,000 | CDO | Credit desk | Open | | |
| GSIL | MDO ABAC07-18 S Z8RB 01 634 0 | multi | SDB6B1852352A | 3/22/2007 | 470,000,000 | CDO | Mortgage desk | Open | | |
| GSIL | ROMFIN A3 | XS0181620868 | NEEQ3040B50000 | 5/1/2007 | 234,835,810 | CDO | Credit desk | Terminated | 84,003,852 | 9/10/2009 |
| GSIL | ORKN 2005-1 | 686335AA8 | NUUQ5022A00700 | 7/11/2007 | 600,000,000 | CDO | Credit desk | Terminated | 359,997,667 | 6/5/2009 |
| GSIL | INDE3 5A A1 | 45343PAA3 | NUUQ4028100B000000 | 4/24/2008 | 200,000,000 | CDO | Credit desk | Terminated | 103,243,223 | 3/12/2008 |
| GSIL | DUKEF 2003-3A 1A1 | 264402AK4 | NUUQ308FT00B00 | 6/3/2008 | 175,000,000 | CDO | Credit desk | Open | | |
| | | | | | 9,668,239,810 | | | | | |
| GSIL | ALTS 2005-2A A1 | 02148WAA5 | NUUQ510L300B00 | 11/10/2005 | 1,277,900,000 | CDO | Credit desk | Terminated - ML3 | 491,285,394 | 11/21/2008 * |
| GSIL | BROD 2005-1A A1V | 112021AA9 | BUUQ5111900B000000 | 12/13/2005 | 250,000 | CDO | Credit desk | Terminated - ML3 | 236,020 | 11/24/2008 * |
| GSIL | BROD 2005-1A A1MA | 112021AB8 | BUUQ5111500B00 | 12/13/2005 | 354,500,000 | CDO | Credit desk | Terminated - ML3 | 116,818,781 | 11/21/2008 * |
| GSIL | BROD 2005-1A A1B1 | 112021AC4 | BUUQ5111600B000000 | 12/13/2005 | 465,000,000 | CDO | Credit desk | Terminated - ML3 | 159,548,229 | 11/21/2008 * |
| GSIL | COOL 2005-1A | 216444AA7 | NUUQ308BOD4Z000000A00 | 7/22/2005 | 274,700,000 | CDO | Mortgage desk | Terminated - ML3 | 78,092,199 | 11/24/2008 * |
| GSIL | DUKEF 2004-7A 1A2 | 264403AJ5 | NUUQ4074100B000080 | 8/12/2004 | 129,650,000 | CDO | Credit desk | Terminated - ML3 | 51,292,364 | 11/21/2008 * |
| GSIL | DUKEF 2004-7A 1A2V | 264403AK2 | NUUQ4075U0B7000000 | 8/12/2004 | 100,000 | CDO | Credit desk | Terminated - ML3 | 76,314 | 11/24/2008 * |
| GSIL | DUKHL 2004-1A A1VA | 26545QAA7 | NUUQ4123O00B000000 | 12/16/2004 | 250,000 | CDO | Credit desk | Terminated - ML3 | 118,386 | 11/24/2008 * |
| GSIL | DUKHL 2004-1A A1MV | 26545QAG2 | NUUQ4123H00B00 | 12/15/2004 | 327,000,000 | CDO | Credit desk | Terminated - ML3 | 88,359,135 | 11/21/2008 * |
| GSIL | DUKHL 2004-1A A1NV | 26545QAC2 | NUUQ4123N00B00 | 12/15/2004 | 390,000,000 | CDO | Credit desk | Terminated - ML3 | 103,048,148 | 11/21/2008 * |
| GSCM | TOS FORTS1 A1 ADE3 00 ATU 0 | 34958CAA2 | SDB2012930412 | 3/8/2006 | 44,024 | CDO | Credit desk | Terminated - ML3 | 44,024 | 11/24/2008 * |
| GSIL | GLCR 2004-2A A1V | 37638VAA1 | NUUQ409HN00B000000 | 10/12/2004 | 100,000 | CDO | Credit desk | Terminated - ML3 | 81,320,748 | 11/21/2008 * |
| GSIL | GLCR 2004-2A A1MV | 37638VAG8 | NUUQ409HR00B000000 | 10/12/2004 | 324,800,000 | CDO | Credit desk | Terminated - ML3 | 300,486,409 | 12/21/2008 * |
| GSIL | MDO HOUTB06 1 T OSL4 00 R22 0 | 442451AA8 | NUUQ6053B2H000000 | 5/19/2006 | 825,000,000 | CDO | Credit desk | Terminated - ML3 | 166,077,318 | 11/21/2008 * |
| GSIL | HUNTN 2005-1A A1A | 446279AA9 | NUUQ3G3OK00600 | 3/29/2005 | 400,500,000 | CDO | Credit desk | Terminated - ML3 | 218,726 | 11/24/2008 * |
| GSIL | HUNTN 2005-1A A1B | 446279AC5 | NUUQ5G30L00B000000 | 3/29/2005 | 250,000 | CDO | Credit desk | Terminated - ML3 | 48,483,780 | 11/21/2008 * |
| GSIL | ICM 2005-2A A1A | 45628RAA7 | BUUQ5065J00B000000 | 7/27/2005 | 213,750,000 | CDO | Credit desk | Terminated - ML3 | 10,873,399 | 11/21/2008 * |
| GSIL | ICM 2005-2A A1B | 45628RAB5 | BUUQ5065K00B000000 | 7/27/2005 | 50,000,000 | CDO | Credit desk | Terminated - ML3 | 226,832 | 11/24/2008 * |
| GSIL | JPTR 2005-3A A1VA | 46208AAA6 | NUUQ307CD00B000000 | 8/10/2005 | 250,000 | CDO | Credit desk | Terminated - ML3 | 389,371,511 | 11/21/2008 * |
| GSIL | JPTR 2005-3A A1MV | 46208AAG3 | NUUQ307BS30B00 | 8/10/2005 | 1,299,500,000 | CDO | Credit desk | Terminated - ML3 | 227,493 | 11/24/2008 * |
| GSIL | KLROS 2006-2A A1V | 495588AA0 | NUUQ512BM00B000000 | 1/10/2006 | 250,000 | CDO | Credit desk | Terminated - ML3 | 341,855,112 | 11/21/2008 * |
| GSIL | KLROS 2006-2A A1MV | 495588AC6 | BUUQ5120L00B00 | 1/10/2006 | 869,500,000 | CDO | Credit desk | Terminated - ML3 | 33,634,863 | 11/21/2008 * |
| GSIL | LEXN 2005-1A A1AN | 52902TAC9 | NUUQ509IU00B000000 | 10/25/2005 | 199,500,000 | CDO | Credit desk | Terminated - ML3 | 169,871 | 11/24/2008 * |
| GSIL | LEXN 2005-1A A1B | 52902TAE6 | NUUQ509IV00B000000 | 10/25/2005 | 250,000 | CDO | Credit desk | Terminated - ML3 | 8,647,722 | 11/21/2008 * |
| GSIL | MKP 3A A1 | G61777AA6 | NUUQ405JD00B0000A0 | 4/7/2004 | 140,000,000 | CDO | Credit desk | Terminated - ML3 | 53,681 | 11/24/2008 * |
| GSIL | MRCY 2004-1A A1VA | 58936RAA5 | NUUQ4102O00B000000 | 11/3/2004 | 100,000 | CDO | Credit desk | Terminated - ML3 | 65,161,973 | 11/21/2008 * |
| GSIL | MRCY 2004-1A A1MV | 58936RAB3 | NUUQ4102N00B000000 | 11/3/2004 | 299,900,000 | CDO | Credit desk | Terminated - ML3 | 19,911,650 | 11/21/2008 * |
| GSIL | ORCHD 2005-2A A1 | 68571UAA7 | NUUQ5029D00B000000 | 4/15/2005 | 113,750,000 | CDO | Credit desk | Terminated - ML3 | 247,024 | 11/24/2008 * |
| GSIL | ORPT 2003-1A A1V | 68619MAJ0 | NUUQ510DL00B000000 | 10/25/2005 | 250,000 | CDO | Credit desk | Terminated - ML3 | 180,539,881 | 11/21/2008 * |
| GSIL | ORPT 2005-1A A1VF | 68619MAL5 | NUUQ510DP00B00 | 10/25/2005 | 847,250,000 | CDO | Credit desk | Terminated - ML3 | 161,536,578 | 11/21/2008 * |
| GSIL | ORPT 2005-1A A1VB | 68619MAQ4 | NUUQ510DH00B00 | 10/25/2005 | 649,750,000 | CDO | Credit desk | Terminated - ML3 | 78,111 | 11/24/2008 * |
| GSIL | RESF 2004-1A A1N | 76112CAA6 | NUUQ408IP00B000000 | 10/26/2004 | 100,000 | CDO | Credit desk | Terminated - ML3 | 121,458,544 | 11/21/2008 * |
| GSIL | RESF 2004-1A A1MV | 76112CAB4 | NUUQ408IH00B000000 | 10/26/2004 | 374,600,000 | CDO | Credit desk | Terminated - ML3 | 47,648,368 | 11/21/2008 * |
| GSIL | RIVER 2005-1A A1 | 768277AA3 | NUUQ412SH00B000000 | 1/18/2005 | 149,750,000 | CDO | Credit desk | Terminated - ML3 | 45,066,197 | 11/21/2008 * |
| GSIL | SATV 2005-1A A1 | 80410RAA4 | NUUQ505SC00B000000 | 6/9/2005 | 267,750,000 | CDO | Credit desk | Terminated - ML3 | 68,070,564 | 11/21/2008 * |
| GSIL | SHERW 2005-3A A1 | 824375AA8 | BUUQ5111400B00 | 12/15/2005 | 322,250,000 | CDO | Credit desk | Terminated - ML3 | 192,111 | 11/24/2008 * |
| GSIL | SCF 5A A1AV | 83743LAA9 | NUUQ6014M0080200000 | 1/25/2006 | 250,000 | CDO | Credit desk | Terminated - ML3 | 62,476,848 | 11/21/2008 * |
| GSIL | SCF 5A A1NV | 83743LAC5 | NUUQ6013A0080200000 | 1/25/2006 | 344,500,000 | CDO | Credit desk | Terminated - ML3 | 142,942 | 11/24/2008 * |
| GSIL | SCF 7A A1B | 83747YAB9 | NUUQ504QE00B00 | 3/25/2005 | 250,000 | CDO | Credit desk | Terminated - ML3 | 120,810,907 | 11/21/2008 * |
| GSIL | SCF 7A A1AV | 83747YAS2 | NUUQ504QD00B000000 | 3/25/2005 | 773,500,000 | CDO | Credit desk | Terminated - ML3 | 563,123,991 | 11/21/08, 12/17/08 ** |
| GSIL | TRIAX 2006-2A A1B1 | 896068AB5 | SDB5044826B3 / SDB5044678635 | 12/14/2006 | 999,850,000 | CDO | Credit desk | Terminated - ML3 | 892,318,483 | 11/21/2008 * |
| GSIL | TRIAX 2006-2A A1B2 | 896068AC3 | SDB5044834O9 / SDB5044678606 | 12/14/2006 | 1,499,850,000 | CDO | Credit desk | Terminated - ML3 | 353,793,308 | 11/21/2008 * |
| GSIL | WESTC 2006-1A A1A | 952188AA2 | SDB5035651S9 | 7/26/2006 | 1,167,850,000 | CDO | Credit desk | Terminated - ML3 | 387,878,256 | 11/24/08, 12/17/08 ** |
| GSIL | WESTC 2006-1A A1B | 952188AB0 | SDB503563516 | 7/26/2006 | 1,167,850,000 | CDO | Credit desk | Terminated - ML3 | | |
| | | | | | 18,358,550,009 | | | | | |

* These trades were terminated during 2008 as part of the Maiden Lane III transaction, all other trades remained open beyond December 2008.

** This trade was partially terminated in 2008 as part of the Maiden Lane III transaction, 500M original notional remained open / split reflected above

**ATTACHMENT 16**

**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**

PSI_QFR_GS0399

**Confidential Treatment Requested by Goldman Sachs**

**LB 9: Do the negative positions in GS MBS 0000038789 represent short positions?**

No. The negative positions in GS MBS 0000038789 represent protection sold by Goldman Sachs, and the positive positions represent protection purchased by Goldman Sachs.

**Supplemental Response Received From Goldman Sachs**



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**Privileged and Confidential - Attorney Client Privilege**
**AIG Credit Protection**
January 1, 2006 - December 31, 2008

**CDS**

| Trade Date | Deal | Notional Traded |
|---|---|---|
| 7/27/2007 | SDB506413265 | 100,000,000 |
| 7/30/2007 | SDB506428762 | 100,000,000 |
| 8/2/2007 | SDB506485022 | 100,000,000 |
| 8/2/2007 | SDB506480246 | 55,000,000 |
| 8/2/2007 | SDB506483869 | 70,000,000 |
| 8/3/2007 | SDB506504143 | 100,000,000 |
| 8/9/2007 | SDB506591558 | 50,000,000 |
| 8/24/2007 | SDB506787402 | 28,500,000 |
| 8/29/2007 | SDB506835337 | 3,000,000 |
| 8/29/2007 | SDB506835310 | 140,000,000 |
| 8/29/2007 | SDB506835366 | 2,500,000 |
| 9/13/2007 | SDB506997016 | 700,000,000 |
| 11/8/2007 | SDB507681392 | 145,000,000 |
| 11/9/2007 | SDB507690665 | 30,000,000 |
| 11/13/2007 | SDB507701834 | 45,000,000 |
| 11/13/2007 | SDB507702114 | 50,000,000 |
| 11/13/2007 | SDB507707129 | 20,000,000 |
| 11/14/2007 | SDB507714559 | 25,000,000 |
| 11/15/2007 | SDB507730397 | 10,000,000 |
| 11/16/2007 | SDB507742454 | 100,000,000 |
| 11/27/2007 | SDB507836730 | (100,000,000) |
| 1/25/2008 | SDB508394922 | 20,000,000 |
| 1/29/2008 | SDB508420675 | 90,000,000 |
| 1/30/2008 | SDB508438416 | 40,000,000 |
| 1/31/2008 | SDB508475234 | 55,000,000 |
| 2/1/2008 | SDB508494972 | 80,000,000 |
| 2/6/2008 | SDB508549159 | 50,000,000 |
| 2/6/2008 | SDB508549986 | 10,000,000 |
| 2/6/2008 | SDB508521409 | 30,000,000 |
| 3/24/2008 | SDB509124043 | 25,000,000 |
| 3/24/2008 | SDB509126126 | 25,000,000 |
| 3/25/2008 | SDB509143043 | 75,000,000 |
| 3/26/2008 | SDB509186684 | 25,000,000 |
| 3/27/2008 | SDB509201519 | 20,000,000 |
| 3/31/2008 | SDB509232740 | 25,000,000 |
| 3/31/2008 | SDB509233251 | 25,000,000 |
| 4/1/2008 | SDB509244691 | 200,000,000 |
| 4/2/2008 | SDB509264289 | 200,000,000 |
| 4/3/2008 | SDB509278192 | 150,000,000 |
| 4/9/2008 | SDB509319658 | 25,000,000 |
| 4/24/2008 | SDB509474033 | (100,000,000) |
| 5/8/2008 | SDB509695059 | (75,000,000) |
| 5/13/2008 | SDB509752644 | 100,000,000 |
| 5/13/2008 | SDB509738313 | 90,000,000 |
| 5/13/2008 | SDB509739755 | 25,000,000 |
| 5/16/2008 | SDB509816476 | 50,000,000 |
| 5/20/2008 | SDB509903675 | 30,000,000 |
| 5/21/2008 | SDB509919651 | 15,000,000 |



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**Footnote Exhibits - Page 2645**

| | | |
|---|---|---|
| 5/22/2008 | SDB509931923 | 20,000,000 |
| 5/29/2008 | SDB509989336 | 20,000,000 |
| 5/30/2008 | SDB925207681 | 34,000,000 |
| 5/30/2008 | SDB925207688 | (20,000,000) |
| 6/17/2008 | SDB925385261 | (10,000,000) |
| 6/18/2008 | SDB925401780 | (25,000,000) |
| 6/19/2008 | SDB925413246 | (75,000,000) |
| 6/20/2008 | SDB925461770 | (45,000,000) |
| 6/23/2008 | SDB925483016 | (80,000,000) |
| 6/23/2008 | SDB925488843 | (170,000,000) |
| 6/24/2008 | SDB925504839 | (75,000,000) |
| 6/25/2008 | SDB925529066 | (50,000,000) |
| 6/27/2008 | SDB925587707 | (25,000,000) |
| 7/22/2008 | SDB925865679 | 15,000,000 |
| 7/23/2008 | SDB925883371 | 35,000,000 |
| 7/25/2008 | SDB925903379 | 30,000,000 |
| 7/30/2008 | SDB925971987 | 25,000,000 |
| 8/1/2008 | SDB926005478 | 25,000,000 |
| 8/4/2008 | SDB926019724 | 35,000,000 |
| 8/4/2008 | SDB926019729 | (21,000,000) |
| 8/5/2008 | SDB926034774 | 225,000,000 |
| 8/5/2008 | SDB926036962 | 50,000,000 |
| 8/5/2008 | SDB926041326 | 25,000,000 |
| 9/13/2008 | SDB926432077 | (300,000,000) |
| 9/18/2008 | SDB926727961 | (50,000,000) |
| 9/19/2008 | SDB926745244 | (100,000,000) |
| 9/19/2008 | SDB926750305 | (100,000,000) |
| 9/22/2008 | SDB926814339 | (75,000,000) |
| 9/23/2008 | SDB926832889 | (25,000,000) |
| 9/25/2008 | SDB926887827 | (25,000,000) |
| 9/26/2008 | SDB926915189 | (25,000,000) |
| 11/10/2008 | SDB927797131 | (50,000,000) |
| 11/10/2008 | SDB927799036 | (50,000,000) |
| 11/10/2008 | SDB927799174 | (25,000,000) |
| 11/12/2008 | SDB927818877 | (150,000,000) |
| 11/13/2008 | SDB927843741 | (90,000,000) |
| 11/19/2008 | SDB927939880 | (35,000,000) |
| 11/20/2008 | SDB927976561 | (185,000,000) |
| 11/21/2008 | SDB927993686 | (25,000,000) |
| 11/26/2008 | SDB928045971 | (45,000,000) |
| 12/9/2008 | SDB928224278 | 35,000,000 |
| 12/9/2008 | SDB928227391 | 34,000,000 |
| 12/9/2008 | SDB928222015 | (20,000,000) |
| 12/10/2008 | SDB928271988 | (40,000,000) |
| Subtotal CDS | | 1,676,000,000 |

*downsized to 400MM 9/12/08

**BONDS**

| Trade Date | Security Description | Notional Traded |
|---|---|---|
| 12/7/2007 | AIG 5.85 16Jan18 | 40,000,000 |
| 5/20/2008 | AIG 8.175 15May58 (38 CA 100.00) | 41,000,000 |
| 5/21/2008 | AIG 8.175 15May58 (38 CA 100.00) | 18,500,000 |
| 6/2/2008 | AIG 8.175 15May58 (38 CA 100.00) | 20,000,000 |



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**Footnote Exhibits - Page 2646**

| | | |
|---|---|---|
| 6/18/2008 | AIG 8.175 15MayS8 (38 CA 100.00) | 20,000,000 |
| 6/20/2008 | AIG 8.175 15MayS8 (38 CA 100.00) | 10,000,000 |
| 6/26/2008 | AIG 8.175 15MayS8 (38 CA 100.00) | 20,000,000 |
| 9/19/2008 | AIG 8.25 15Aug18 | 61,940,000 |
| 11/13/2008 | AIG 5.85 16Jan18 | 15,000,000 |
| 12/4/2008 | AIG 4.25 15May13 | 10,000,000 |
| 12/5/2008 | AIG 5.45 18May17 | 5,000,000 |
| 12/8/2008 | AIG 5.6 18Oct16 | 5,000,000 |
| 12/9/2008 | AIG 5.05 1Oct15 | 17,000,000 |
| 12/9/2008 | AIG 8.25 15Aug18 | (15,000,000) |
| 12/10/2008 | AIG 4.25 15May13 | 5,000,000 |
| 12/15/2008 | AIG 4.25 15May13 | 5,000,000 |
| 12/16/2008 | AIG 4.9 2Jun14 * | 22,000,000 |
| 12/17/2008 | AIG 4.9 2Jun14 * | 20,000,000 |
| 12/18/2008 | AIG 4.9 2Jun14 * | 36,000,000 |
| 12/22/2008 | AIG 5.85 16Jan18 | 7,000,000 |
| 12/23/2008 | AIG 4.95 20Mar12 | 8,690,000 |
| | **Total Bonds** | **372,130,000** |

* CAD denominated bonds, all others are USD

**Common Stock**

| Trade Date | Security Description | Quantity Traded |
|---|---|---|
| 6/5/2007[1] | AMERICAN INTERNATIONAL GROUP, INC | (90,600) |
| 6/6/2007[1] | AMERICAN INTERNATIONAL GROUP, INC | (1,000) |
| 11/7/2007 | AMERICAN INTERNATIONAL GROUP, INC | (3,514,600) |
| 11/8/2007 | AMERICAN INTERNATIONAL GROUP, INC | (2,300,000) |
| 11/9/2007 | AMERICAN INTERNATIONAL GROUP, INC | (1,000,000) |
| 11/26/2007 | AMERICAN INTERNATIONAL GROUP, INC | 2,500,000 |
| 11/27/2007 | AMERICAN INTERNATIONAL GROUP, INC | 510,060 |
| 11/28/2007 | AMERICAN INTERNATIONAL GROUP, INC | 1,000,000 |
| 11/29/2007 | AMERICAN INTERNATIONAL GROUP, INC | 1,000,000 |
| 12/20/2007 | AMERICAN INTERNATIONAL GROUP, INC | 900,000 |
| 1/24/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,000,000) |
| 1/28/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,000,000) |
| 2/1/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,000,000) |
| 2/5/2008 | AMERICAN INTERNATIONAL GROUP, INC | (68,700) |
| 2/6/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,500,000) |
| 3/24/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,500,000) |
| 3/25/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,500,000) |
| 4/1/2008 | AMERICAN INTERNATIONAL GROUP, INC | (1,500,000) |
| 5/5/2008 | AMERICAN INTERNATIONAL GROUP, INC | (30,000) |
| 5/9/2008 | AMERICAN INTERNATIONAL GROUP, INC | 1,000,000 |
| 5/12/2008 | AMERICAN INTERNATIONAL GROUP, INC | 1,000,000 |
| 4/25/2008 | AMERICAN INTERNATIONAL GROUP, INC | 1,153,095 |
| 5/28/2008 | AMERICAN INTERNATIONAL GROUP, INC | 1,477,821 |
| 4/24/2008 | AMERICAN INTERNATIONAL GROUP, INC | 3,800,000 |
| 9/17/2008 | AMERICAN INTERNATIONAL GROUP, INC | 1,572,324 |
| | **Total Stocks** | **(91,600)** |

1 Equity trades were executed to sell long common stock positions sourced prior to the trades requested.



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Footnote Exhibits - Page 2647

# ATTACHMENT 17



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| Deal Name | Tranche Name | Notional | Current Notional No IWD | CUSIP | Effective Date | Termination Date | Transacted Spread | RefObl Issuer | External Trade ID | Counterparty |
|---|---|---|---|---|---|---|---|---|---|---|
| ADROC 2005-2A | C | 10,000,000 | 9,455,167 | 007022AD8 | 3-Mar-06 | 6-Dec-41 | 150 | Adirondack Ltd | SDB980001328 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| ADROC 2005-2A | C | 10,000,000 | 9,455,167 | 007022AD8 | 23-Feb-06 | 8-Dec-41 | 150 | Adirondack Ltd | SDB980001427 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| ALTS 2005-2A | C | 10,000,000 | 9,552,699 | 02149WAD9 | 3-Mar-06 | 5-Dec-40 | 160 | Altius Funding Ltd | SDB980001361 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| ALTS 2005-2A | C | 10,000,000 | 9,552,699 | 02149WAD9 | 23-Feb-06 | 5-Dec-40 | 160 | Altius Funding Ltd | SDB980001437 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| BFCGE 2006-1A | A3L | 20,000,000 | 19,882,881 | 05539MAD2 | 23-Feb-06 | 10-Jan-41 | 185 | BFC Genesse CDO Ltd | SDB980001460 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| CSCL 15A | C | 15,000,000 | 15,000,000 | 12487GAC4 | 23-Feb-06 | 16-Feb-41 | 135 | Credit-Based Asset Servicing and Se | SDB980001508 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| DUKEF 2005-6A | A3V | 10,000,000 | 10,000,000 | 26450AAC1 | 23-Feb-06 | 9-Mar-45 | 180 | Duke Funding Ltd | SDB980001510 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| DUKEF 2005-6A | A3V | 10,000,000 | 10,000,000 | 26450AAC1 | 3-Mar-06 | 9-Mar-45 | 180 | Duke Funding Ltd | SDB980001366 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| FORTS 2006-1A | C | 10,000,000 | 9,332,816 | 34958CAD6 | 3-Mar-06 | 12-Jul-41 | 150 | Fortius Funding Ltd | SDB980001367 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| FORTS 2006-1A | C | 10,000,000 | 9,332,816 | 34958CAD6 | 23-Feb-06 | 12-Jul-41 | 150 | Fortius Funding Ltd | SDB980001531 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GEMST 2005-2A | C | 10,000,000 | 10,000,000 | 36867VAE7 | 23-Feb-06 | 9-May-40 | 170 | Gemstone CDO Ltd | SDB980001536 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GEMST 2005-2A | C | 10,000,000 | 10,000,000 | 36867VAE7 | 3-Mar-06 | 9-May-40 | 170 | Gemstone CDO Ltd | SDB980001397 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GEMST 2005-3A | C | 10,000,000 | 10,000,000 | 36868AAJ1 | 23-Feb-06 | 26-Jul-40 | 170 | Gemstone CDO Ltd | SDB980001540 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GEMST 2005-3A | C | 10,000,000 | 10,000,000 | 36868AAJ1 | 3-Mar-06 | 26-Jul-40 | 170 | Gemstone CDO Ltd | SDB980001403 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GEMST 2005-4A | C | 10,000,000 | 10,000,000 | 36868BAE0 | 23-Feb-06 | 12-Feb-41 | 170 | Gemstone CDO Ltd | SDB980001543 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GEMST 2005-4A | C | 10,000,000 | 10,000,000 | 36868BAE0 | 3-Mar-06 | 12-Feb-41 | 170 | Gemstone CDO Ltd | SDB980001413 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GSCSF 2005-1A | A3 | 10,000,000 | 10,000,000 | 362470AC0 | 3-Mar-06 | 12-Nov-45 | 200 | GSC ABS CDO Ltd | SDB980001418 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |
| GSCSF 2005-1A | A3 | 10,000,000 | 10,000,000 | 362470AC0 | 23-Feb-06 | 12-Nov-45 | 200 | GSC ABS CDO Ltd | SDB980001553 | DeutscheLDN-Dealer (GSI, London, Deutsche Bank AG) |

**Confidential Treatment Requested by Goldman Sachs**

**LB 10: What does the term "financially sound" mean?**

Goldman Sachs interpreted Question 10 posed to Mr. Blankfein to request information on instances in which the firm accepted CDS termination payments from "financially sound" counterparties in an amount that was less than what the firm believed that it was contractually entitled to receive. By "financially sound," Goldman Sachs meant counterparties that were solvent.

**Supplemental Response Received From Goldman Sachs**



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# ATTACHMENT 18

GOLDMAN SACHS/LLOYD BLANKFEIN
RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD

PSI_QFR_GS0407

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Estimated Balance Sheet
Trade Date Net Inventory
For the fiscal months ended Jan 2007 through Dec 2008

GS MBS 0000038857

## Footnote Exhibits - Page 2651

COMMON EQUITY
NET MARKET VALUE

| Issuer/Entity | Jan-07 | Feb-07 | Mar-07 | Apr-07 | May-07 | Jun-07 | Jul-07 | Aug-07 | Sep-07 | Oct-07 | Nov-07 | Dec-07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AIG | (40,361,868) | 8,996,258 | 34,931,751 | 74,897,195 | 17,082,191 | (2,200,480) | (32,089,819) | (71,152,781) | (4,718,948) | 100,404,644 | 22,774,262 | 143,900,634 |
| Lehman Brothers | 6,172,696 | 33,529,468 | (20,402,080) | (23,334,402) | 11,025,127 | (25,749,419) | (7,523,548) | 4,655,288 | 49,045,417 | 48,991,887 | (5,730,021) | 46,400,442 |
| National City | (18,115,600) | 852,187 | 21,749,716 | (47,417,564) | (5,588,483) | (39,181,931) | (22,248,762) | (62,487,064) | (38,757,800) | (47,397,171) | (34,742,557) | (15,413,620) |
| New Century | (587,974) | (1,461,536) | 87,552 | (116,138) | (97,781) | (106,712) | (87,157) | (3,797) | (3,913) | (3,212) | 1,379 | 2,180 |
| Washington Mutual | (79,428,934) | (69,627,423) | (27,952,971) | (33,539,184) | (52,664,569) | (82,204,816) | (87,129,870) | (70,288,499) | (41,338,807) | (89,999,984) | (86,297,323) | (112,704,563) |
| Merrill Lynch | (21,820,456) | (2,802,982) | (107,915,681) | (122,298,491) | (99,428,278) | (73,309,687) | 15,375,874 | 19,798,845 | 27,070,972 | 89,480,430 | 244,851,016 | 320,809,436 |
| Bear Stearns | 6,185,217 | 4,824,737 | (22,062,543) | (33,027,433) | (13,381,446) | (33,249,879) | (11,536,760) | (17,889,011) | (4,127,545) | 4,778,665 | (84,043,658) | (7,633,570) |
| Fremont | 2,900,528 | (3,872,606) | (2,167,828) | (4,055,722) | (6,656,890) | (7,680,804) | (8,342,405) | (3,587,919) | (3,066,560) | (2,197,351) | (1,825,234) | (2,980,910) |



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# Footnote Exhibits - Page 2652

Extended Balance Sheet
Trade Date Net Inventory
For the Fiscal months ended Jan 2009 through Dec 2009

GS MBS 6000016857

COMMON EQUITY
NET MARKET VALUE

| Issuer/Entity | Jan-09 | Feb-09 | Mar-09 | Apr-09 | May-09 | Jun-09 | Jul-09 | Aug-09 | Sep-09 | Oct-09 | Nov-09 | Dec-09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AIG | 12,427,744 | (143,958,799) | (268,549,320) | (147,833,141) | (64,456,954) | 8,176,442 | 10,886,611 | 42,845,913 | 42,845,913 | (1,128,719) | 1,427,543 | 2,870,111 |
| Lehman Brothers | 14,295,697 | 11,747,870 | 20,316,009 | 37,272,543 | (1,954,504) | 33,716,643 | 26,097,554 | 10,314,499 | 10,314,499 | 74,537 | 74,537 | 13,265 |
| Hallmark City | (45,451,535) | 12,664,979 | 24,722,457 | (3,107,300) | (12,113,434) | 2,170,022 | (49,440,009) | (61,245,402) | (61,245,402) | 8,454,454 | 16,705,454 | 14,131,038 |
| New Century | 2,481 | 1,771 | 964 | 1,976 | 9,837 | 3,047 | 2,331 | 799 | 799 | 799 | 799 | 799 |
| Washington Mutual | (143,407,463) | (97,755,139) | (16,983,337) | (111,793) | (37,451,824) | (79,418,408) | (13,329,314) | 421,316 | 421,316 | 1,189,237 | 1,164,132 | 764,779 |
| Merrill Lynch | 279,383,371 | 215,071,141 | 156,772,478 | 180,011,402 | 144,971,212 | 284,150,066 | 212,550,466 | 266,696,833 | 250,894,618 | 74,525,798 | 97,464,645 | 27,548,504 |
| Bear Stearns | 4,884,899 | 6,855,936 | 5,927,404 | 6,142,321 | 7,977,187 | - | - | - | - | - | - | - |
| Fremont | (2,488,179) | (1,158,245) | (919,137) | (2,072) | (6,501) | (7,172) | 154,739 | 142,473 | 142,473 | 33,102 | 13,180 | 134,913 |



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**Supplemental Response Received From Goldman Sachs**

**LB 11: GS MBS 0000038857 lists a positions of (84,043,658) for Bear Stearns in November 2007. Is this correct? If so, please explain the variation.**

The data included in GS MBS 0000038857 lists Goldman Sachs' net common stock positions in several companies, including Bear Stearns, held in Goldman Sachs' inventory accounts that were included in the firm's balance sheet for each fiscal month-end during 2007 and 2008. At the end of November 2007, these Goldman Sachs' accounts had a short position of $84,043,658 in Bear Stearns common stock. This varied from the firm's common stock positions in Bear Stearns for both the preceding month (October 2007) and the following month (December 2007). Goldman Sachs' net cash position in Bear Stearns common stock became shorter in November 2007 relative to October 2007 by approximately $89 million, and became longer in December 2007 relative to November 2007 by approximately $76 million. In both instances, Goldman Sachs' equity franchise desk's exposure to Bear Stearns common stock changed in order to hedge equity derivative exposure to Bear Stearns.



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# ATTACHMENT 19



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Proprietary Trading Business Units
Common Equity Activity for 2007 - 2008 [1] [2] [3]

| | Buy | | Sell | | Net Total | |
|---|---|---|---|---|---|---|
| | Shares | Proceeds | Shares | Proceeds | Shares | Proceeds |
| **AIG** | | | | | | |
| Common | 1,967,000 | (108,814,154) | (1,757,000) | 94,322,751 | 210,000 | (14,491,403) |
| 2007 - Q1 | 420,000 | (29,236,320) | (210,000) | 14,798,770 | 210,000 | (14,437,550) |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | 515,000 | (34,371,244) | (515,000) | 33,431,818 | - | (939,426) |
| 2007 - Q4 | 70,000 | (4,875,500) | (70,000) | 4,856,575 | - | (18,925) |
| 2008 - Q1 | 685,000 | (32,107,313) | (685,000) | 33,352,857 | - | 1,245,343 |
| 2008 - Q2 | 127,000 | (5,001,672) | (127,000) | 4,829,021 | - | (172,651) |
| 2008 - Q3 | 150,000 | (3,222,105) | (150,000) | 3,053,911 | - | (168,194) |
| 2008 - Q4 | - | - | - | - | - | - |
| **BEAR STERNS** | | | | | | |
| Common | 873,325 | (104,799,851) | (828,925) | 95,940,356 | 46,400 | (7,859,195) |
| 2007 - Q1 | 134,750 | (21,347,768) | (78,150) | 11,900,492 | 56,600 | (9,447,274) |
| 2007 - Q2 | 107,900 | (15,740,982) | (139,500) | 20,741,528 | (31,600) | 5,000,566 |
| 2007 - Q3 | 386,275 | (43,844,635) | (309,500) | 35,653,053 | 56,775 | (7,991,581) |
| 2007 - Q4 | 214,400 | (20,743,442) | (133,200) | 13,432,321 | 81,200 | (7,311,121) |
| 2008 - Q1 | 50,000 | (3,323,047) | (165,575) | 15,213,263 | (115,575) | 11,890,216 |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **FREMONT** | | | | | | |
| Common | 320,000 | (3,060,677) | (277,700) | 2,344,460 | 42,300 | (716,117) |
| 2007 - Q1 | 320,000 | (3,060,677) | (277,700) | 2,344,460 | 42,300 | (716,117) |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **LEHMAN BROTHERS** | | | | | | |
| Common | 6,677,720 | (282,718,330) | (6,351,320) | 270,026,143 | 326,400 | (12,692,187) |
| 2007 - Q1 | 606,000 | (38,732,388) | (623,000) | 46,893,773 | (118,000) | 8,161,386 |
| 2007 - Q2 | 474,500 | (35,292,549) | (444,000) | 34,214,776 | 30,500 | (1,077,773) |
| 2007 - Q3 | 928,400 | (57,615,259) | (603,500) | 37,304,350 | 324,900 | (20,310,910) |
| 2007 - Q4 | 655,100 | (40,545,386) | (864,900) | 51,318,101 | (209,800) | 10,772,734 |
| 2008 - Q1 | 887,100 | (35,755,001) | (957,200) | 42,396,663 | (70,100) | 6,641,662 |
| 2008 - Q2 | 1,860,000 | (84,145,239) | (1,805,000) | 49,411,718 | 55,000 | (14,733,521) |
| 2008 - Q3 | 1,313,720 | (10,228,258) | (1,053,720) | 8,488,763 | 260,000 | (1,741,495) |
| 2008 - Q4 | 53,900 | (404,250) | - | - | 53,900 | (404,250) |
| **MERRILL LYNCH** | | | | | | |
| Common | 3,556,873 | (222,613,947) | (3,429,913) | 1216,888,677 | 127,860 | (5,825,270) |
| 2007 - Q1 | 253,000 | (17,213,241) | (112,800) | 10,506,753 | 140,200 | (6,706,488) |
| 2007 - Q2 | 407,300 | (36,508,423) | (528,100) | 47,538,146 | (120,800) | 11,029,723 |
| 2007 - Q3 | 876,700 | (66,177,260) | (932,100) | 70,606,465 | (56,400) | 4,429,205 |
| 2007 - Q4 | 656,500 | (43,839,428) | (496,000) | 30,414,940 | 160,500 | (13,424,489) |
| 2008 - Q1 | 459,773 | (20,750,331) | (883,773) | 39,609,613 | (424,000) | 18,859,282 |
| 2008 - Q2 | 783,600 | (32,301,991) | (349,837) | 13,765,657 | 413,763 | (18,536,434) |
| 2008 - Q3 | 133,500 | (5,283,173) | (126,303) | 4,547,105 | 7,197 | (736,069) |
| 2008 - Q4 | 7,200 | (540,000) | - | - | 7,200 | (540,000) |
| **NATIONAL CITY** | | | | | | |
| Common | 5,025,000 | (92,099,295) | (4,650,000) | 73,894,000 | 375,000 | (18,204,295) |
| 2007 - Q1 | 375,000 | (13,910,213) | - | - | 375,000 | (13,910,213) |
| 2007 - Q2 | 275,000 | (9,383,000) | (550,000) | 19,358,868 | (275,000) | 9,975,868 |
| 2007 - Q3 | 475,000 | (14,113,594) | (600,000) | 15,346,627 | (125,000) | 1,232,933 |
| 2007 - Q4 | 1,200,000 | (29,002,423) | (800,000) | 19,604,486 | 400,000 | (9,397,937) |
| 2008 - Q1 | 75,000 | (5,201,428) | (75,000) | 5,062,257 | - | (139,171) |
| 2008 - Q2 | 2,625,000 | (20,487,637) | (805,000) | 8,471,647 | 1,820,000 | (12,015,990) |
| 2008 - Q3 | - | - | (1,820,000) | 5,050,216 | (1,820,000) | 5,050,216 |
| 2008 - Q4 | - | - | - | - | - | - |
| **WASHINGTON MUTUAL** | | | | | | |
| Common | 6,629,768 | (124,386,393) | (6,399,768) | 134,402,215 | 230,000 | 10,015,822 |
| 2007 - Q1 | 350,000 | (15,093,645) | (330,000) | 14,700,512 | 20,000 | (393,134) |
| 2007 - Q2 | 225,000 | (9,834,878) | (115,000) | 4,921,315 | 110,000 | (4,913,563) |
| 2007 - Q3 | 770,000 | (27,634,841) | (1,070,000) | 40,067,569 | (300,000) | 12,432,729 |
| 2007 - Q4 | 2,011,700 | (45,191,947) | (1,611,700) | 43,809,933 | 400,000 | (1,382,014) |
| 2008 - Q1 | 2,173,068 | (26,379,221) | (2,173,068) | 30,667,360 | - | 4,288,139 |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | 100,000 | (251,862) | (100,000) | 235,527 | - | (16,336) |
| 2008 - Q4 | - | - | - | - | - | - |

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Proprietary Trading Business Units
Option Activity for 2007 - 2008 [1] [2] [3]

| | Buy | | Sell | | Net Total | |
|---|---|---|---|---|---|---|
| | Contracts | Proceeds | Contracts | Proceeds | Contracts | Proceeds |
| **AIG** | | | | | | |
| **Calls** | | | | | | |
| 2007 - Q1 | - | - | - | - | - | - |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **Puts** | 1,000 | (188,591) | (750) | 613,420 | 250 | 447,829 |
| 2007 - Q1 | - | - | - | - | - | - |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | 1,000 | (188,591) | - | - | 1,000 | (188,591) |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | (750) | 613,420 | (750) | 613,420 |
| 2008 - Q4 | - | - | - | - | - | - |
| **BEAR STERNS** | | | | | | |
| **Calls** | 500 | (222,500) | (1,350) | 157,500 | (850) | (65,000) |
| 2007 - Q1 | - | - | (350) | 52,500 | (350) | 52,500 |
| 2007 - Q2 | 500 | (222,500) | - | - | 500 | (222,500) |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | (1,000) | 105,000 | (1,000) | 105,000 |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **Puts** | 1,250 | (606,723) | (6,350) | 6,419,352 | (4,100) | 5,812,630 |
| 2007 - Q1 | 500 | (124,300) | (1,850) | 2,268,002 | (1,350) | 2,143,702 |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | 500 | (480,000) | (750) | 2,067,600 | (250) | 1,587,600 |
| 2007 - Q4 | - | - | (1,250) | 468,750 | (1,250) | 468,750 |
| 2008 - Q1 | 250 | (2,423) | (1,500) | 1,615,000 | (1,250) | 1,612,578 |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **FREMONT** | | | | | | |
| **Calls** | 500 | (60,000) | (500) | 8,750 | - | (51,250) |
| 2007 - Q1 | 500 | (60,000) | (500) | 8,750 | - | (51,250) |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **Puts** | 2,050 | (288,904) | (4,000) | 2,349,000 | (1,950) | 2,060,096 |
| 2007 - Q1 | 2,050 | (288,904) | (4,000) | 2,349,000 | (1,950) | 2,060,096 |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **LEHMAN BROTHERS** | | | | | | |
| **Calls** | 11,590 | (2,755,828) | (10,590) | 1,932,141 | 1,000 | (823,687) |
| 2007 - Q1 | 690 | (127,573) | (690) | 96,600 | - | (30,973) |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | 6,200 | (1,907,792) | (5,200) | 1,489,953 | 1,000 | (417,839) |
| 2008 - Q3 | 4,700 | (720,463) | (4,700) | 345,588 | - | (374,875) |
| 2008 - Q4 | - | - | - | - | - | - |
| **Puts** | 34,890 | (4,495,726) | (35,640) | 4,365,599 | (550) | (130,127) |
| 2007 - Q1 | 21,000 | (1,112,825) | (20,000) | 1,450,000 | 1,000 | 337,175 |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | (750) | 330,000 | (750) | 330,000 |
| 2008 - Q2 | 8,950 | (2,685,650) | (8,250) | 1,607,696 | 700 | (1,077,954) |
| 2008 - Q3 | 5,040 | (697,251) | (6,640) | 977,903 | (1,600) | 280,652 |



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## Footnote Exhibits - Page 2657

| | Buy | | Sell | | Net Total | |
|---|---|---|---|---|---|---|
| | Contracts | Proceeds | Contracts | Proceeds | Contracts | Proceeds |
| 2008 - Q4 | - | - | - | - | - | - |
| **MERRILL LYNCH** | | | | | | |
| Calls | 360 | (129,169) | (1,460) | 268,400 | (1,100) | 139,231 |
| 2007 - Q1 | 360 | (129,169) | (460) | 168,400 | (100) | 39,231 |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | (1,000) | 100,000 | (1,000) | 100,000 |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| Puts | 13,600 | (8,220,271) | (14,037) | 7,382,625 | (437) | 4,162,264 |
| 2007 - Q1 | 7,000 | (1,149,910) | (2,100) | 1,074,000 | 4,900 | (75,910) |
| 2007 - Q2 | 1,500 | (285,300) | (3,500) | 1,235,000 | (2,000) | 949,700 |
| 2007 - Q3 | 1,100 | (953,500) | (2,500) | 1,207,500 | (1,400) | 254,000 |
| 2007 - Q4 | - | - | (2,500) | 2,695,000 | (2,500) | 2,695,000 |
| 2008 - Q1 | 2,000 | (550,000) | (2,237) | 646,025 | (237) | 96,025 |
| 2008 - Q2 | 1,000 | (155,731) | - | - | 1,000 | (155,731) |
| 2008 - Q3 | 1,000 | (128,830) | (1,200) | 525,000 | (200) | 399,170 |
| 2008 - Q4 | - | - | - | - | - | - |
| **NATIONAL CITY** | | | | | | |
| Calls | - | - | - | - | - | - |
| 2007 - Q1 | - | - | - | - | - | - |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| Puts | - | - | - | - | - | - |
| 2007 - Q1 | - | - | - | - | - | - |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| **WASHINGTON MUTUAL** | | | | | | |
| Calls | - | - | - | - | - | - |
| 2007 - Q1 | - | - | - | - | - | - |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | - | - | - | - | - | - |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |
| Puts | 26,000 | (1,011,885) | (10,000) | 1,444,000 | 16,000 | 432,315 |
| 2007 - Q1 | 6,000 | (592,500) | - | - | 6,000 | (592,500) |
| 2007 - Q2 | - | - | - | - | - | - |
| 2007 - Q3 | - | - | - | - | - | - |
| 2007 - Q4 | - | - | - | - | - | - |
| 2008 - Q1 | 20,000 | (419,185) | (10,000) | 1,444,000 | 10,000 | 1,024,815 |
| 2008 - Q2 | - | - | - | - | - | - |
| 2008 - Q3 | - | - | - | - | - | - |
| 2008 - Q4 | - | - | - | - | - | - |

(1) Long Beach was a private subsidiary of Washington Mutual and we are not aware of trades on any public exchanges on a stand alone basis.
(2) There was no activity we are aware of for New Century during this time frame on any public exchange.
(3) We have not identified any futures trading activity on the CME for these financial names.

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**LB 11(b): What proprietary units were involved in the trades outlined in GS MBS 0000038753?**

Goldman Sachs has certain business units that solely engage in proprietary trading activities and are not customer facilitation in nature. These business units are principal equity strategies, credit principal investing and macro proprietary trading businesses.

**Supplemental Response Received From Goldman Sachs**



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# ATTACHMENT 20



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66051.403

# POLICY FOR APPROVING NON-CORE TRADING PRODUCTS AND TRADING FLOW CHANGES

**Effective Date: June 1, 2005**
**For: All Equities and FICC Franchise Traders**

In the normal course of business, franchise desk traders may need to trade products outside of their primary markets. In order to ensure the non-core trading is in line with division objectives and the appropriate control infrastructure is established, approval is required.

The Equities and FICC Divisions have adopted the following policy for franchise desks to ensure an adequate assessment of all requests to trade outside primary markets and/or to add positions in similar products. Supporting these opportunities can result in changes to the existing trading flow, as well as create unique or additional firm, regulatory, legal or compliance requirements.

This policy applies globally to all Equities and FICC requests.

## *A. Required Approvals*

**Trading positions in similar products.** Franchise and/or flow traders are expected to only trade products which fall within the scope of their primary markets. Primary markets in this case would mean products for which the trader has market making responsibility, though it is permissible for traders to take positions in similar products. For example, a yen trader may have positions in the euro. Business approval as specified in this policy is not required for this case. However, if infrastructure changes are needed (different trade entry system, new trading account, etc.) by taking positions in similar products, then an infrastructure review (as noted below) is required.

**Hedging.** It is understood that more efficient hedging vehicles may exist in markets completely different from the underlying franchise products. For example, a trader making markets in oil shares may want to hedge their positions with oil swaps. In these cases, business approval and infrastructure review is required.

**Trading products outside the scope of primary markets.** Occasionally, traders may want to trade products falling outside their primary markets. While this sort of non-core trading is generally discouraged, traders may seek permission by following the approval procedure. Business approval and infrastructure review is required.

## *B. Business Approval*

For hedging and trading products outside the scope of primary markets, the desk supervisor must receive prior approval from both the Divisional Risk Manager and a FICC-Equities Operating Committee member. Requests for business approval should be provided in writing to the Divisional Risk Manager, Legal and Compliance and include the following:

- A description of the non-core product to be traded
- List of impacted trading flows / systems
- A description of any unique requirements or constraints

## *C. Infrastructure Review*

Upon receipt of business approval, the trader is required to engage their appropriate support area contacts, complete an Infrastructure Control Assessment and inform their regional New Products Committee.



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Traders are required to work with representatives from Trading Technology, Legal, Compliance, Market Risk Management Analysis, Strategies, Controllers and Operations to complete the checklist.

Please refer to Annex A for a list of the Divisional Risk Managers and regional New Products Committees and Annex B for an example of the Infrastructure Control Checklist.

Once complete, the checklist will be reviewed by the appropriate regional New Products Committee to ensure all appropriate impact areas are addressed and assist the desk in making sure the necessary infrastructure changes are implemented and issues are resolved.

### *D. Implementation*

The desk is responsible for ensuring that all approvals and infrastructure control action items are completed prior to the start of trading.



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[redacted] = Redacted by the Permanent Subcommittee on Investigations

# ANNEX A

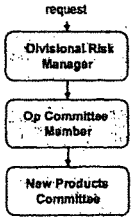
**Divisional Risk Managers**

| | | |
|---|---|---|
| | Bill McMahon | (212) [redacted] |
| | Bruce Petersen | (212) [redacted] |
| | Ed Wilson | (212) [redacted] |

**New Products Committees**

| | | |
|---|---|---|
| **Americas** | **New Products Committee** | |
| | Barry Goldman | (212) [redacted] |
| | Dirk Kranenburg | (212) [redacted] |
| | Walter Wanga | (212) [redacted] |
| **Tokyo** | **Business Opportunity Review Group** | |
| | Craig Crossman | 8 [redacted] |
| | Catherine Wedgbury | 8 [redacted] |
| | Kent Garneau | 8 [redacted] |
| **Hong Kong** | **Asia ex-Japan New Business Initiative Committee** | |
| | Craig Crossman | 8 [redacted] |
| | Ian Clay | 8 [redacted] |
| | Samantha Yang | 8 [redacted] |
| **Europe** | **European New Business Initiative Committee** | |
| | Robert Charnley | 8 [redacted] |
| | Stephen Davies | 8 [redacted] |

**Approval Chain**



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# ANNEX B

The following is an example of the Infrastructure Control Checklist:

**Infrastructure Control Checklist** (draft)
*New Business / Non Core Trading and Trading Flow Changes*

Prior to trading products outside primary markets (including for hedging purposes), implementing infrastructure changes or introducing new customer flow and execution venues, Business Managers are required to engage their Regional New Products Committee to complete the following Infrastructure Control Checklist.

The purpose of the checklist is to ensure the appropriate infrastructure is in place to enable compliance with all regulatory and firm controls.
Please return all completed checklists to your respective Regional New Products Committee.

| Key Control Requirement | Key Control Point | Key Control Checklist (Please check all that apply. (Not an exhaustive list.) | Key Control Sign-Off (Name) | Title/Group |
|---|---|---|---|---|
| Capture client & execution details accurately | Sales / Customer Trade Booking | Capture new product knowledge | | Head of Sales Desk |
| | | Ensure orders match executions | | |
| | | Ensure client/commission schedules/ allocation mechanism are configured | | |
| | | Investigate & understand all applicable rules and regulations that apply for all new activity | | |
| | | Ensure sales people are registered accordingly to conduct all required activity | | |
| | | Ensure trade entry of economic fields are captured completely & accurately | | |
| | Trading | Capture new product knowledge | | Head of Trading Desk |
| | | Ensure orders match execution | | |
| | | Ensure new accounts / agg units are properly configured | | |
| | | Investigate & understand all applicable rules and regulations(including regulatory capital requirements) that apply for all new activity | | |
| | | Ensure traders are registered accordingly to conduct all required activity | | |
| | | Ensure trade entry of economic fields are captured completely & accurately | | |
| | Front Office Systems | Ensure adequate performance and capacity | | Trading Technology |
| | | Ensure necessary exchange connectivity has been established | | |
| | | Ensure additional system access does not compromise the integrity of information barrier controls | | |
| | | Review of system architecture | | |
| Satisfy all trading, position and transaction reporting requirements | Regulatory Reporting / Compliance | Define regulatory and compliance requirements for new products | | Compliance, Regulatory Reporting |
| | | All necessary training and competency requirements have been completed. | | Compliance |
| | | Automated capture & alerts for outliers | | Legal |
| | | Supervision over manual processing & date to automate process | | ERO Operations |
| Reflect position, risk and P&L accurately with B&R | Position Management | Ensure proper product set-up/ mappings | | Head of Trading Desk |
| | | Trading systems provide real time feeds | | |
| | | Trading & Risk Management systems use an approved model and booking is in compliance w/ the firm policy | | |
| | Risk Reporting | Ensure risk is correctly captured in B&R | | Market Risk Mgmt Analysis |
| | Risk Management | Define notional / sovereign limits | | Strats |
| | | Alerts for outliers | | |
| | | Independent feed of risk analytics to MRMA & Div. Risk | | Market Risk Mgmt Analysis |
| | | Credit Risk Management due diligence | | |
| | | System displays aggregated risk management data for all products | | |
| | P&L Reporting | Traders P&L adjustments to B&R correlate to Trade Support break resolution | | Controllers |
| | | Accurate pricing | | |
| Establish automatic links to trade processing systems to ensure fully & accurately configured trades are passed to downstream systems | Trade Booking | Ensure straight-thru processing | | Core Operations |
| | | Accurate figuration of proceeds & middle monies | | |
| | | Trade event monitoring/notifications/processing agreed and understood | | |
| | Trade Completion | Establish mandatory enrichments from common reference data | | ETM Operations |
| | Settlements | Ensure proper payment & settlement instructions are appended to the transaction | | Core Operations |
| | | | | ETM Operations |
| | Core Technology | Ensure adequate performance and capacity | | Core Technology |
| | | Ensure necessary connectivity has been established | | |
| | | Appropriate system entitlements in place (as needed) | | |
| | | Review of system architecture | | |



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GS MBS 0000038677
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# ATTACHMENT 21



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# KNOW YOUR CUSTOMER: SUITABILITY AND AUTHORITY

**Effective Date: March 31, 2005 (revised from July 1996)**
**For: FICC Division**

Sales and trading personnel have an obligation to "know their customers" before recommending or entering into any securities transaction. This obligation includes the duty to exercise due diligence to learn the essential facts regarding the customer and the customer's orders and accounts.

Under GS&Co. policy and applicable regulations, before recommending a securities transaction to a customer, sales and trading personnel must determine that the transaction is suitable for the customer. In addition, the firm must determine that a customer has provided sufficient evidence of its authority to enter into a transaction (whether the transaction is recommended or not).

In addition to considering suitability and authority issues in the context of each securities transaction, you should observe the general trading patterns of each customer and recognize any trading activity which is unusual for a customer because of the size of the trades, the securities or markets involved, or any other reason. You should also be aware of market "rumors" about customers that may raise suitability or authority concerns.

Sales managers should regularly review sales activity for potential suitability problems. Sales and trading personnel should bring to the attention of a sales manager any unusual transactions, changes in client conditions or characteristics, significant losses experienced by customers, or other events that may affect the suitability of securities for a customer.

For a discussion of suitability requirements for transactions in municipal securities, see the policies and procedures memorandum entitled Municipal Securities.

For information regarding the documentation and other requirements and procedures applicable to opening new accounts, see the policies and procedures memorandum entitled Documentation.

In addition, various regulatory requirements may apply to the firm's communications with customers generally or in connection with specific securities. See the policies and procedures memorandum entitled Customer Communications/Correspondence.

## *A. Suitability/Know Your Customer Requirements*

Traders and salespersons must comply with general "know your customer" and suitability requirements established by securities self-regulatory organizations, including the NYSE and the NASD.

Sales and trading personnel should be prepared to explain the basis for their suitability determinations and should consider, in consultation with their managers, whether to document such determinations in special or unusual circumstances.

### 1 Reasonable-Basis Suitability

The firm must have a reasonable basis to believe that the securities it recommends are suitable for at least some customers, based on a careful review and understanding of the terms and conditions of the securities being offered. In



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other words, the firm must have a reasonable basis to believe that the of fered securities are reasonably suitable for investment in general. Of course, sales and trading personnel must always understand the relevant features of any securities in which they are trading, including the potential risks and rewards, so that they are in a position to conduct an appro priate suitability analysis.

The concept of a "recommendation" is discussed in Section A.3 below. See also Section A.5 (regarding "non-conventional investments") and Section A.6 (regarding options).

**2. Customer-Specific Suitability/Know Your Customer Requirement**

In addition, in recommending any securities transaction to any particular customer (whether institutional or otherwise), sales and trading personnel must, under NASD Rule 2310, have reasonable grounds for believing that the recommendation is suitable for the customer. This determination must be based on facts, if any, that have been disclosed by such customer regarding the customer's other security holdings and regarding the customer's financial situation and needs. The concept of a "recommendation" is discussed in Section A.3 below.

The NASD has cautioned against relying too heavily on a customer's financial status as a basis for making a recommendation, since a customer's net worth alone is not necessarily determinative of whether a particular security is suitable for that investor.

The NYSE's "know your customer" requirement under Rule 405 also requires that the firm use diligence to learn the essential facts relative to every customer, every order, every cash or margin account accepted or carried by the firm, and every person holding power of attorney over any account accepted or carried by the firm. The country of which a customer is a citizen is deemed to be an "essential fact."

(a) "Institutional Customers"

If a customer is an "institutional customer," that is, **any entity other than a natural person,** the obligation under NASD Rule 2310 to determine that a recommendation is suitable for the particular customer is fulfilled when a broker-dealer has reasonable grounds to conclude that:

- The customer is capable of independently evaluating investment risk.

AND

- The customer is making independent investment decisions.

Note, however, that the NASD has indicated that this guidance is more appropriately applied to customers with at least $10 million invested in securities. Where a customer has delegated decision-making authority to an agent, such as an investment advisor or a bank trust department, the obligations discussed under this section apply with respect to the agent.

(i) Capability to Evaluate Risk Independently

Sales and trading personnel should consider, based on the inf ormation available to them, the customer's capability to evaluate investment risk, including the resources available to the customer to make informed decisions. If a customer is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate a particular



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security, then the firm's customer-specific suitability obligation is not diminished by the fact that the member is dealing with an institutional customer.

Relevant considerations in determining capability to evaluate investment risk independently could include:

- The use of one or more consultants, investment advisers, or bank trust departments.
- The general level of experience of the institutional customer in financial markets and specific experience with the type of security under consideration.
- The customer's ability to understand the economic features of the security involved.
- The customer's ability to independently evaluate how market developments would affect the security.
- The complexity of the securities involved.

(ii) Exercise of Independent Judgment

Sales and trading personnel may conclude that a customer is exercising independent judgment if the customer's investment decision will be based on its own independent assessment of the opportunities and risks presented by the potential transaction, market factors, and other investment considerations.

A determination that a customer is making independent investment decisions depends on the nature of the relationship between the member and the customer. Relevant considerations could include:

- Any written or oral understanding that exists between the member and the customer regarding the nature of the relationship between the member and the customer and the services to be rendered by the member.
- The presence or absence of a pattern of acceptance of the member's recommendations.
- The use by the customer of ideas, suggestions, market views, and information obtained from other members or market professionals, particularly those relating to the same type of securities.
- The extent to which the member has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

(b) Customers with Less than $50 Million in Assets

Under NASD Rule 2310(b), in the case of a transaction recommended to any customer (whether a natural person or otherwise) with total assets of under $50 million, sales and trading personnel must, prior to execution, make a reasonable effort to obtain information concerning:

- The customer's financial status.
- The customer's tax status.



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- The customer's investment objectives.
- Such other information used or considered to be reasonable by sales and trading personnel in making recommendations to the customer.

This requirement does not apply to:

- A bank, savings and loan association, insurance company, or registered investment company.
- An investment adviser registered either with the SEC under Section 203 of the Advisers Act or with a state securities commission (or agency or office performing like functions).

(c) Individuals

Individual customers may be less sophisticated and less able to bear any losses from risky securities. Reasonable efforts should be made to obtain from these customers information regarding their financial background and objectives, and special caution should be exercised to determine the suitability of any securities for these customers in light of such information.

Even if a customer seeks to engage in, or has previously engaged in, highly speculative or otherwise aggressive trading, sales and trading personnel have a duty to refrain from making recommendations that are incompatible with the customer's financial profile and interests.

The NASD has expressed concern that some individual investors may not understand the risks and costs associated with bonds and bond funds, and has reiterated the responsibility of broker-dealers to take appropriate steps to ensure that their customers understand the risks, costs, and benefits of these securities.

**3. "Recommendations"**

The NASD's customer-specific suitability requirements apply only where the firm recommends a securities transaction to a customer. Whether a particular transaction is in fact "recommended" depends on an analysis of all the relevant facts and circumstances.

- The suitability rule ordinarily would not apply when the firm acts solely as an "order-taker" for customers who, on their own initiative, effect transactions without a recommendation from the firm.
- On the other hand, a broad range of circumstances may cause a transaction to be considered recommended; this determination does not depend on whether the salesperson classifies the trade as "solicited" or "unsolicited," nor does it depend on the mode of communication between the trader or salesperson and the customer.
- The NASD has stated more generally that an important factor is whether, in view of its content, context, and manner of presentation, a particular communication to a customer reasonably would be viewed as a "call to action" or suggestion that the customer engage in a securities transaction.
- In general, the more individually tailored the communication to a specific customer or a targeted group of customers about a security or group of



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securities, the greater the likelihood that the communication may be viewed as a "recommendation."

- The suitability rule applies to all "recommendations" made to customers via e-mail or other electronic communications, including customer-specific electronic communications encouraging the purchase of a security, or e-mails to customers stating they should be invested in securities from a particular sector and urging them to buy securities from a list with "buy" recommendations.
- Although the firm cannot avoid or disclaim away its suitability obligation (and a particular communication may be deemed a "recommendation" notwithstanding the use of a disclaimer), the firm may properly disclose to customers that information is not based on a customer's particular financial situation or needs, or that opinions or recommendations expressed in research do not take into account individual investors' circumstances and are not intended to represent "recommendations" of particular securities to particular customers.

The NASD has also found that when a broker effects transactions in an account over which it has discretion, the transactions are implicitly recommended. Additional NASD guidance addresses the circumstances in which various online services or products (e.g., Web sites with research or analytical tools) may entail a "recommendation." For further information regarding whether any activities may constitute a "recommendation," consult the Compliance or Legal Departments.

**4. Activities that May Raise Suitability or Other Issues**

The NASD has identified certain activities that may raise special suitability or other concerns, including:

- Excessive trading activity in a customer's account ("churning" or "overtrading"). Whether activity is excessive depends on the objectives and financial situation of the customer involved.
- Trading in mutual fund shares, particularly on a short-term basis.
- Recommending the purchase of securities in amounts inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.
- Recommending or accepting orders for new financial products — members must make every effort to familiarize themselves with each customer's financial situation, trading experience, and ability to meet the risks involved with such securities, and should make customers aware of the pertinent information regarding the securities.

Other activities that may be fraudulent or impermissible are discussed in the policies and procedures memorandum entitled 'Parking' and Other Impermissible Trading Activities.

**5. Non-Conventional Investments**

The NASD has expressed concern that investors, particularly retail investors, may seek greater yields or returns through what the NASD has termed "non-conventional investments" ("NCIs") without fully understanding the risks associated with these securities. For these purposes, NCIs include, among other securities, asset-backed securities, equity-linked notes, index-linked notes, non-



Confidential Treatment
Requested by Goldman Sachs



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traded REITs, multi-callable step up notes, redeemable secured notes, auction rate preferred securities, principal protected index-linked CDs, distressed debt, derivative products, and emerging market debt securities. The NASD has noted that NCIs may entail significant credit risks that are difficult to understand and assess, may have less market liquidity, and may have less transparency as to their pricing and value.

The NASD has noted that members should perform appropriate due diligence to ensure they understand the nature of an NCI, as well as the potential risks and rewards associated with it, in order to make a "reasonable-basis" suitability analysis (see Section A.1 above) — even if the security is intended only for institutional investors. The type of due diligence investigation that is appropriate will vary from security to security, but certain common features that sales and trading personnel should understand include, but are not limited to:

- The liquidity of the security.
- The existence of a secondary market and the prospective transparency of pricing in any secondary market transactions.
- The creditworthiness of the issuer.
- The creditworthiness and value of any underlying collateral.
- Where applicable, the creditworthiness of the counterparties.
- Principal, return, and/or interest rate risks and the factors that determine those risks.
- The tax consequences of the security.
- The costs and fees associated with purchasing and selling the security.

Broker-dealers may in good faith rely on representations concerning an NCI contained in a prospectus or disclosure document, but reliance on such materials alone may be insufficient where the materials do not provide sufficient information to fully evaluate the security's risks.

In addition, sales and trading personnel must make the types of customer-specific suitability determinations described in Section A.2 above when recommending an NCI to a customer.

**6. Options on Fixed Income Securities**

Special suitability rules apply with respect to customers trading securities options. GS&Co. sales and trading personnel may not recommend any option transaction to a customer unless there are reasonable grounds for believing (based on information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by sales or trading personnel) that the recommended transaction is suitable for the customer.

In addition, sales or trading personnel may not recommend to the customer an opening transaction in an option contract unless the person making the recommendation has a reasonable basis for believing, at the time of the recommendation, that:

- The customer has such knowledge and experience in financial matters that the customer may reasonably be expected to be capable of evaluating the risks of the recommended transaction.



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AND

- The customer is financially able to bear the risks of the recommended position in the option contract.

For information regarding the special documentation and disclosure requirements and procedures applicable when opening new options accounts, see the policies and procedures memorandum entitled Documentation.

**7. Customers Subject to Specific Regulatory Regimes**

Recommendations made to customers subject to specific regulatory regimes may raise additional suitability concerns. In case of any questions or concerns regarding such customers, trading and sales personnel should contact the Compliance or Legal Departments.

(a) Employee Benefit Plans

It is especially important to "know your customer" when dealing with employee benefit plans. Such plans are usually subject to the Employee Retirement Income Security Act of 1974 ("ERISA") and the rules thereunder, as well as rules and guidelines adopted by trustees or governing boards. Under ERISA, a fiduciary of a plan (i.e., the person managing the plan's assets) must diversify the assets of the plan to prevent large losses and must discharge its investment duties "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. . . ." See the policies and procedures memorandum entitled Prohibited Transactions Under ERISA.

Although adherence to the "prudent man" rule cited above and other investment requirements under ERISA is primarily the responsibility of the pension plan's investment manager, salespersons and traders should be alert to circumstances indicating the need to raise questions with their manager or the Compliance or Legal Departments. You need to be sensitive to whether you believe the strategies are inconsistent with these basic duties. Other ERISA requirements discussed in the policies and procedures memorandum entitled Prohibited Transactions Under ERISA also may affect GS&Co.'s ability to enter into fixed income transactions with ERISA plans.

While public pension plans are not subject to ERISA, they are governed by state and local statutory schemes. These schemes vary greatly, sometimes including a "prudence" standard and at other times providing a list of prohibited and permitted investments. As in the case of ERISA plans, adherence to the investment standards applicable to public pension plans is primarily the responsibility of the investment manager for the plan. However, it is very important for GS&Co. that it not engage in any transaction with these plans that is prohibited by local law. GS&Co. is on constructive notice of these statutes, and there have been instances where broker-dealers have been held responsible in connection with transactions that have exceeded their authority. GS&Co. personnel should remain alert to circumstances indicating the need to raise questions with their manager or the Compliance or Legal Departments.



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(b) State and Municipal Counterparties

Special caution should be exercised when dealing with state and municipal entities, even when such counterparties are sophisticated investors and understand the risks involved in the transaction.

## *B. Power and Authority*

Before entering into a securities transaction, it is essential that the firm take appropriate measures to determine whether:

- A customer has the power, capacity and authority to enter into the proposed transactions (e.g., there are no legal or regulatory prohibitions against the customer entering into such transactions, such transactions are not prohibited under the customer's organizational or other constitutive documents, etc.)

AND

- The individuals with whom GS&Co. is dealing have authority to act for the customer in such transactions.

The appropriate measures to be taken will vary, depending both on the nature of the customer and the nature of the transaction. Factors which you should consider include whether your customer is acting as principal or agent, whether the proposed transaction falls within the institution's guidelines for permissible transactions, and whether the transaction is permitted by the regulators, if any, of that institution. In considering whether the individual with whom you are dealing has authority, you may look to evidence of actual authority or evidence of whether the person reasonably appears to have been given authority to act on behalf of the institution he or she purports to represent — e.g., whether the institution has held the individual out as having authority or has knowingly permitted the individual to act on its behalf.

Sales and trading personnel should contact the Compliance or Legal Departments if they have any doubts or questions regarding the power of a customer to enter into transactions or the authority of the individuals with whom they are dealing to act on behalf of the customer. Specific authority considerations for various categories of customers are discussed below.

### 1. Governments and Public-Sector Entities

It is especially important to consider whether state and local government entities, including public pension plans, have the power to enter into securities transactions and whether persons acting on behalf of such entities have obtained proper authorization. State and municipal organizations are often prohibited from engaging in certain types of transactions.

The power of an entity to enter into securities transactions generally flows from its charter and by-laws or, in some cases, the law under which it was created. Where sovereign or public-sector entities are concerned, a local or national constitution; charter or statute in the case of a public corporation; or investment management agreement, trust agreement, and related investment guidelines may also be relevant. Be aware, however, that while reviewing these documents is a necessary first step, the review should not end the inquiry. As additional protection, consider obtaining the opinion of counsel to the entity or including representations from the entity as to authority under applicable law in the transaction documents.



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**2. Cash or Margin Accounts; Agency, Estate or Trust Accounts**

NYSE requires that certain information related to power and authority be maintained by the firm in connection with certain cash or margin accounts carried by the firm and certain agency accounts. For further information regarding account documentation and related requirements, see the policies and procedures memorandum entitled Documentation. Note in particular that when estate or trust accounts are involved, the Legal Department should be consulted as to the documents that should be obtained.

**3. Financial Institutions**

All transactions with federally insured depository institutions (i.e., commercial banks, savings banks) must meet certain "written agreement" and related requirements to be enforceable. These requirements are less stringent in the case of "securities contracts," "forward contracts," "commodity contracts," "repurchase agreements," "swap agreements," and "fed funds" transactions. In addition, the Federal Financial Institutions Examinations Council and other regulatory agencies restrict the permissible transactions of depository institutions. Sales and trading personnel should contact the Compliance or Legal Departments if they have any doubts regarding whether a transaction with a financial institution meets the applicable "written agreement" requirements.

**4. ERISA Plans**

For further information regarding power and authority issues arising in connection with ERISA plans, consult the policies and procedure memorandum entitled Prohibited Transactions Under ERISA.

**5. Investment Companies**

Investment companies must be specifically authorized under their constitutive documents to enter into transactions with respect to the type of security involved. GS&Co. must also be a permissible counterparty under those documents.

**6. Insurance Companies**

Insurance companies are subject to state regulatory requirements that vary by jurisdiction. As a result, when entering into transactions with insurance companies, sales and trading personnel should exercise special care regarding applicable laws or regulations that may limit or regulate the ability of the company to engage in the transaction.



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**ATTACHMENT 22**

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**GOLDMAN SACHS/LLOYD BLANKFEIN**
**RESPONSES TO SUPPLEMENTAL QUESTIONS FOR THE RECORD**
PSI_QFR_GS0431

**Appendix A: Presentations Regarding the Firm's Compliance Program**

| Date | Prepared for | Document |
|---|---|---|
| Nov 2004 | Board | Global Compliance Function |
| Apr 2005 | Audit Committee | Global Compliance Update |
| Sep 2005 | Audit Committee | Update on CEO Certification (NASD Rule 3013) and Compliance and Surveillance Architecture |
| Nov 2005 | Audit Committee | NASD Rule 3013 Update |
| Mar 2006 | Audit Committee | NASD Rule 3013 Update |
| Sep 2006 | Audit Committee | Compliance Testing Group Initiative |
| Mar 2007 | Audit Committee | NASD Rule 3013 Update |
| Apr 2008 | Audit Committee | Global Compliance Update and CEO Compliance Certifications and Compliance Reports |
| Jan 2009 | Board | Compliance with CRMPG III Recommendations and Other Key Industry and Regulatory Reports |
| May 2009 | Audit Committee | Global Compliance Update, Certifications and Risk Management Program and Approval of Risk Management Program |

**Appendix B: Board and Board Committee Governance Activities**

| Date | Prepared for | Document |
|---|---|---|
| Jan 2004 | Board | Reapproval of Certain Governance Documents (Code of Business Conduct and Ethics, Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns) |
| Jan 2004 | Corp Gov Committee | Annual Review of Code of Business Conduct and Ethics |
| Jan 2004 | Audit Committee | Review of Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |
| Jan 2005 | Board | Approval of Amendment to Code of Business Conduct and Ethics |
| Jan 2005 | Board | Reapproval of Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |
| Jan 2005 | Corp Gov Committee | Annual Review of the Code of Business Conduct and Ethics and Recommendation to the Board of Proposed Amendments |
| Jan 2005 | Audit Committee | Review of Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |
| Jan 2006 | Board | Reapproval of Certain Governance Documents (Code of Business Conduct and Ethics, Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns) |
| Jan 2006 | Corp Gov Committee | Annual Review of Code of Business Conduct and Ethics |
| Jan 2006 | Audit Committee | Review of Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |
| Jan 2007 | Board | Approval of Amendments to the Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns) |
| Jan 2007 | Board | Reapproval of Certain Governance Documents (Code of Business Conduct and Ethics) |
| Jan 2007 | Corp Gov Committee | Annual Review of Code of Business Conduct and Ethics |
| Jan 2007 | Audit Committee | Recommendation to the Board of Proposed Amendments to the Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |
| Jan 2008 | Board | Reapproval of Certain Governance Documents (Code of Business Conduct and Ethics, Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns) |
| Jan 2008 | Corp Gov Committee | Annual Review of Code of Business Conduct and Ethics |
| Jan 2008 | Audit Committee | Annual Review of Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |



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| | | |
|---|---|---|
| Jan 2009 | Board | Reapproval of Certain Governance Documents (Code of Business Conduct and Ethics, Policy on Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns) |
| Jan 2009 | Corp Gov Committee | Annual Review of Code of Business Conduct and Ethics |
| Jan 2009 | Audit Committee | Annual Review of Reporting of Concerns Regarding Accounting and Other Matters and Policy Regarding Escalation to, and Retention by, the Audit Committee of Accounting Complaints and the Non-Management Directors of Other Concerns |
| May 2009 | Board | Approval of Amendment to Code of Business Conduct and Ethics |
| May 2009 | Corp Gov Committee | Recommendation to the Board of Proposed Amendment to Code of Business Conduct and Ethics |

**Appendix C: Firmwide Business Practices Committee**

- BPC Charter
- BPC Summary of Meetings/Topics (2003-2010)
- Firmwide Business Practices Committee Presentation to Board (Sep 2009)

**Appendix D: Samples of Training and Communications Efforts**

- New Hire Training (Materials used in June 2004 and Spring 2010)
- Anti-Money Laundering and Communications Modules (sample screenshots)
- Suspicious Activity Training
    - Suspicious Activity Presentation Exemplar (GS Bank)
    - Suspicious Activity Presentation to firm's Management Committee (May 2009)



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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CLAIRE McCASKILL**
**Permanent Subcommittee on Investigations**

**to**

# LLOYD C. BLANKFEIN
## Chairman and Chief Executive Officer
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CLAIRE McCASKILL**
**Permanent Subcommittee on Investigations**
**to**
**LLOYD C. BLANKFEIN**
**Chairman and Chief Executive Officer**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**1) How many partners of Goldman Sachs had investments with Paulson & Co at the time the Abacus AC-1 transaction was completed?**

There were no Goldman Sachs partners who had investments with Paulson & Co. at the time the ABACUS 2007-AC1 transactions closed (April 26 2007). One retired partner invested $20,000 in the Paulson Enhanced Limited Fund, a leveraged fund that focuses on mergers and acquisitions, on May 23, 2007. No Goldman Sachs partners had investments with the Paulson Credit Opportunities Funds at the time of the ABACUS 2007-AC1 transaction.

**2) How large was the short position that Goldman Sachs sold to Paulson & Co as a part of the Abacus AC-1 transaction in relation to all short positions sold to other clients through synthetic and hybrid CDO issuances in 2006 and 2007? Please express this as a percentage.**

The purchase of protection by Paulson & Co. from Goldman Sachs in conjunction with ABACUS 2007-AC1 represented approximately 18% of all short positions sold to clients through synthetic and hybrid CDO issuances in 2006 and 2007.

**3) Of clients to whom Goldman sold short positions from synthetic CDOs, as in the Abacus AC-1 transaction, how many employed former directors or employees of Goldman Sachs?**

See 8.

**4) Did any Goldman employees see their total compensation decline as a result of the ultimate poor performance of the mortgage backed securities and collateralized debt obligations that the firm issued in 2006 and 2007?**



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In general, Goldman Sachs' compensation structure is based on the firm's overall performance, the performance of the specific business in which the employee works and the personal performance of the employee. Further, the firm, and specifically the mortgage business, aggressively managed head count commensurate with performance of the business from 2006 through 2008. For employees within the mortgage business involved in the structuring, underwriting and trading of non-agency RMBS and CDOs, total headcount declined by approximately 50% during the period of 2006 through 2008. Additionally, for non-partner employees who remained with the firm during that period, compensation declined on average by approximately 47%.

**5) Please provide the context for the email in exhibit 77, in which a Goldman employee reviewed pool of mortgages originated by New Century. Were these loans subsequently packaged into securities? If so, how much of the pool discussed in exhibit 77 was "put back," to use the phrase from the analyst writing the document?**

The loans in Exhibit 77 were part of a securitization (GSAMP Home Equity Trust 2007-NC1) at the time the review described in Exhibit 77 was conducted. New Century, the loan seller, provided contractual protection for early payment defaults ("EPDs"). The securitization trust received the benefit of this EPD protection under the securitization documents. When an EPD occurred on a loan, New Century was obligated to repurchase the EPD loan and the securitization trust was entitled to the principal balance of and accrued interest on the EPD loan. After being notified of the EPD event, New Century asked Goldman Sachs to provide a bid to purchase the EPD loans from New Century once it repurchased the EPD loans. As is customary for loan purchases, in order to ascertain a price for the EPD loans, Goldman Sachs performed a review of the EPD loans as described in Exhibit 77.

All of the EPD loans discussed in Exhibit 77 (123 loans total) were repurchase obligations of New Century. The "put back" notation in Exhibit 77 identifies loans that Goldman Sachs was not willing to purchase from New Century as a result of review findings. However, New Century was still obligated to repurchase the EPD loans that were in the securitization trust. Goldman Sachs notes that due to New Century's financial difficulties and subsequent bankruptcy, New Century never fulfilled their EPD repurchase obligation, and Goldman Sachs never purchased any of the loans from New Century.

**6) Did Goldman Sachs perform a review similar to that found in Exhibit 77 of the pools of mortgages from which the Long Beach Mortgage Loan Trust 2006-A (LBMLT-A) residential mortgage backed securities were created? If so, please produce those reviews to the committee. How many loans showed evidence of potential fraud, noncompliance, foreclosure, or other risk factors? How many problem loans ended up in the pools for LBMLT-A that were then sold to investors? How were weaknesses in the pools disclosed to investors?**

Unlike the New Century loans discussed above, the LBMLT 2006-A securitization did not include a provision whereby the originator or seller (Long Beach) was required to repurchase EPD loans. Goldman Sachs, therefore, did not perform a review for LBMLT 2006-A similar to that found in Exhibit 77 for GSAMP Home Equity Trust 2007-NC1. The risks associated with



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the LBMLT 2006-A securitization were disclosed as part of the offering document at time of issuance.

**7) How many customers contacted Goldman Sachs asking to take a short position with respect to housing related assets after your firm decided to make a concerted effort to "reduce risk" which reducing your net long position with respect to the housing market? To how many customers did you sell short positions? How many customers were turned away? Do you feel that your need to "reduce risk," prevented your firm, in its role as market maker, from serving customers who wanted to purchase short positions?**

Goldman Sachs does not maintain records indicating: (i) the number of customers in aggregate who approached the firm during this period, seeking to sell cash assets or purchase credit protection on mortgage-related products; or (ii) the number of customers seeking to purchase credit protection on mortgage-related products who were "turned away" by the firm. Goldman Sachs notes, however, that the firm sold credit protection of more than $100 billion notional to over 500 customers, and that the firm is not aware of customers seeking bids or offers (whether for cash assets or credit protection referencing such assets) who did not receive such bids or offers.

Further, the firm's decision to "reduce risk" did not prevent it from serving its customers as a market maker. Although the prices that Goldman Sachs quoted to buyers and sellers varied with market levels, the firm continued to transact in mortgage-related products in response to client demand. Indeed, acting in its capacity as a market maker in cash and derivative mortgage-related products, Goldman Sachs stood ready on a daily basis in late 2006 and continuing through 2007 to provide bids or offers to customers on cash instruments and credit protection referencing such mortgage-related instruments.

**8) Of the customers to whom you did sell short positions how many were companies that had hired former Goldman employees or with whom Goldman employees had investments?**

Goldman Sachs encloses (i) a spreadsheet (bearing production number GS MBS 0000038772) providing information on individuals employed by Goldman Sachs as a Managing Director ("MD") in a front office division who left Goldman Sachs between January 1, 2000 and December 31, 2007 for a position at one of the firms listed below (in Table A) to which Goldman Sachs sold short positions on synthetic CDOs; and (ii) a spreadsheet (bearing production number GS MBS 0000038773) providing information on private investments made by Goldman Sachs MDs from January 1, 2000 through December 31, 2007 in any of the firms listed below (in Table A) to which Goldman Sachs sold short positions on synthetic CDOs.[1]

[1] Goldman Sachs notes that the information in these spreadsheets was derived from data provided voluntarily by former Goldman Sachs employees at the time of departure or from information voluntarily provided by Goldman Sachs alumni.

Goldman Sachs also notes that (i) one former Goldman Sachs MD (Asif Khan) who worked on synthetic CDOs while at Goldman Sachs was subsequently employed by a broker-dealer identified in this response as a firm that was



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The firms to which Goldman Sachs sold short positions on synthetic CDOs that were reviewed to provide the information in the enclosed spreadsheets include:

| | |
|---|---|
| Aladdin Capital Management | Nomura |
| Calyon | Rabo Bank |
| Countrywide Financial | Natixis |
| FBR Capital Markets | Paulson |
| Fortis | Piper Jaffray |
| FTN Financial | RBS Greenwich |
| GSC Partners | Wachovia |
| Investec | The Winter Group |
| MacDonald Investments | Washington Mutual |
| Magnetar | Winchester Capital |
| Morgan Keegan | |

Certain broker-dealers were excluded when examining this information because a large number of former Goldman Sachs employees have subsequently been employed by these firms, and Goldman Sachs has assumed that information concerning the employment of former Goldman Sachs employees at these firms would not necessarily be relevant to the Subcommittee's inquiry. These excluded broker-dealers include: Bank of America, Barclays Capital, Bear Stearns, Citigroup, Credit Suisse First Boston, Deutsche Bank, HSBC, JPMorgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS. Should the Subcommittee want this information, Goldman Sachs will attempt to compile and produce it to the Subcommittee staff.

Goldman Sachs wishes to stress that it does not maintain a central repository of the requested information and, accordingly, used various technologies and manual resources to generate this spreadsheet for production to the Subcommittee in response to this Question. While Goldman Sachs believes that the spreadsheet is reasonably accurate, Goldman Sachs cannot make an absolute representation that it is complete or that there were not some inadvertent errors in its preparation, especially given the expedited timeframe within which it was generated and produced to you. Goldman Sachs also wishes to stress that the information used to generate this spreadsheet for production to you was maintained and used for limited, internal firm purposes, and not pursuant to or for purposes of regulatory or other reporting requirements, or for use by third parties.

###

not searched to provide the information in the enclosed spreadsheet and (ii) two former Goldman Sachs MDs (Alfred Eckhert and Richard Hayden) who left Goldman Sachs prior to January 1, 2000 are currently partners at GSC Partners.



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Goldman Sachs Abroad

## Footnote Exhibits - Page 2682



| Status | GS_AD Divisions | GS_Last Division | GS_Last Region | GS_Last Office | GS_Last Title | New Organization |
|---|---|---|---|---|---|---|
| [redacted] | GID | GID | American | New York | Advisory Director | GSC Group |
| | GID | GID | American | New York | Participating MD | FBR Capital Markets |
| | GID | GID | American | New York | Participating MD | FBR Capital Markets |
| | Finance/GID | Finance | American | New York | Participating MD | FBR Capital Markets |
| | GID/EMD | GID | EMEA | London | Participating MD | GSC Group |
| | GID | GID | EMEA | London | Participating MD | Numeric |
| | GID | GID | American | New York | Extended MD | GSC Group |
| | GID | GID | American | Los Angeles | Advisory Director (retired); Consultant (current) | GSC Group |
| | GID | GID | AD | Hong Kong | Extended MD | Numeric |
| | GID/Finance/GID/Technology/Finance/Governance, Tax | GID | EMEA | London | Extended MD | RBS |
| | EOSA gaffes | EO | American | New York | Senior Director | Wachovia Corporation |

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GS MBS 0000038772

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GCM

## Footnote Exhibits - Page 2683

| Emp Name | Emp Title | Currently Employed at GS (Yes or No) | Entity | Entity Description | InvAmount | Inv Date |
|---|---|---|---|---|---|---|
| [redacted] | AYCO Profession | Yes | Greenwich Capital Partners II | Private Equity Fund | $200,000 | Jan-2000 |
| | Extended Managing Director | Yes | Greenwich Street Investments II | Company | $50,000 | Sep-2000 |
| | Extended Managing Director | Yes | GCM 2007 OPPORTUNITY FUND, L.P. | Fund(Other) | $2,000,000 | Oct-2007 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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GSC

## Footnote Exhibits - Page 2684

| Emp Name | Emp Title | Currently Employed at GS (Yes or No) | Entity | Entity Description | InvAmount | Inv Date |
|---|---|---|---|---|---|---|
| [redacted] | Extended Managing Director | No | GSC Recovery IIA, LP | Hedge Fund | $1,000,000 | Jun-2002 |
| | Extended Managing Director | No | GSC Recovery IIA, LP | Hedge Fund | $1,000,000 | Jun-2002 |
| | Advisory Director | No | GSC European Mezzanine Fund, LP | Private Equity Fund | $250,000 | Jun-2000 |
| | Senior Director | No | GSC Recovery IIA, LP | Hedge Fund | $2,500,000 | May-2002 |
| | Senior Director | No | GSC Recovery IIA, LP | Hedge Fund | $3,000,000 | Jun-2002 |
| | Extended Managing Director | No | GSC Credit Strategies Fund, L.P. | Hedge Fund | $1,000,000 | Jul-2006 |
| | Participating Managing Director | Yes | GSC Credit Strategies Fund, L.P. | Hedge Fund | $1,000,000 | Jun-2006 |
| | Extended Managing Director | No | GSC Credit Strategies Fund, L.P. | Hedge Fund | $5,000,000 | Jul-2006 |
| | Extended Managing Director | No | GSC Recovery IIA, LP | Hedge Fund | $3,000,000 | Apr-2002 |
| | ARCHON Professional | Yes | GSC Recovery III, Inc. | Private Equity Fund | $109,375 | Jan-2005 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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Piper Jaffray

## Footnote Exhibits - Page 2685

| Emp Name | Emp Title | Currently Employed at GS (Yes or No) | Entity | Entity Description | Inv Amount | Inv Date |
|---|---|---|---|---|---|---|
| [redacted] | Participating Managing Director | Yes | Piper Private Equity | Private Equity Fund | 1,500,000 GBP | Aug-2005 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**

**to**

# DAVID A. VINIAR
## Executive Vice President and Chief Financial Officer
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

PSI_QFR_GS0443

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**DAVID A. VINIAR**
**Executive Vice President and**
**Chief Financial Officer**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010:**

1. Exhibit 26 from the Subcommittee's hearing on April 27, 2010, includes an email between you and Gary Cohn. Mr. Cohn informed you that Goldman Sach's ("Goldman") SPG Trading desk made $373 million while the CDO-CLO desk lost $230 million and the Residential Credit desk lost $92 million. You responded by writing: "Tells you what might be happening to people who don't have the big short."

   Describe in detail what you meant by your response and describe the "big short" to which you are referring, including the notional value of the position, when it was acquired, and when it was sold or covered.

2. For the period between December 14, 2006, and December 31, 2007, identify the 5 dates on which Goldman had the largest net short positions with respect to RMBS securities (including the ABX), and the notional size of those net short positions.



PSI_QFR_GS0444

**Responses of Mr. David Viniar to the**
**Supplemental Questions for the Record of the Permanent Subcommittee on Investigations**

1. **Exhibit 26 from the Subcommittee's hearing on April 27, 2010, includes an email between you and Gary Cohn. Mr. Cohn informed you that Goldman Sachs's ("Goldman") SPG Trading desk made $373 million while the CDO-CLO desk lost $230 million and the Residential Credit desk lost $92 million. You responded by writing: "Tells you what might be happening to people who don't have the big short."**

   **Describe in detail what you meant by your response and describe the "big short" to which you are referring, including the notional value of the position, when it was acquired, and when it was sold or covered.**

   As I testified on April 27, 2010:

   > [W]hat I meant . . . because I didn't give the full thought, which is: tells you what might happen to people who don't have the big short, when they do have a big long. This came, I believe, shortly after people had announced their second quarter results. Quite a number of people had disclosed how big their long inventory positions were and without basically balancing those positions, there would be significant losses which is what proved to happen across the industry.

   Although I was aware that Goldman, Sachs & Co. ("Goldman Sachs") had obtained a significant short position in order to counterbalance its significant long mortgage-related inventory positions, which reduced the Firm's overall exposure to the mortgage market, I was not personally involved in the transactions. I also have no memory of any particular transactions or the overall notional value of this position at any point in time. I should add that totaling up long and short notional amounts for different assets and then netting the total long and short notional amounts will not reflect whether Goldman Sachs was net long or net short the mortgage market, because different assets vary considerably in their sensitivity to changes in market prices. Often, the only indicator of whether positions were net long or net short were the profits earned or losses sustained on those positions.

   It is my understanding that Goldman Sachs is discussing with the Subcommittee staff how the Firm can provide the additional information called for by this Question on a schedule agreed with the Subcommittee staff.

2. **For the period between December 14, 2006, and December 31, 2007, identify the 5 dates on which Goldman had the largest net short positions with respect to RMBS securities (including the ABX), and the notional size of those net short positions.**

   I do not know the information requested in this Question. I would not, in the ordinary course of business, have requested aggregate net short data on a notional basis. To the extent that this data can be compiled from Firm records, it is my understanding that Goldman Sachs will work with the Subcommittee staff to provide a response on behalf of the Firm.



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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**

**to**

# CRAIG W. BRODERICK
## Chief Risk Officer
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

PSI_QFR_GS0446

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**CRAIG W. BRODERICK**
**Chief Risk Officer**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010:**

1. Exhibit 48 from the Subcommittee's hearing on April 27, 2010, is a copy of a presentation that you made to the Goldman Sachs ("Goldman") Tax Department on October 29, 2007. Your presentation addressed "events in the credit markets over the past few months, as well as [Goldman's] own credit and trading performance."

   In the fourth full paragraph on page 2, you wrote:

   "So what happened to us? A quick word on our own market and credit risk performance in this regard. In market risk -- you saw in our 2nd and 3rd quarter results that we made money despite our inherently long cash positions – because starting early in '07 our mortgage trading desk started putting on big short positions, mostly using the ABX Index, which is a family of indices designed to replicate cash bonds. And did so in enough quantity that we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened. (This remains our position today.)"

   (a) What was the notional value of the net short positions put on by the mortgage trading desk that you refer to in your presentation? For the period between December 14, 2006, and December 31, 2007, identify the 5 dates on which mortgage trading desk had the largest notional net short positions, and the notional value of those net short positions.

   (b) In your presentation, you wrote that the mortgage trading desk "started putting on big short positions. . .[a]nd did so in enough quantity that we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened." How much money was made in 2007 as a result of the short positions put on by the mortgage trading desk? Also, quantify "substantial" – how much money was made in the third quarter of 2007? When stating those amounts, do not offset any money made by these



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net short positions with any losses or gains from or with respect to other transactions or assets.

(c) In addressing the short positions of the mortgage trading desk in the presentation referred to above, you write: "we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened. (This remains our position today.)" As of the date you gave that presentation, what was the notional net short position of the mortgage trading desk?

◇ ◇ ◇



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**Responses of Mr. Craig Broderick to the**
**Supplemental Questions for the Record of the Permanent Subcommittee on Investigations**

**1. Exhibit 48 from the Subcommittee's hearing on April 27, 2010, is a copy of a presentation that you made to the Goldman Sachs ("Goldman") Tax Department on October 29, 2007. Your presentation addressed "events in the credit markets over the past few months, as well as [Goldman's] own credit and trading performance."**

**In the fourth full paragraph on page 2, you wrote:**

**"So what happened to us? A quick word on our own market and credit risk performance in this regard. In market risk – you saw in our 2nd and 3rd quarter results that we made money despite our inherently long cash positions – because starting early in '07 our mortgage trading desk started putting on big short positions, mostly using the ABX Index, which is a family of indices designed to replicate cash bonds. And did so in enough quantity that we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened. (This remains our position today.)"**

**(a) What was the notional value of the net short positions put on by the mortgage trading desk that you refer to in your presentation? For the period between December 14, 2006, and December 31, 2007, identify the 5 dates on which mortgage trading desk had the largest notional net short positions, and the notional value of those net short positions.**

I was aware that the Goldman, Sachs & Co. ("Goldman Sachs") had acquired a substantial short position in order to counterbalance its long mortgage-related inventory positions and reduce its overall exposure to the mortgage market. I was not personally involved in the transactions through which that short position was acquired or covered, and have no recollection of any specific transactions or the overall notional value of this position at any time during this period. I was also aware that, while our VaR risk metrics showed us to be generally short, our credit spread widening measures generally indicated the contrary.

The presentation offered a year-to-date recap of Goldman Sachs' performance through the third quarter of 2007 and was, therefore, concerned primarily with quarterly trends or results. My statement in the presentation that we were net short was based largely on hindsight given the fact that the Firm had earned modest profits during a period of time during which the mortgage market declined.

Regarding notional exposures, during this period, the ABX index and other mortgage positions held by Goldman Sachs were constantly changing, sometimes on a daily basis. Further, and importantly, any calculation of net short positions based on the notional value of positions would be meaningless because prices of different instruments adjust differently depending on their underlying credit and other characteristics. For example, a downward movement in market prices resulting from overall credit deterioration would likely affect a position referencing BBB rated securities far more than a position referencing AAA rated



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securities. It is therefore not possible to ascribe a single notional value to the net short positions referred to in the presentation. Instead, the overall magnitude of the net short positions would have been assessed contemporaneously using available risk metrics (including the VaR and CSW measures referenced above) together with a retrospective analysis of profits and losses and market movements.

It is my understanding that Goldman Sachs is discussing with the Subcommittee Staff how the Firm can provide the Subcommittee with additional information on a schedule agreed with the Subcommittee staff.

(b) **In your presentation, you wrote that the mortgage trading desk "started putting on big short positions. . .[a]nd did so in enough quantity that we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened." How much money was made in 2007 as a result of the short positions put on by the mortgage trading desk? Also, quantify "substantial" – how much money was made in the third quarter of 2007? When stating those amounts, do not offset any money made by these net short positions with any losses or gains from or with respect to other transactions or assets.**

I do not know the detailed information requested in this Question. Answering this question will require Goldman Sachs to calculate information that, to my understanding, is not readily maintained in the form the Question seeks. It is my understanding, however, that Goldman Sachs has had discussions with the Subcommittee Staff and is working to provide a response on behalf of the Firm.

(c) **In addressing the short positions of the mortgage trading desk in the presentation referred to above, you write: "we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened. (This remains our position today.)" As of the date you gave that presentation, what was the notional net short position of the mortgage trading desk?**

I do not know the answer to this Question and do not possess in my files the detailed information necessary to respond. It is my understanding that Goldman Sachs is discussing this Question with the Subcommittee staff and, to the extent that this information can be calculated from Firm records, will provide a response on behalf of Goldman Sachs on a schedule agreed to with the Subcommittee staff.



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Confidential Treatment Requested by Goldman Sachs

1. **Exhibit 48 from the Subcommittee's hearing on April 27, 2010, is a copy of a presentation that you made to the Goldman Sachs ("Goldman") Tax Department on October 29, 2007. Your presentation addressed "events in the credit markets over the past few months, as well as [Goldman's] own credit and trading performance."**

   **In the fourth full paragraph on page 2, you wrote:**

   **"So what happened to us? A quick word on our own market and credit risk performance in this regard. In market risk – you saw in our 2nd and 3rd quarter results that we made money despite our inherently long cash positions – because starting early in '07 our mortgage trading desk started putting on big short positions, mostly using the ABX Index, which is a family of indices designed to replicate cash bonds. And did so in enough quantity that we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened. (This remains our position today.)"**

   **(b) In your presentation, you wrote that the mortgage trading desk "started putting on big short positions. . .[a]nd did so in enough quantity that we were net short, and made money (substantial $$ in the 3rd quarter) as the subprime market weakened." How much money was made in 2007 as a result of the short positions put on by the mortgage trading desk? Also, quantify "substantial" – how much money was made in the third quarter of 2007? When stating those amounts, do not offset any money made by these net short positions with any losses or gains from or with respect to other transactions or assets.**

The Mortgage Department trades in both cash and synthetic products and manages its exposure in an integrated way. As a result, reviewing net revenues on a gross basis is not consistent with how the Mortgage Department is managed. The Mortgage Department earned net revenues of approximately $900 million in 2007, of which less than $500 million related to the non-agency residential mortgage business. Specifically, in the Third Quarter of 2007, the Mortgage Department earned net revenues of approximately $600 million, of which approximately $550 million related to the non-agency residential mortgage business. The $550 million amount is comprised of losses of approximately $2.4 billion on loan and security positions and gains of approximately $3.0 billion on derivative positions.



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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**

**to**

# DANIEL L. SPARKS
## Former Partner
## Head of Mortgages Department
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

PSI_QFR_GS0452

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**DANIEL L. SPARKS**
Former Partner
Head of Mortgages Department
The Goldman Sachs Group, Inc.

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
HEARING ON
***WALL STREET AND THE FINANCIAL CRISIS: THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010:**

1. Provide the following information regarding the sale of securities in each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"):

   Abacus 2007-AC1;
   Anderson Mezzanine Funding 2007-1;
   Camber 7;
   Fort Denison Funding;
   Hudson Mezzanine Funding 2006-1;
   Hudson Mezzanine Funding 2006-2;
   Point Pleasant Funding 2007-1; and
   Timberwolf I.

   (a) Was Goldman Sachs ("Goldman") a placement agent?

   (b) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?

   (c) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented any of the Transactions, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.) If you are unable to provide complete responses to any of any of the foregoing matters, identify the persons within Goldman who would be able to provide the answers or information requested.



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(d) Identify the persons within Goldman who would be able to provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests (including securities) in the Transaction.

(e) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold short positions with respect to assets referenced in the Transaction being considered by any potential investor?

(f) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether Goldman held or planned to hold a net short position with respect to RMBS related assets?

(g) In the Transactions in which Goldman acted as a placement agent, did Goldman advise potential investors whether it had taken steps or planned to use the offering to reduce its own inventory of RMBS or CDO securities or other holdings?

(h) Did Goldman conduct a suitability analysis in connection with soliciting clients or potential investors to purchase securities issued in any of the Transactions? If so, describe the suitability analysis conducted for each investor that purchased these securities. Identify the persons within Goldman who would know if Goldman retained a written record that reflects that such a analysis was conducted for any of these Transactions and would be able to provide a copy.

2. (a) In what capacity did Goldman act for Paulson & Co. (together with any of its affiliates, "Paulson") with respect to the Abacus 2007-AC1 transaction or a Credit Default Swap transaction that referenced the same entities or securities that were referenced in the Abacus 2007-AC1 transaction? Describe in detail Goldman's relationship to Paulson with respect to those transactions, its obligations to Paulson, the nature and amount of any fees or compensation received by Goldman from Paulson relating to those transactions, and whether Goldman advised investors or potential investors in Abacus 2007-AC1 of the existence and nature of its relationship with Paulson.

(b) If Goldman advised investors or potential investors of the nature or existence of the Paulson relationship, identity who so advised investors or potential investors, the date on which that person so advised investors or potential investors, the identity of the investors or potential investors so advised, the manner (i.e. verbal or in writing) in which the person was advised, and the substance of the communication (and, if in writing, provide a copy of the communication). If you are unable to provide complete responses to any of any of the foregoing matters, identify the persons within Goldman who would be able to provide the answers or information requested.



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3. The attached document is a November 16, 2007, email from John McHugh to you. The topic is "2008 FICC business plan presentation to Firm."

(a) Mr. McHugh starts his message by writing:

> "Lahey's team is preparing Montag for this presentation on Monday and Tom asked for more color in several areas. ... here's what I've collected today, let me know if you want me to change anything ... thanks."

At the end of the email, under the sub-heading "Prop vs Flow," Mr. McHugh writes the following:

> "Prop/flow components of SPG Trading will be roughly equal
> Majority of CRE Loan Trading, Structured finance JV will be flow revenue
> Residential mortgage business will be more prop oriented due to dislocations in the securitization market:
>
> • Focus will be on establishing SSG JV (i.e., Litton purchase)
> • Distressed asset (loan pools, portfolios) purchases".

With respect to this email and its contents:

(i) Did you understand "prop" to mean proprietary? If not, what did you understand it to mean?

(ii) Did you understand "flow" to mean flow business -- transactions that Goldman facilitates on behalf of clients? If not, what did you understand it to mean?

(iii) Did you understand "Prop v. Flow" to mean the activities of SPG Trading that would be associated with Goldman's proprietary activities versus SPG Trading activities that would be associated with client-related activities? If not, what did you understand "Prop v. Flow" to mean?

(iv) What did you understand the "Prop" components of SPG Trading to be?

(v) What did you understand the "flow" components of SPG Trading to be?

(vi) Did you understand the phrase "Prop/flow components of SPG Trading will be roughly equal" to mean that the amount of proprietary activities of SPG Trading were anticipated to be equal to the amount of flow activities? If not, what did you understand the phrase to mean?



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(vii) Did you understand the phrase, "Residential mortgage business will be more prop oriented," to mean that the residential mortgage business of SPG Trading would be more oriented to proprietary activities than flow activities? If not, what did you understand the phrase to mean?

(viii) Did SPG Trading plan or anticipate engaging in proprietary activities in 2008?

(ix) Did SPG Trading engage in proprietary activities in 2007? If so, what percentage of its activities by dollar amount were related to proprietary activities? What profits were derived from its proprietary activities in 2007?

(b) Earlier in the e-mail referenced in question 3(a) above, under the sub-heading "Assumptions/initiatives in ABS p&l," Mr. McHugh writes the following:

- "Capturing greater cash and synthetic market flows from weakened competitors
- Facilitating SIV/CDO liquidations and portfolio changes
- Good prop opportunity capitalizing on selling pressure, selective distressed asset purchases
- Expect prop flow split to be roughly 50/50".

(i) Did any activities of the ABS desk in any way involve or utilize any SIV that was in any way related to or affiliated with Goldman? If so, describe the activities, any SIV involved, the name and jurisdiction of incorporation of any SIV, the assets held by the SIV and the value of any assets held by the SIV during the period 2006-2008?

(ii) Did the activities of the ABS desk in any way facilitate SIV/CDO liquidations and portfolio changes in instances in which the SIV, CDO or portfolio contained assets provided or sold by Goldman? If so, for each SIV, CDO or portfolio liquidated or changed, describe the activities involved, the name and jurisdiction of incorporation of any SIV or CDO, the name of the sponsor, underwriter or majority owner of the SIV, CDO or portfolio, the assets held, and the value of any assets held, the assets provided or sold by Goldman, and the percentage of total assets provided by Goldman during the period 2006-2008?

(iii) Did you understand the phrase, "Good prop opportunity capitalizing on selling pressure, selective distressed asset purchases," to mean that selling assets and purchasing select distressed assets presented good opportunities for Goldman's proprietary activities? If not, what did you understand that phrase to mean?

(iv) Did you understand the phrase, "Expect prop flow split to be roughly 50/50," to mean that the ABS desk's profits and losses were expected to be divided



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approximately evenly between proprietary and flow activities? If not, what did you understand that phrase to mean?

(v) Did the ABS desk plan or anticipate engaging in proprietary activities in 2008?

(vi) Did the ABS desk engage in proprietary activities in 2007? If so, what percentage of its activities by dollar amount were related to proprietary activities? What profits were derived from its proprietary activities in 2007? If you are unable to provide complete responses to any of any of the foregoing matters, identify the persons within Goldman who would be able to provide the information requested.

4. For each quarter you were head of the Mortgages Department between January 1, 2006, and December 31, 2008, estimate the percentage of transactions involving proprietary trading versus customer flow. If you are unable to provide a complete response to this question, identify the persons within Goldman who would be able to provide the answers or information requested.

5. Throughout FY2007, it appears that Goldman's London office performed an analysis to estimate the percentage of transactions in its fixed income business involving proprietary trading versus customer flow. Did the Mortgages Department in New York perform a similar analysis of the percentage or dollar amount of transactions involving proprietary trading versus customer flow? If so, provide the following information.

(a) What was the analysis and resulting document called?

(b) How often was the document prepared, and to whom was it circulated?

(c) Did the document or its information become part of any larger document? If so what was that larger document called, and to whom and how frequently was it circulated?

6. Exhibit 47 from the Subcommittee's hearing on April 27, 2010 is a draft of your powerpoint presentation entitled, "Global Mortgages Townhall." It states that "the desk benefitted from a proprietary position in CDO and RMBS single names."

(a) What did the term "proprietary position" mean?

(b) Describe precisely the proprietary position referred to in the powerpoint, including the exact assets and total notional amounts involved.

(c) Identify by name and job title who authorized the acquisition of that proprietary position on behalf of Goldman.

(d) Describe the transactions involved in acquiring that proprietary position, including the source of the funding, the specific securities purchased or sold, the net profit or loss



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obtained from the transactions (including the nature and amount of any offsets applied in reaching the net number), and the specific accounts used to record relevant information.

(e) Explain how the desk "benefitted" from the proprietary position, including what transactions took place, the net profit obtained from those transactions (including the nature and amount of any offsets applied in reaching the net number), and the specific accounts used to record relevant information.

7. Did you prepare or authorize the preparation of a powerpoint presentation or other summary document similar to Exhibit 47 for a Mortgages Department Townhall regarding either:

(a) the fourth quarter of FY 2007; or

(b) the entire FY 2007?

8. Was a Mortgages Department Townhall Meeting held for either the fourth quarter of FY 2007, the entire FY 2007, or both? If so, what was the date and who were the speakers?

9. During your appearance before the Subcommittee on April 27, 2010, you engaged in the following exchange with Senator Levin:

**Senator Levin.** By the way, that Anderson deal was downgraded from AAA to junk in 7 months. Did you make money on that deal, on the short position?

**Mr. Sparks.** Well, I know in the longs that we took, we lost money.

**Senator Levin.** I understand. I am asking about the short position you took.

**Mr. Sparks.** But on the shorts, Mr. Chairman, I do not know how much of it we had, if any.

**Senator Levin.** Okay.

**Mr. Sparks.** And so I cannot – I just do not have that number.

**Senator Levin.** Do you want to check your records and tell us how much money you made on that?

**Mr. Sparks.** I will. I will have to get back to you and work with the people at Goldman. (Transcript, pp. 56-57)



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How much money did Goldman make from the short positions it held in the Anderson transaction? When stating that amount, do not offset any money made from its short positions with any losses or gains from or with respect to other transactions or assets.

10. During your appearance before the Subcommittee on April 27, 2010, you engaged in the following exchange with Senator Levin:

> **Senator Levin.** Mr. Sparks, turn to 173. This is an email message, November 2006, between two Goldman employees in sales. It discusses selling Fremont securities. One salesperson sends to the other a client's explanation of why they do not want to buy the securities -- even after talking to Fremont, by the way. The client wrote: "...Fremont refused to make any forward-looking statements so we really got nothing from them on the crap pools" -- "the crap pools that are out there now." The salesperson wrote: "They are concerned about all the Fremont exposure they already have, and they are going to put Fremont 'in the box' for the time being." Were you aware of the poor reputation that Fremont had, and that is, loans among the highest default rates in the country? Were you aware of it at the time?
>
> **Mr. Sparks.** Mr. Chairman, can I just read the e-mail?
>
> **Senator Levin.** Exhibit 173. Do you see it? "Fremont refused to make any forward-looking statements so we really got nothing from them on the crap pools that are out there now." Do you see that?
>
> **Mr. Sparks.** I do not want to slow you down. I have not read the whole thing, so I--
>
> **Senator Levin.** I am just asking you, look at the bottom paragraph there, the last two lines. "Fremont refused to make any forward-looking statements so we really got nothing from them on the crap pools that are out there now." Do you see that?
>
> **Mr. Sparks.** Yes, sir.
>
> **Senator Levin.** Okay. Now, were you aware of Fremont's poor reputation at the time?
>
> **Mr. Sparks.** This e-mail--
>
> **Senator Levin.** Were you aware? Do you remember whether you were aware at the time of their poor reputation? That is my question. Do you remember?
>
> **Mr. Sparks.** Whether they had a poor reputation in November?
>
> **Senator Levin.** Yes, with high default rates.
>
> **Mr. Sparks.** Fremont originated subprime loans. People understood that.



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**Senator Levin.** Yes or no, were you aware of their poor reputation and high default rate.

**Mr. Sparks.** I do not recall at that time. (Transcript, pp. 58-59)

(a) Were you aware during your employment as head of the Goldman Mortgage Desk that Fremont had a reputation for issuing poor quality mortgage loans? If so, when did you become aware of that fact?

(b) With regard to Fremont, New Century, and Long Beach Mortgage, identify any assessments or reports regarding the condition of those lenders, or the quality of the mortgage loans they originated, that you or personnel who reported to you received, made, or sent to others within Goldman, provide the approximate date of those assessments or reports, and describe the nature of those assessments or reports. If you are unable to provide complete responses to the requests for information about such assessments or reports, identify the persons within Goldman who would be able to provide the information requested.

11. During your appearance before the Subcommittee on April 27, 2010, you engaged in the following exchange with Senator McCaskill regarding Hearing Exhibit 103, an email exchange between Mr. Mullen, Mr. Montag, Mr. Harvey Schwartz and you regarding the sales effort for Timberwolf. Senator McCaskill quoted the following portion of the email:

> "I doubt they will sell over weekend. And Harvey is concerned about the representations we may be making to clients as well as how we will price assets once we sell them to clients. I think we need to sort these things out before we make sales."

Senator McCaskill then stated:

> "What is clear here is that there did not seem to be a great deal of confidence in the long side of this particular instrument. But the salespeople were being pushed to move it, and, you know, it just looks like that you guys are not only making the market, you are playing in the market and mucking it up. Do you understand that?"

You responded:

> "Senator, I just read this particular e-mail, and the issue that was being discussed in this particular e-mail was when you make a sale on an illiquid asset, what is your bid price, you show that client, because oftentimes you marked it and sometimes you had financed it. So there is a bid-offer spread with respect to securities and market makers, and my recollection of this particular point was what are we going to show them as our bid after that, and



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let us make sure we thought that through. And so on this particular e-mail, that is what I recall." (Transcript pp. 122-124)

(a) Was it your belief or understanding that the "Harvey" referred to in the email was Harvey Schwartz? If not, to whom did you understand "Harvey" referred?

(b) Your response to Senator McCaskill addresses concerns about pricing the assets in Timberwolf. Describe your understanding of the concerns that "Harvey" referenced in the email had about the representations Goldman may be making to clients.

12. Exhibit 86 from the Subcommittee's hearing on April 27, 2010, is an email dated September 19, 2006, from Peter Ostrem to the FICC-SPCDOGROUP. The email states:

"We have been asked to do a CDO of $2bln for the ABS desk. Approx. $1.2bln will be CDS off single-names referenced from the ABS index 06-1 and 06-2. This is a trade we need to execute for the desk over the next 4-6 weeks and involves selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale). I would like everyone to work together on this one. We expect to charge ongoing 10bp liquidation agent fees and 1-1.5pts upfront. Equity will be offered around 22% no-loss yield. Obviously important to overall SP floor and Sobel and Sparks are focused on this happening . . ."

(a) Was the transaction described in this email carried out? Was the transaction Hudson Mezzanine Funding 2006-1 ("Hudson Mezzanine")? If not, what was the name of the transaction?

(b) Identify by name and job title the individuals in the Mortgages Department who were involved in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine, and the activities related to the transaction that each of them engaged in.

(c) Describe in detail any role you had in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.

(d) Describe in detail any role the ABS desk had in the origination, formulation, design, approval, or implementation of Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.

(e) Was the Hudson Mezzanine transaction a proprietary transaction?

(f) What did you understand the phrase "for the desk" to mean?



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(g) Was the purpose of the transaction described in Mr. Ostrem's email to enable the ABS desk to reduce cash or swap positions (and the risk associated with those positions) that the ABS desk held? If not, what was the purpose of the transaction?

(h) Identify any committee or individual at Goldman that approved this transaction.

(i) Identify any employee of Goldman or its affiliates and any third parties who were involved in the identification and selection of the assets referenced in the Hudson Mezzanine transaction and describe in detail the nature of their involvement.

(j) List the criteria used to identify and select the assets that were referenced in the Hudson Mezzanine transaction.

(k) Based on your knowledge or belief, identify the reasons why Hudson Mezzanine was "a trade [Goldman] need[ed] to execute for the desk over the next 4-6 weeks."

(l) Based on your knowledge or belief, identify the reasons why the Hudson Mezzanine transaction "involve[d] selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale)."

(m) Was the Camber 7 transaction delayed to develop the Hudson Mezzanine transaction? If so, explain why.

13. Exhibit 30 from the Subcommittee's hearing on April 27, 2010, contains an email from you dated August 14, 2007. It is entitled "Post." Included in the email is the following paragraph:

> "(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."

(a) Was the transaction or series of transactions (hereinafter "transaction") that you identified in your email ("we will likely come to you soon and say we'd like to get long billions - and we'd stay short BBBish part"), or a transaction similar to the one you identified in your email, implemented by Goldman? If so, provide the following information.

(b) Describe the purpose of the transaction.

(c) Describe in detail your role in this transaction.



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(d) Identify the assets involved.

(e) Identify any entity involved in the transaction and its role.

(f) Describe and state the notional value of each of the assets involved or referenced in the transaction.

(g) Identify when the transaction took place.

(h) Identify the Goldman personnel who participated in this transaction and the roles they performed.

(i) Identify the Goldman personnel who reviewed or approved this transaction.

(j) State the value when sold or, if retained, the current value of the assets involved in this transaction.

14. Exhibit 55b from the Subcommittee's hearing on April 27, 2010, is an excerpt from Mr. Swenson's 2007 EMD Review. On page 2, in the last sentence of point 3 under the Self-Review section, Mr. Swenson wrote:

> "I oversaw and directed the covering of $9bb of AAA ABX that the department was short and was able to monetize approx $250mm of p and l for the origination businesses."

(a) Is the transaction addressed in Question 13 above related to the transaction addressed in Mr. Swenson's 2007 EMD Review?

(b) If so, explain how they are related and whether they were separately implemented.

(c) If the transactions were not related, explain how they were different, and how the transaction identified by Mr. Swenson was implemented.

15. Exhibit 34 from the Subcommittee's hearing on April 27, 2010, is a series of emails dated August 21, 2007, and entitled "RE: Potential large subprime trade and impact on Firmwide VAR." The first email in the chain, at the bottom of the page, is from Mr. Birnbaum. It reads:

> "- The Mortgages 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.



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- 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]."

(a) Is the transaction addressed in Question 13 above related to the transaction addressed in the email written by Mr. Birnbaum?

(b) If so, explain how they are related and whether they were separately implemented.

(c) If the transactions were not related, explain how they were different, and how the transaction identified by Mr. Birnbaum was implemented.

16. A Goldman graph entitled "RMBS Subprime Notional History" is Exhibit 56(a) in the Subcommittee's hearing on April 27, 2010. It shows that Goldman had a net short position of approximately $8 billion on a notional basis in November 2006 (hereafter the "short position") on the ABX AAA index (hereafter "ABX AAA").

(a) When did Goldman's short position in ABX AAA first reach approximately $8 billion on a notional basis?

(b) Who within Goldman had knowledge of the full extent of the notional short position in ABX AAA during FY 2006 and FY 2007?

(c) Who was responsible for reviewing and approving the size of the short position in ABX AAA?

(d) Whose capital was used to acquire the approximately $8 billion notional short position in ABX AAA?

(e) Did you understand the short position to be a Goldman proprietary position?

(f) Did the approximately $8 billion notional short position in ABX AAA include the short positions in ABX AAA held by the desks under the control of Messrs. Gasvoda, Nichols, and Finck?



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(g) When did Goldman begin to monetize the $8 billion notional short position in ABX AAA? How was this accomplished?

17. (a) In 2007, did the Mortgages Department cover the ABX AAA short position and then, after August 1, go long on the ABX AAA?

(b) If so, identify the specific trades that resulted in the long ABX AAA position, including the dates of the trades, the amounts involved, and the identity of each counterparty.

(c) Did the Mortgages Department hedge its long ABX AAA position? If so, how and when?

18. Identify the greatest total notional amount by which the Mortgages Department went long on the ABX AAA after August 1, 2007, and the date on which that position was reached.

19. Did the Mortgages Department monetize or unwind its ABX AAA long position during the period August 1, 2007 through the end of FY 2007? If so, provide that date of each transaction used to monetize or unwind the long position, and the notional amount by which the long position was reduced.

20. Provide the total net profit or loss to the Mortgages Department from the ABX AAA transactions during the fourth quarter of FY 2007.

21. Describe in detail your understanding (when you worked at Goldman) of Goldman's legal duties of disclosure, pursuant to securities laws and regulations, including rules prescribed by the SEC or FINRA, to purchasers of securities when Goldman acts in any of the following capacities: (a) market maker; (b) underwriter; (b) placement agent; (d) broker (when making a solicitation or recommendation of a security); or (e) a dealer. Include your definition of a "market maker."

22. (a) Does the fact that an investor or a potential investor with whom Goldman is transacting business is an "accredited" investor, a "qualified institutional buyer" or a "qualified purchaser" (as those terms are used in the U.S. federal securities laws) affect the duties and obligations of Goldman when acting in any of the capacities described in Question 21? If so, describe how any of Goldman's duties when acting in any of these capacities are affected by the status of the investor or potential investor.

(b) Does Goldman have a duty to conduct a suitability analysis when making a recommendation to any of the types of investors listed in question 22(a)? If so, describe the nature and extent of the analysis to be conducted.

(c) Does Goldman owe a duty to disclose any adverse interest that it may have when recommending a security to any of the types of investors listed in question 22(a)?





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**VIA E-MAIL**

June 18, 2010

Senator Carl Levin, Chairman
Permanent Subcommittee on Investigations
Homeland Security & Governmental Affairs Committee
United States Senate
199 Russell Senate Office Building
Washington, DC 20510-6200

Senator Tom Coburn, M.D., Ranking Member
Permanent Subcommittee on Investigations
Homeland Security & Governmental Affairs Committee
United States Senate
199 Russell Senate Office Building
Washington, DC 20510-6200

Dear Chairman Levin & Ranking Member Coburn:

Enclosed please find the answers of Daniel L. Sparks to the Supplemental Questions for the Record submitted to him following the April 27, 2010 hearing. Mr. Sparks is no longer employed by Goldman Sachs and therefore does not have access to the documents and other sources of information that are needed to answer some of the supplemental questions (or to refresh his recollection). He has tried to give the best answers possible with the information that is available to him. Mr. Sparks continues to believe that a clear understanding of the causes of the financial crisis is extremely important for our country.

Sincerely,

Paul Shechtman

PS:wr
Enclosure

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Responses to Supplemental Questions for the Record

1. Specific information regarding these transactions can be found in the disclosures provided in the final offering memoranda (also called the Offering Circular, Private Placement Memorandum or Prospectus and Prospectus Supplement, depending on the deal). Transactions were often fluid, so early versions of flip books, term sheets and offering memoranda may not reflect the final transaction. Goldman acted as a placement agent in connection with the marketing and sales of the securities issued in these transactions. Generally, the issuer of the securities was a special purpose vehicle created for the purposes of each transaction. Goldman brought transactions to the attention of potential investors through a variety of means, including emails (to individuals and via distribution lists), telephone calls, in-person meetings and mail. Also, investors often approached Goldman with specific transaction characteristics and asked Goldman to offer or create securities that met those criteria. Goldman typically provided all of the short risk to these transactions, which would be disclosed in the offering memorandum as part of the credit risk. Goldman could hedge or sell its short position, before or after the transaction, separate from the deal. On some of these transactions, Goldman told potential investors that it intended to hold portions of the CDO equity but that it was under no obligation to do so. There were suitability requirements for the transactions. Typically, the investors were large financial institutions, insurance companies, hedge funds, and other entities with significant resources and access to pertinent information.

A clarification on the Timberwolf deal: There was much discussion at the hearing about Tom Montag's email to me in which he referred to the Timberwolf deal with an expletive. The email was written months after the transaction priced, and it probably reflected Mr. Montag's overall assessment of the deal, including the net monetary loss to Goldman. A



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question at the hearing suggested that Goldman had sold $600 million of Timberwolf CDO Securities after the date of the email. I believe that Goldman sold less than $10 million after the email, and that the sales were priced at a substantial discount from face value.

2. I believe that Goldman entered into one or more separate credit default swaps with Paulson & Co. effectively referencing certain securities from the Abacus-2007-AC1 transaction. The swap(s) allowed Goldman to hedge the short risk it was taking on as part of the transaction. You should contact Goldman for further details. It was not Goldman's general practice to identify buyers and sellers in a transaction to one another.

3. "Prop" or "proprietary" can mean different things to different people. Here, it seems to refer to buying assets with the intention of holding them for a long period - months or years. "Flow" or "flow business" seems to refer to trading with shorter holding periods. Defined this way, both "prop" and "flow" trades can involve customers, although sometimes the term "proprietary" is used to describe business that does not involve a customer. (Sometimes "proprietary" is used to describe any activity that involves use of a firm's own capital.) For 2008, the anticipation was that the overall residential mortgage business, which included loans, securities and derivatives (and not just SPG trading), would likely look to go long distressed assets, resulting in a larger component of positions with a planned lengthy holding period than in prior years. Goldman explored different strategies for doing so, including having businesses outside the Mortgage Department participate more actively. To my knowledge, Goldman did not operate its own SIVs; it did trade with SIVs, including buying assets from SIV liquidations. "50/50" in the email seems to relate to revenue projections for the upcoming year. In a volatile trading business, such projections are suspect.



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with synthetic reference assets, Goldman was the sole protection buyer (the party going short), and this fact was disclosed as part of the credit risk on the deal. Goldman could trade or hedge the protection if and when it chose to.

10. I was aware that Fremont, New Century and Long Beach were originators of subprime mortgage loans, which by their nature have higher delinquency and default rates than other types of mortgage loans. Goldman performed due diligence on these institutions and loan packages; it should be able to provide relevant information. There was a question at the hearing suggesting that Goldman had acted as underwriter for a Long Beach originated mortgage loan securitization which contained 90% "stated income" loans and that this information was not disclosed. The percentage of stated income loans was 64% and that fact was disclosed in the publicly available offering documents; the nature of the loans was disclosed in the aggregate and on a loan-by-loan basis. The offering materials also disclosed Long Beach's origination practices and its stated income loan program. (This clarification is not meant to challenge the basic point that income verification is a sound practice for loan originators.) At the hearing, I was also asked how Goldman responded to a question relating to its getting comfort with New Century's collateral. The customer's focus, I believe, related to New Century's ability to perform on-going servicing, and not to the quality of the loans it originated.

11. The "Harvey" referred to in the email was Harvey Schwartz, who was then the head of Fixed Income Sales. Harvey's concern seemed to be that markets were particularly volatile, and therefore we needed to think through how we would adjust future client marks. At the time, marks could change sharply due to changes in the ABX index, bid-offer spreads, other CDO trade prices, and other events.



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4. I do not recall generally labeling Mortgage Department transactions as "prop" and "flow."

5. As noted above, I do not recall tracking transactions as "prop" or "flow." For me, any such division would not be meaningful.

6. The presentation should have used the words "net short position," and not "proprietary position." Goldman should have specific details regarding what its positions were at the close of each day.

7. There was probably a Mortgage Department Townhall after the fourth quarter of FY 2007. If so, there was most likely a PowerPoint presentation.

8. If there was a Mortgage Department Townhall after the fourth quarter of FY 2007, I would have spoken at it, if I was available. There were often a few other speakers.

9. I do not believe that one can meaningfully talk about how much money Goldman made on any short positions related to the Anderson deal. As disclosed in the offering documents, Goldman shorted 100% of the risk into the CDO. The CDO team then attempted to cover this short risk with other parties, including the Goldman secondary trading desk. The CDO team tracked its profit by deal — the difference between the purchase price of the CDO liabilities and their sale price. By contrast, the secondary trading desk did not usually track profit by deal. That is because any position that a trader takes affects his subsequent trading strategy. Thus, in my view, one generally cannot calculate the profit that the secondary trading desk made related to a CDO new issue; it would be a fictitious number.

At the hearing, it was suggested that Goldman was short 50% of the deal and did not disclose its short position. As mentioned above, potential investors knew that Goldman shorted 100% of the reference risks in the deal. In the Anderson deal, as in most Goldman CDOs



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12. The transaction referred to in the email was Hudson Mezzanine I. It was one of many CDO transactions involving the CDO team and sold through the sales force. Goldman should be able to identify team members. One goal of the transaction was to reduce a net ABX long position for the SPG trading desk, and I helped formulate that goal. The transaction was also designed to structure an ABX-based CDO in a way that would appeal to investors: some customers wanted credit enhanced ABX risk; some wanted levered ABX; and some wanted additionally diversified ABX. This was similar to all securitizations, the purpose of which is to restructure loans, securities and/or derivatives in ways that appeal to investors. If the restructured sale is not more efficient, the transaction will usually not occur. As with other deals, it was disclosed that Goldman took on 100% of the short risk on this transaction. Goldman should be able to determine whether the Mortgage Capital Committee approved the transaction. The Hudson Mezzanine I transaction was done without a customer acting as a collateral manager or selection agent. Goldman typically retained equity and other risks on CDOs, with the amounts factoring in accounting issues. I do not recall the timing of the different deals. Because it was a static synthetic deal without a manager and one which met specific investing demand, the Hudson Mezzanine I transaction could move quickly. The actively-managed Camber 7 deal grew from $500 million to $900 million during this period. The increase in size was beneficial to the customer, which increased its fees and assets under management by 180% of the planned amount.

13. I do not recall Goldman executing the specific transaction described in the email. During this period, Goldman did purchase substantial quantities of RMBS and residential loans.

14. Mike Swenson should be able to better identify the transactions referred to in his self review.



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15. I do not recall Goldman executing the specific transaction described in the email.

16. The graph contained in Exhibit 56(a) does not reflect the risk of the department, which was net long in November 2006. Along with members of the risk team, I had knowledge of, and was responsible for, all Mortgage Department risk, including the size of the position in ABX AAA in FY 2006 and FY 2007. Goldman would be better able to answer specific details asked for in this question.

17-20. The ABX index was used as a core hedge for many products. It therefore made little sense to separately calculate ABX net revenue (or ABX risk), and we did not generally focus on it. It would be counting only one side of our positions. I do not recall specifically what our positions in ABX AAA were in 2007, and they could change daily. Goldman should be able to better provide this information.

21. Broker dealers serve customers as market makers by providing them with opportunities to buy and sell financial products. Market makers commit their own capital in taking the opposite side of transactions from customers. A market maker has a duty to be honest and fair with its customers and to transact at prices in the context of the market. Broker dealers can be positioned differently than their customers, and it would be foolish to assume that customers with different views are wrong. The broker dealer part of Goldman where I worked was neither a fiduciary nor an investment advisor to its customers. I do not believe that a broker dealer has a duty to disclose how it is positioned. As a practical matter, positions change often, and different traders at a firm can have different positions in the same market. In my view, such a disclosure rule would be unworkable. More fundamentally, each market participant should make his own independent investment decision as to the positions and risks that he wants and at what prices. With regard to its role as underwriter and placement agent, Goldman has a duty to



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disclose the material information that investors need in order to decide whether to invest in a product. For mortgage backed securities, that disclosure usually focused on the assets involved, the structural mechanics of the deal and the potential risks to investors. Goldman's Legal and Compliance Department should be able to answer these questions more fully.

22. This question calls for a legal analysis and would be better directed to Goldman's Legal and Compliance Departments.



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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**

**to**

# MICHAEL J. SWENSON
## Managing Director
## Structured Products Group Trading
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

PSI_QFR_GS0474

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**MICHAEL J. SWENSON**
**Managing Director**
**Structured Products Group Trading**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010:**

1. Exhibit 86 from the Subcommittee's hearing on April 27, 2010, is an email dated September 19, 2006, from Peter Ostrem to the FICC-SPCDOGROUP. The email states:

> "We have been asked to do a CDO of $2bln for the ABS desk. Approx. $1.2bln will be CDS off single-names referenced from the ABS index 06-1 and 06-2. This is a trade we need to execute for the desk over the next 4-6 weeks and involves selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale). I would like everyone to work together on this one. We expect to charge ongoing 10bp liquidation agent fees and 1-1.5pts upfront. Equity will be offered around 22% no-loss yield. Obviously important to overall SP floor and Sobel and Sparks are focused on this happening . . ."

   (a) Was the transaction described in this email carried out? Was the transaction Hudson Mezzanine Funding 2006-1 ("Hudson Mezzanine")? If not, what was the name of the transaction?

   (b) Identify by name and job title the individuals in the Mortgages Department who were involved in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine, and the activities related to the transaction that each of them engaged in.

   (c) Describe in detail any role you had in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.



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(d) Describe in detail any role the ABS desk had in the origination, formulation, design, approval, or implementation of Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.

(e) Was the Hudson Mezzanine transaction a proprietary transaction?

(f) What did you understand the phrase "for the desk" to mean?

(g) Was the purpose of the transaction described in Mr. Ostrem's email to enable the ABS desk to reduce cash or swap positions (and the risk associated with those positions) that the ABS desk held? If not, what was the purpose of the transaction?

(h) Identify any committee or individual at Goldman Sachs ("Goldman") that approved this transaction.

(i) Identify any employee of Goldman or its affiliates and any third parties who were involved in the identification and selection of the assets referenced in the Hudson Mezzanine transaction and describe in detail the nature of their involvement.

(j) List the criteria used to identify and select the assets that were referenced in the Hudson Mezzanine transaction.

(k) Based on your knowledge or belief, identify the reasons why Hudson Mezzanine was "a trade [Goldman] need[ed] to execute for the desk over the next 4-6 weeks."

(l) Based on your knowledge or belief, identify the reasons why the Hudson Mezzanine transaction "involve[d] selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale)."

(m) Was the Camber 7 transaction delayed to develop the Hudson Mezzanine transaction? If so, explain why.

2. Exhibit 55b from the Subcommittee's hearing on April 27, 2010, is an excerpt from your 2007 EMD Review. On page 2, in the last sentence of point 3 under the Self-Review section, you wrote:

> "I oversaw and directed the covering of $9bb of AAA ABX that the department was short and was able to monetize approx $250mm of p and l for the origination businesses."

(a) Describe the purpose of the transaction or series of transactions (hereinafter "transaction").



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(b) Describe in detail your role in this transaction.

(c) Identify the assets involved

(d) Identify any entity involved in the transaction and its role.

(e) Describe and state the notional value of each the assets involved or referenced in the transaction.

(f) Identify when the transaction took place.

(g) Identify the Goldman personnel who participated in this transaction and the roles they performed.

(h) Identify the Goldman personnel who reviewed or approved this transaction.

(i) State the value when sold or, if retained, the current value of the assets involved in this transaction.

3. Exhibit 30 from the Subcommittee's hearing on April 27, 2010, contains an email from Dan Sparks dated August 14, 2007. It is entitled "Post." Included in the email is the following paragraph written by Mr. Sparks:

> "(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."

(a) Is the trade addressed in Question 2, above, related to the transaction addressed in the email written by Mr. Sparks?

(b) If so, explain how they are related and whether they were separately implemented.

(c) If the transactions were not related, explain how they were different, and whether and how the transaction identified by Mr. Sparks was implemented.



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4. Exhibit 34 from the Subcommittee's hearing on April 27, 2010, is a series of emails dated August 21, 2007 and entitled "RE: Potential large subprime trade and impact on Firmwide VAR." The first email in the chain, at the bottom of the page, is from Mr. Birnbaum. It reads:

> "- 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]."

   (a) Is the trade addressed in Question 2, above, related to the transaction addressed in the e-mail written by Mr. Birnbaum?

   (b) If so, explain how they are related and whether they were separately implemented.

   (c) If the transactions were not related, explain how they were different, and whether and how the transaction identified by Mr. Birnbaum was implemented.

5. A Goldman graph entitled "RMBS Subprime Notional History" is Exhibit 56(a) in the Subcommittee's hearing on April 27, 2010. It shows that Goldman had a net short position of approximately $8 billion on a notional basis in November 2006 (hereafter the "short position") in the ABX AAA index (hereinafter "ABX AAA").

   (a) When did Goldman's short position in ABX AAA first reach approximately $8 billion on a notional basis?

   (b) Who within Goldman had knowledge of the full extent of the notional short position in ABX AAA during FY 2006 and FY 2007?



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(c) Who was responsible for reviewing and approving the size of the short position in ABX AAA?

(d) Whose capital was used to acquire the approximately $8 billion notional short position in ABX AAA?

(e) Did you understand the short position to be a Goldman proprietary position?

(f) Did the approximately $8 billion notional short position in ABX AAA include the short positions in ABX AAA held by the desks under the control of Messrs. Gasvoda, Nichols, and Finck?

(g) When did Goldman begin to monetize the $8 billion notional short position in ABX AAA? How was this accomplished?

6. (a) In 2007, did the Mortgages Department cover the ABX AAA short position and then, after August 1, go long on the ABX AAA?

(b) If so, identify the specific trades that resulted in the long ABX AAA position, including the dates of the trades, the amounts involved, and the identity of each counterparty.

(c) Did the Mortgages Department hedge its long ABX AAA position? If so, how and when?

7. Identify the greatest total notional amount by which the Mortgages Department went long on the ABX AAA after August 1, 2007, and the date on which that position was reached.

8. Did the Mortgages Department monetize or unwind its ABX AAA long position during the period August 1, 2007 through the end of FY 2007? If so, provide that date of each transaction used to monetize or unwind the long position, and the notional amount by which the long position was reduced.

9. Provide the total net profit or loss to the Mortgages Department from the ABX AAA transactions during the 4th quarter of FY 2007.





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**Responses of Mr. Michael Swenson to the**
**Supplemental Questions for the Record of the Permanent Subcommittee on Investigations**

1. **Exhibit 86 from the Subcommittee's hearing on April 27, 2010, is an email dated September 19, 2006, from Peter Ostrem to the FICC-SPCDOGROUP. The email states:**

> **"We have been asked to do a CDO of $2bln for the ABS desk. Approx. $1.2bln will be CDS off single-names referenced from the ABS index 06-1 and 06-2. This is a trade we need to execute for the desk over the next 4-6 weeks and involves selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale). I would like everyone to work together on this one. We expect to charge ongoing 10bp liquidation agent fees and 1-1.5pts upfront. Equity will be offered around 22% no-loss yield. Obviously important to overall SP floor and Sobel and Sparks are focused on this happening . . ."**

**(a) Was the transaction described in this email carried out? Was the transaction Hudson Mezzanine Funding 2006-1 ("Hudson Mezzanine")? If not, what was the name of the transaction?**

I was not in the "FICC-SPCDOGROUP" to which this email was sent and have no recollection of having seen or received it around the time it was sent. However, based on the description in the document, it appears that the transaction matches many of the characteristics of Hudson Mezzanine Funding 2006-1 ("HM1"). HM1 was carried out.

**(b) Identify by name and job title the individuals in the Mortgages Department who were involved in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine, and the activities related to the transaction that each of them engaged in.**

HM1 was originated by the CDO Origination Desk, which was headed by Peter Ostrem. I do recall interacting with Mr. Ostrem in connection with this transaction, including discussing with him the possibility of packaging ABX securities into CDOs, as was being done by competitors of Goldman, Sachs & Co. ("Goldman Sachs" or the "Firm"). I do not recall who initiated the conversation. The ABS Desk, which I headed, supplied some and possibly all of the securities for the transaction.

**(c) Describe in detail any role you had in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.**

Please see my answer to Question 1(b).



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**(d) Describe in detail any role the ABS desk had in the origination, formulation, design, approval, or implementation of Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.**

Please see my answer to Question 1(b). In addition, after HM1 was marketed, certain parts of the structure remained in the inventory of the CDO Origination Desk at Goldman Sachs. Late in the second quarter of 2007, those retained positions were moved to the ABS Desk. The ABS Desk may have subsequently tried to sell some of those positions.

**(e) Was the Hudson Mezzanine transaction a proprietary transaction?**

I do not believe that HM1 was designed as a proprietary transaction.

**(f) What did you understand the phrase "for the desk" to mean?**

As noted above, I was not in the "FICC-SPCDOGROUP" to which this email was sent and have no recollection of having seen or received it around the time it was sent. In addition, I do not know what Peter Ostrem meant when he wrote "for the desk." In reading the email, it appears that the phrase could have a number of possible meanings, including Mr. Ostrem's CDO Origination Desk

**(g) Was the purpose of the transaction described in Mr. Ostrem's email to enable the ABS desk to reduce cash or swap positions (and the risk associated with those positions) that the ABS desk held? If not, what was the purpose of the transaction?**

Assuming that the transaction described in Exhibit 86 is HM1, the transaction was implemented by the CDO Origination Desk, headed by Peter Ostrem, and I believe that it was his desk's purpose to identify and pursue a positive arbitrage opportunity. The ABS Desk benefited from HM1 because HM1 provided a buyer for certain long swap positions held by the ABS Desk at the time.

**(h) Identify any committee or individual at Goldman Sachs ("Goldman") that approved this transaction.**

Assuming that the transaction described in Exhibit 86 is HM1, I do not know whether this transaction was approved by any committee or individual at Goldman Sachs because the HM1 transaction was not implemented by the ABS Desk but rather the CDO Origination Desk. However, I believe that the Mortgage Capital Committee ("MCC") typically was involved in the approval process for new issue CDO transactions.

**(i) Identify any employee of Goldman or its affiliates and any third parties who were involved in the identification and selection of the assets referenced in the Hudson Mezzanine transaction and describe in detail the nature of their involvement.**

I do not recall who identified or selected the assets referenced in the HM1 transaction, although I believe it is likely that there would have been discussions between the ABS Desk and the CDO Desk about the willingness of the ABS Desk to supply risk for the HM1



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transaction. Peter Ostrem would have had the ultimate authority to decide on the assets that were included in the transaction.

**(j) List the criteria used to identify and select the assets that were referenced in the Hudson Mezzanine transaction.**

I do not recall the criteria used to identify and select the assets referenced in the HM1 transaction. The desk responsible for designing this transaction, the CDO Origination Desk, likely would have worked with the rating agencies and determined the criteria for selecting assets. Those criteria would have related to, among other things, originators, servicers and issuers of the underlying transactions but I do not recall specifics.

**(k) Based on your knowledge or belief, identify the reasons why Hudson Mezzanine was "a trade [Goldman] need[ed] to execute for the desk over the next 4-6 weeks."**

I do not know why HM1 was a trade that Peter Ostrem thought Goldman Sachs "need[ed] to execute for the desk over the next 4-6 weeks." In general, I believe that when a new issue CDO transaction is fully ramped (*i.e.*, the warehouse is filled), it is in the interest of the transaction originator and underwriter to complete the transaction as quickly as possible to reduce its market risk associated with those assets.

**(l) Based on your knowledge or belief, identify the reasons why the Hudson Mezzanine transaction "involve[d] selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale)."**

To me, "true sale" is an accounting concept but I am not certain of the specific accounting rules that would apply to the transaction described in the email.

**(m) Was the Camber 7 transaction delayed to develop the Hudson Mezzanine transaction? If so, explain why.**

I do not recall whether Camber 7 was affected by the development of HM1.

**2. Exhibit 55b from the Subcommittee's hearing on April 27, 2010, is an excerpt from your 2007 EMD Review. On page 2, in the last sentence of point 3 under the Self-Review section, you wrote:**

> **"I oversaw and directed the covering of $9bb of ABX AAA that the department was short and was able to monetize approx $250mm of p and l for the origination businesses."**

**(a) Describe the purpose of the transaction or series of transactions (hereinafter "transaction").**

In this excerpt from my EMD Review, I am describing my efforts to help the RMBS Origination Desk cover a number of its short positions.



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**(b) Describe in detail your role in this transaction.**

As a market maker, the ABS Desk purchased the securities that enabled the RMBS Origination Desk to cover some of its short positions.

**(c) Identify the assets involved.**

Though I cannot identify all such assets, I believe that ABX 06-1 and 06-2 AAAs were, at least, involved in these trades.

**(d) Identify any entity involved in the transaction and its role.**

I do not recall from whom the ABS Desk purchased the securities. Goldman Sachs' trading records will likely provide responsive information.

**(e) Describe and state the notional value of each the assets involved or referenced in the transaction.**

I do not recall the notional value of the purchased securities. Goldman Sachs' trading records will likely provide responsive information.

**(f) Identify when the transaction took place.**

I do not recall when the trades took place. I believe that most if not all occurred in the third quarter of 2007. Goldman Sachs' trading records will likely provide responsive information.

**(g) Identify the Goldman personnel who participated in this transaction and the roles they performed.**

I do not recall who executed the trades. I believe that I or Josh Birnbaum, Deeb Salem, and/or Edwin Chin were involved, along with a number of sales people.

**(h) Identify the Goldman personnel who reviewed or approved this transaction.**

Responsibility generally resided with the trading desk and its supervisors, acting within their risk and product limits.

**(i) State the value when sold or, if retained, the current value of the assets involved in this transaction.**

I do not recall the value of the assets involved in these trades. Goldman Sachs' trading records will likely provide responsive information.

**3. Exhibit 30 from the Subcommittee's hearing on April 27, 2010, contains an email from Dan Sparks dated August 14, 2007. It is entitled "Post." Included in the email is the following paragraph written by Mr. Sparks:**



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**"(2) ABX AAA 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."**

**(a) Is the trade addressed in Question 2, above, related to the transaction addressed in the email written by Mr. Sparks?**

I do not believe that I received this email. However, from its context, it appears that it was not a transaction but, instead, a precursor to the transaction proposed in Exhibit 34 (the subject of Question 4, below). I am also not certain what is meant by "related to" in this question. The decision whether to implement the trades referenced in Exhibits 30 and 34 did not depend on the decision to implement the trades I described in the excerpt quoted in Question 2.

**(b) If so, explain how they are related and whether they were separately implemented.**

Please see the answer to Question 3(a).

**(c) If the transactions were not related, explain how they were different, and whether and how the transaction identified by Mr. Sparks was implemented.**

I do not believe that I received this email. However, from its context, it appears that it was not a transaction but, instead, a precursor to the transaction proposed in Exhibit 34 (the subject of Question 4, below). I do not believe that the transaction proposed in Exhibit 34 was implemented, as I indicate in my response to Question 4(c), below. In addition, it appears from the context of Exhibit 30, that Mr. Sparks is proposing that Goldman Sachs acquire a longer position in certain ABX securities. In my EMD Review, I am describing trades that were designed to cover a short position held by the RMBS Origination Desk that served as a hedge.

**4. Exhibit 34 from the Subcommittee's hearing on April 27, 2010, is a series of emails dated August 21, 2007 and entitled "RE: Potential large subprime trade and impact on Firmwide VAR." The first email in the chain, at the bottom of the page, is from Mr. Birnbaum. It reads:**

**"- 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.**



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**- 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].**"

**(a) Is the trade addressed in Question 2, above, related to the transaction addressed in the email written by Mr. Birnbaum?**

I am not certain what is meant by "related to" in this question. The decision whether to implement the trades referenced in Exhibits 30 and 34 did not depend on the decision to implement the trades I described in the excerpt quoted in Question 2.

**(b) If so, explain how they are related and whether they were separately implemented.**

Please see the answer to Question 4(a).

**(c) If the transactions were not related, explain how they were different, and whether and how the transaction identified by Mr. Birnbaum was implemented.**

I recall Mr. Birnbaum proposing that Goldman Sachs acquire a longer position in certain ABX securities. In my EMD Review, I am describing trades that were designed to cover a short position held by the RMBS Origination Desk that served as a hedge. I do not believe that Mr. Birnbaum's proposed transaction was implemented.

**5. A Goldman graph entitled "RMBS Subprime Notional History" is Exhibit 56(a) in the Subcommittee's hearing on April 27, 2010. It shows that Goldman had a net short position of approximately $8 billion on a notional basis in November 2006 (hereafter the "short position") in the ABX AAA index (hereinafter "ABX AAA").**

**(a) When did Goldman's short position in ABX AAA first reach approximately $8 billion on a notional basis?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me (ABS Desk), David Lehman (CMBS Desk), and Jonathan Egol (Correlation Desk), and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. I do recall that the RMBS Origination Desk held short positions in ABX AAA that totaled approximately $9 billion, but I do not know when that level was first reached.





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**(b) Who within Goldman had knowledge of the full extent of the notional short position in ABX AAA during FY 2006 and FY 2007?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me, David Lehman, and Jonathan Egol, and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. I also do not recall who in Goldman Sachs knew of the full extent of the notional short position in ABX AAA in FY 2006 and 2007. Dan Sparks or any member of the ABS Desk would have had access to the information described in this question, but I do not recall whether I accessed that information.

**(c) Who was responsible for reviewing and approving the size of the short position in ABX AAA?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me, David Lehman, and Jonathan Egol, and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. I also do not know who in Goldman Sachs was responsible for reviewing and approving the size of the hedge in ABX AAA. To the extent any particular desk held a short position, I believe that it would have been, at a minimum, the responsibility of the head of that desk to review that position.

**(d) Whose capital was used to acquire the approximately $8 billion notional short position in ABX AAA?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me, David Lehman, and Jonathan Egol, and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. I also do not recall whose capital was used or allocated to acquire the short positions. In general, without knowing the specific short position of each desk, I do not know which desk's capital was used.

**(e) Did you understand the short position to be a Goldman proprietary position?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me, David Lehman, and Jonathan Egol, and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. In addition, the short position referenced in this graph would not be a proprietary position because the short position was largely a hedge against the long loan and securities positions held by the RMBS Origination Desk.



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**(f) Did the approximately $8 billion notional short position in ABX AAA include the short positions in ABX AAA held by the desks under the control of Messrs. Gasvoda, Nichols, and Finck?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me, David Lehman, and Jonathan Egol, and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. I also do not know whose short positions could have been involved in the graph's depiction of short positions because I was not involved in the development of this graph. To the extent the graph depicts the overall short position of the Mortgage Department, it should include the short position of the desks in that department, including the desk under the control of Mr. Gasvoda, under whom Matt Nichols and Greg Finck worked.

**(g) When did Goldman begin to monetize the $8 billion notional short position in ABX AAA? How was this accomplished?**

I did not develop this graph and I do not recall reviewing it in the normal course of business. I do not believe, however, that the positions in the graph accurately depict the "Mtg Dept – Mtg NYC SPG Portfolio" because such a chart would reflect the combined positions of the desks headed by me, David Lehman, and Jonathan Egol, and at no time in 2006-2007 was that combined position short $8 billion in ABX AAA. Also, please see my answer to Question 2(f), above. I recall that during the third quarter, the ABS Desk executed some trades to begin monetizing the short position in the securities held by the RMBS Origination Desk. Within the ABS Desk, I believe that I or Josh Birnbaum, Deeb Salem, and/or Edwin Chin were involved, along with a number of sales people.

**6. (a) In 2007, did the Mortgages Department cover the ABX AAA short position and then, after August 1, go long on the ABX AAA?**

Please see my answer to Question 2(f), above. I recall that the ABS Desk covered a AAA short position that was held as a hedge by the RMBS Origination Desk. I believe that the ABS Desk went longer ABX AAA after covering the short position that was held as a hedge by the RMBS Origination Desk. I do not recall the extent to which the ABS Desk went longer ABX AAA. Goldman Sachs' trading records will likely provide responsive information.

**(b) If so, identify the specific trades that resulted in the long ABX AAA position, including the dates of the trades, the amounts involved, and the identity of each counterparty.**

Goldman Sachs' trading records will likely provide responsive information.

**(c) Did the Mortgages Department hedge its long ABX AAA position? If so, how and when?**

From my perspective as head of the ABS Desk, I believe that the Mortgage Department did not hedge the ABX AAA referenced in Question 6(a). However, the longer



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ABX AAA position acquired by the ABS Desk after covering the short position that was held by the RMBS Origination Desk served as an offset to the short BBB ABX position held by the ABS Desk and reduced the Mortgage Department's VAR.

7. **Identify the greatest total notional amount by which the Mortgages Department went long on the ABX AAA after August 1, 2007, and the date on which that position was reached.**

I do not recall the total notional amount that the Mortgage Department went long on ABX AAA after August 1. To the extent that this information can be obtained from Goldman Sachs' trading records, it is my understanding that the Firm is working to provide this information to the Subcommittee promptly.

8. **Did the Mortgages Department monetize or unwind its ABX AAA long position during the period August 1, 2007 through the end of FY 2007? If so, provide that date of each transaction used to monetize or unwind the long position, and the notional amount by which the long position was reduced.**

I do not recall how long it took the Mortgage Department to unwind its ABX AAA long position or how it did so because the Department's positions changed daily (even intraday) as trades were done and these positions were not segregated in a separate account. To the extent that this information can be obtained from Goldman Sachs' trading records, it is my understanding that the Firm is working to provide this information to the Subcommittee promptly.

9. **Provide the total net profit or loss to the Mortgages Department from the ABX AAA transactions during the 4th quarter of FY 2007.**

I do not recall the total net profit or loss to the Mortgage Department from ABX AAA during that time period. To the extent that this information can be obtained from the Goldman Sachs' trading records, it is my understanding that the Firm is working to provide this information to the Subcommittee promptly.



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SUPPLEMENTAL INFORMATION
FOR MR. SWENSON'S RESPONSES
SUPPLIED BY GOLDMAN SACHS

Footnote Exhibits - Page 2732

Confidential Treatment Requested by Goldman Sachs

1. **Exhibit 86 from the Subcommittee's hearing on April 27, 2010, is an e-mail dated September 19, 2006, from Peter Ostrem to the FICC-SPCDOGROUP. The e-mail states:**

> **"We have been asked to do a CDO of $2bln for the ABS desk. Approx. $1.2bln will be CDS off single-names referenced from the ABS index 06-1 and 06-2. This is a trade we need to execute for the desk over the next 4-6 weeks and involves selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale). I would like everyone to work together on this one. We expect to charge ongoing 10bp liquidation agent fees and 1-1.5pts upfront. Equity will be offered around 22% no-loss yield. Obviously important to overall SP floor and Sobel and Sparks are focused on this happening . . ."**

**(a) Was the transaction described in this e-mail carried out? Was the transaction Hudson Mezzanine Funding 2006-1 ("Hudson Mezzanine")? If not, what was the name of the transaction?**

The facts reflected in the e-mail are consistent with the Hudson Mezzanine Funding 2006-1 transaction.

**(b) Identify by name and job title the individuals in the Mortgages Department who were involved in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine, and the activities related to the transaction that each of them engaged in.**

The names and job titles of the individuals in the Mortgage Department who were involved in the Hudson Mezzanine 2006-1 transaction are set forth in the marketing flip book and term sheet for the transaction, which were previously produced to the Subcommittee (bearing production numbers GS MBS-E-001557726 – 59 and GS MBS-E-001557869 – 73). For the Subcommittee staff's convenience, additional copies of these materials are enclosed herewith.

**(c) Describe in detail any role you had in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.**

Please see Mr. Swenson's response to this Question.

**(d) Describe in detail any role the ABS desk had in the origination, formulation, design, approval, or implementation of Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.**

The Structured Products Trading desk entered into credit default swaps with the SPV in the Hudson Mezzanine 2006-1 transaction that had the effect of reducing a long position in the ABX index held by the desk.

**(e) Was the Hudson Mezzanine transaction a proprietary transaction?**

This transaction was not a proprietary transaction. The Mortgage Department does not engage in proprietary trading.

**(f) What did you understand the phrase "for the desk" to mean?**

Please see Mr. Swenson's response to this Question.

**(g) Was the purpose of the transaction described in Mr. Ostrem's e-mail to enable the ABS desk to reduce cash or swap positions (and the risk associated with those positions) that the ABS desk held? If not, what was the purpose of the transaction?**



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Please see Mr. Swenson's response to this Question.

**(h) Identify any committee or individual at Goldman Sachs ("Goldman") that approved this transaction.**

Typically, transactions of this type would have been reviewed and approved by members of the Mortgage Capital Committee through either a formal or informal meeting. The Hudson Mezzanine 2006-1 transaction appears to have been reviewed and approved through an informal meeting, likely conducted by telephone conference.

**(i) Identify any employee of Goldman or its affiliates and any third parties who were involved in the identification and selection of the assets referenced in the Hudson Mezzanine transaction and describe in detail the nature of their involvement.**

Goldman Sachs selected the portfolio of reference obligations because there was no collateral manager or selection agent engaged for this transaction. As noted in our response to Question 1(b) posed to Mr. Swenson, the Goldman Sachs employees involved in the origination and structuring of the transaction are set forth in the marketing flip book and term sheets for the transaction.

**(j) List the criteria used to identify and select the assets that were referenced in the Hudson Mezzanine transaction.**

Please see Goldman Sachs' response to Question 1(i) posed to Mr. Swenson.

**(k) Based on your knowledge or belief, identify the reasons why Hudson Mezzanine was "a trade [Goldman] need[ed] to execute for the desk over the next 4-6 weeks."**

Please see Mr. Swenson's response to this Question.

**(l) Based on your knowledge or belief, identify the reasons why the Hudson Mezzanine transaction "involve[d] selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale)."**

Please see Mr. Swenson's response to this Question.

**(m) Was the Camber 7 transaction delayed to develop the Hudson Mezzanine transaction? If so, explain why.**

Goldman Sachs does not believe that the Camber 7 transaction was delayed to develop the Hudson Mezzanine 2006-1 transaction. Because the Hudson Mezzanine 2006-1 transaction (i) had a static portfolio, (ii) referenced the highly-liquid ABX indices and (iii) did not employ a collateral manager, it moved quickly to market. The actively-managed Camber 7 transaction, by contrast, took much longer to complete. During this period, however, Camber 7 grew from $500 million to $900 million.



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5. **A Goldman graph entitled "RMBS Subprime Notional History" is Exhibit 56(a) in the Subcommittee's hearing on April 27, 2010. It shows that Goldman had a net short position of approximately $8 billion on a notional basis in November 2006 (hereafter the "short position") in the ABX AAA index (hereinafter "ABX AAA").**

   **(a) When did Goldman's short position in ABX AAA first reach approximately $8 billion on a notional basis?**

   On October 12, 2006, the Mortgage Department's ABX AAA position reached approximately $8 billion on a notional basis. The majority of that position was held by the Residential Prime and Credit Origination desks. The position offset long prime and subprime whole loan inventory of approximately $10 billion. The two exposures would net to a long position.

   **(b) Who within Goldman had knowledge of the full extent of the notional short position in ABX AAA during FY 2006 and FY 2007?**

   **(c) Who was responsible for reviewing and approving the size of the short position in ABX AAA?**

   The Mortgage Department (as well as other trading businesses within Goldman Sachs) managed the size of its exposures and inventory in line with risk limits established by senior management. These risk limits ensured that regardless of the opinion of an individual or a business unit about market direction, risk remains within prescribed levels. The specific risk limits relevant to the Mortgage Department included VaR, credit spread widening and balance sheet size.

   The ABX AAA position was one of many positions incorporated into all of the long and short exposures maintained by the Mortgage Department and reviewed by senior leadership within the department. Risk was managed within the risk limits approved by the Securities Division Risk Committee. Senior traders within the Mortgage Department and Risk Management were generally aware of the increasing size of the short position (as well as the offsetting long position) during this period.

   **(d) Whose capital was used to acquire the approximately $8 billion notional short position in ABX AAA?**

   As a market maker, Goldman Sachs assumed risk positions and put its own capital at risk. The firm's capital consisted of shareholder equity, supplemented by long-term debt issued by the firm. Goldman Sachs has long had well-established procedures to set risk limits by business units and to ensure that the firm has appropriate levels of capital to support those levels of activity.

   **(e) Did you understand the short position to be a Goldman proprietary position?**

   Please see Mr. Swenson's response to this Question.



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**(f) Did the approximately $8 billion notional short position in ABX AAA include the short positions in ABX AAA held by the desks under the control of Messrs. Gasvoda, Nichols, and Finck?**

The majority of the approximately $8 billion of notional short position in ABX AAA included hedges maintained by the Residential Mortgage Origination business.

**(g) When did Goldman begin to monetize the $8 billion notional short position in ABX AAA? How was this accomplished?**

Commensurate with the reduction in long residential loan inventory, the Mortgage Department began reducing its short ABX AAA position during the Third Quarter of 2007. This was executed through trades, primarily with dealers, where Goldman Sachs sold protection on ABX AAA.

**6. (a) In 2007, did the Mortgages Department cover the ABX AAA short position and then, after August 1, go long on the ABX AAA?**

Yes. In the latter portion of the third Quarter of 2007, in conjunction with reducing its long residential loan inventory, the Mortgage Department reduced its short ABX AAA position and ultimately had a long ABX AAA position in the Fourth Quarter of 2007.

**(b) If so, identify the specific trades that resulted in the long ABX AAA position, including the dates of the trades, the amounts involved, and the identity of each counterparty.**

Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000038761) providing information for ABX AAA trades executed in July and August 2007.

**(c) Did the Mortgages Department hedge its long ABX AAA position? If so, how and when?**

The Mortgage Department's ABX AAA position was part of the Department's exposures and was managed in conjunction with other positions held by the Department. For example, in the Fourth Quarter of 2007, the Department was short single-name credit default swap positions in lower-rated securities, which offset the long exposures including the AAA ABX.



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**7. Identify the greatest total notional amount by which the Mortgages Department went long on the ABX AAA after August 1, 2007, and the date on which that position was reached.**

The largest notional long ABX AAA position held by the Mortgage Department after August 1, 2007 was on September 25, 2007. The position was long approximately $1.8 billion notional.

**8. Did the Mortgages Department monetize or unwind its ABX AAA long position during the period August 1, 2007 through the end of FY 2007? If so, provide that date of each transaction used to monetize or unwind the long position, and the notional amount by which the long position was reduced.**

The Mortgage Department reduced its long ABX AAA position from September 25, 2007 through the end of 2007. Goldman Sachs encloses a spreadsheet (bearing production number GS MBS 0000038761) providing information on trades during that period.

**9. Provide the total net profit or loss to the Mortgages Department from the ABX AAA transactions during the 4th quarter of FY 2007.**

During the Fourth Quarter of 2007, the Mortgage Department lost approximately $152 million on its ABX AAA position. These losses were offset by gains on other positions in the mortgage department resulting in a gain of approximately $107 million in non-agency residential mortgages for the Quarter.



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| Book | Leaf | External Trade ID | Notional | Net effect | Trade Date | Counterparty |
|---|---|---|---|---|---|---|
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 JDD50 | SDB982423739 | 25,000,000 | 25,000,000 | 30-Nov-07 | [redacted] |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982423746A | 25,000,000 | 25,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982423753A | 50,000,000 | 50,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-2 A50 KMUR0 | SDB982423761A | 25,000,000 | 25,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 JDD50 | SDB982423771A | 25,000,000 | 25,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-2 A50 KMYR0 | SDB982423772A | 25,000,000 | 25,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 JDD50 | SDB982423797 | 10,000,000 | 10,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 JDD50 | SDB982424148A | 60,000,000 | 60,000,000 | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982424236A | (25,000,000) | (25,000,000) | 30-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DUZ0 | SDB982418814.1A | (8,000,000) | (8,000,000) | 29-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982421393A | 5,000,000 | 5,000,000 | 29-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982421417A | 5,000,000 | 5,000,000 | 29-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 3BPR0 | SDB981330261A | (20,000,000) | (20,000,000) | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 EY820 | SDB981330261A | (100,000,000) | 100,000,000 | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982129551A | 500,000,000 | (500,000,000) | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982129551A | 340,000,000 | 340,000,000 | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982418231A | (55,000,000) | (55,000,000) | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DUZ0 | SDB982418814A | (7,000,000) | (7,000,000) | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DUZ0 | SDB982418841A | (20,000,000) | (20,000,000) | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DUZ0 | SDB982418886A | 25,000,000 | 25,000,000 | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982419444A | 160,000,000 | 160,000,000 | 28-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982151686A | 50,000,000 | (50,000,000) | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982414338A | 25,000,000 | 25,000,000 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982414376A | 25,000,000 | 25,000,000 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DXB50 | SDB982414612.1A | 18,000,000 | 18,000,000 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DXB50 | SDB982414612.2A | 1,200,000 | 1,200,000 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DXB50 | SDB982414612A | 800,000 | 800,000 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DXB50 | SDB982414917.1A | 1,681,000 | 1,681,000 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DXB50 | SDB982414917.2A | 4,250,600 | 4,250,600 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DXB50 | SDB982414917A | 4,068,400 | 4,068,400 | 26-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152284.3A | 2,000,000 | (2,000,000) | 23-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152284A | 13,750,000 | (13,750,000) | 23-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982152284A | 7,015,000 | 7,015,000 | 23-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152284.1A | 65,500,000 | (65,500,000) | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982152284.1A | 33,418,000 | 33,418,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152284.2A | 13,000,000 | (13,000,000) | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982152284.2A | 6,633,000 | 6,633,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152284.4A | 5,750,000 | (5,750,000) | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982152284.4A | 2,934,000 | 2,934,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982154232.1A | 25,000,000 | (25,000,000) | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982154232.1A | 5,000,000 | 5,000,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982154232A | 25,000,000 | (25,000,000) | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982154232A | 5,000,000 | 5,000,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982403981A | 5,000,000 | 5,000,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982404054A | 5,000,000 | 5,000,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982404645A | 32,082,000 | 32,082,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982404650A | 6,367,000 | 6,367,000 | 21-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152736A | 100,000,000 | (100,000,000) | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982152736A | 95,000,000 | 95,000,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982400668A | 5,000,000 | 5,000,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982402100.1A | 22,500,000 | 22,500,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982402100.2A | 1,500,000 | 1,500,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982402100A | 1,000,000 | 1,000,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982402340 | 30,000,000 | 30,000,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982402373A | 1,000,000 | 1,000,000 | 20-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982397281A | 10,000,000 | 10,000,000 | 19-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982397317A | 10,000,000 | 10,000,000 | 19-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-2 A50 CN3N0 | SDB982049765A | 50,000,000 | (50,000,000) | 15-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982118395A | 25,000,000 | (25,000,000) | 15-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982377305A | 25,000,000 | 25,000,000 | 15-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-2 A50 KMUR0 | SDB982377343A | 10,000,000 | 10,000,000 | 15-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-1 5D0 DZB50 | SDB982377353A | 25,000,000 | 25,000,000 | 15-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-2 A50 CN3N0 | SDB982071617.8A | 6,700,000 | (6,700,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.06-2 A50 CN3N0 | SDB982136112.3A | (6,700,000) | 6,700,000 | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.10A | (3,520,000) | (3,520,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.11A | (1,452,000) | (1,452,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.12A | (623,000) | (623,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.13A | (534,000) | (534,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.14A | (1,228,000) | (1,228,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.15A | (430,000) | (430,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.16A | (170,000) | (170,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.17A | (72,000) | (72,000) | 14-Nov-07 | |
| TG02130 | MDX.ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.18A | (2,167,000) | (2,167,000) | 14-Nov-07 | |

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| | | | | | |
|---|---|---|---|---|---|
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.20A | (628,000) | (628,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.21A | (644,000) | (644,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.22A | (541,000) | (541,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.23A | (202,000) | (202,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.24A | (110,000) | (110,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.25A | (98,000) | (98,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.26A | (105,000) | (105,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.27A | (14,000) | (14,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.28A | (92,000) | (92,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.29A | (141,000) | (141,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.2A | (1,194,000) | (1,194,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.30A | (67,000) | (67,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.31A | (22,000) | (22,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.32A | (1,367,000) | (1,367,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.33A | (23,000) | (23,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.34A | (38,000) | (38,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.35A | (482,000) | (482,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.36A | (24,000) | (24,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.3A | (668,000) | (668,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.4A | (94,000) | (94,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.5A | (46,000) | (46,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.6A | (39,000) | (39,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.7A | (1,015,000) | (1,015,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.8A | (1,163,000) | (1,163,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604.9A | (748,000) | (748,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982375604A | (741,000) | (741,000) | 14-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982373754A | (25,000,000) | (25,000,000) | 13-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152647A | 10,000,000 | (10,000,000) | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982363118A | 5,000,000 | 5,000,000 | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982363126A | 5,000,000 | 5,000,000 | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982363608A | 10,000,000 | 10,000,000 | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982363698A | 10,000,000 | 10,000,000 | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982363768.1A | (18,000,000) | (18,000,000) | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982363768A | (12,000,000) | (12,000,000) | 9-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 CN3N0 | SDB982086848A | 50,000,000 | (50,000,000) | 8-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982361590.1A | (3,000,000) | (3,000,000) | 8-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982361590A | (2,000,000) | (2,000,000) | 8-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982361775.1A | (18,000,000) | (18,000,000) | 8-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982361775A | (12,000,000) | (12,000,000) | 8-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982360432A | (10,000,000) | (10,000,000) | 7-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982360810A | (6,500,000) | (6,500,000) | 7-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982360818A | (18,500,000) | (18,500,000) | 7-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982358934A | 10,000,000 | 10,000,000 | 6-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982359139.1A | (2,500,000) | (2,500,000) | 6-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982359139A | (2,500,000) | (2,500,000) | 6-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982359182A | 25,000,000 | 25,000,000 | 6-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982074489.0A | 110,000,000 | (110,000,000) | 5-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982074489.1A | 90,000,000 | (90,000,000) | 5-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982345508.1A | (11,000,000) | (11,000,000) | 2-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982345508.2A | (9,000,000) | (9,000,000) | 2-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982345508A | (5,000,000) | (5,000,000) | 1-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982345628.1A | (7,193,000) | (7,193,000) | 1-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982345628A | (2,807,000) | (2,807,000) | 1-Nov-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB981933829A | (100,000) | 100,000 | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982325793A | (100,000,000) | (100,000,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.1A | (110,000) | (110,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.2A | (90,000) | (90,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.3A | (9,030,000) | (9,030,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.4A | (20,000) | (20,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.5A | (1,650,000) | (1,650,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.6A | (1,000,000) | (1,000,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288.7A | (1,700,000) | (1,700,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326288A | (1,400,000) | (1,400,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982326532A | (10,000,000) | (10,000,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982326537A | (20,000,000) | (20,000,000) | 31-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982055840.0A | 774,000 | (774,000) | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982055840.1A | 9,356,000 | (9,356,000) | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982055840.2A | 9,870,000 | (9,870,000) | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982324825A | 10,000,000 | 10,000,000 | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982324966A | 774,000 | 774,000 | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982324975A | 9,356,000 | 9,356,000 | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982324991A | 9,870,000 | 9,870,000 | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982325164A | (25,000,000) | (25,000,000) | 30-Oct-07 |
| MTG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982311050.1A | (375,000,000) | (375,000,000) | 29-Oct-07 |

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| | | | | | |
|---|---|---|---|---|---|
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312389A | 4,600,000 | 4,600,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312397A | 850,000 | 850,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312432A | 3,000,000 | 3,000,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312471A | 1,250,000 | 1,250,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312496A | 1,750,000 | 1,750,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312529A | 7,250,000 | 7,250,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982312560A | 6,300,000 | 6,300,000 | 29-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982122528A | 25,000,000 | (25,000,000) | 26-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982125443A | 25,000,000 | (25,000,000) | 26-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982306991.1A | (4,450,000) | (4,450,000) | 26-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982308745A | 25,000,000 | 25,000,000 | 26-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982308757A | 25,000,000 | 25,000,000 | 26-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982305954A | (25,000,000) | (25,000,000) | 25-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982306991A | (550,000) | (550,000) | 25-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982152477A | 20,000,000 | (20,000,000) | 24-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982295257A | 5,000,000 | 5,000,000 | 23-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982295375A | 35,000,000 | 35,000,000 | 23-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982292604A | (10,000,000) | (10,000,000) | 22-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982293113A | (50,000,000) | (50,000,000) | 22-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982293758A | 5,000,000 | 5,000,000 | 22-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982288852A | 25,000,000 | 25,000,000 | 19-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982289464A | 25,000,000 | 25,000,000 | 19-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-2 SX0 G32N0 | SDB982123431A | (25,000,000) | 25,000,000 | 18-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982286570A | (5,000,000) | (5,000,000) | 18-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982286621A | 25,000,000 | 25,000,000 | 18-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982287158A | 25,000,000 | 25,000,000 | 18-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-2 SX0 6DCZ0 | SDB982287215A | (25,000,000) | (25,000,000) | 18-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982287291A | (25,000,000) | (25,000,000) | 18-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982281223A | 25,000,000 | 25,000,000 | 16-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982117406A | 200,000,000 | (200,000,000) | 15-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982117406A | 25,000,000 | 25,000,000 | 15-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982279633A | (50,000,000) | (50,000,000) | 15-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982279635A | (50,000,000) | (50,000,000) | 15-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982279821A | 50,000,000 | 50,000,000 | 15-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982278379A | 10,000,000 | 10,000,000 | 12-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 EY820 | SDB982038368A | 15,000,000 | (15,000,000) | 11-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 A3VK1 | SDB982119249A | 50,000,000 | (50,000,000) | 11-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982277371A | 15,000,000 | 15,000,000 | 11-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982277660A | 15,000,000 | 15,000,000 | 11-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.06-1 5D0 DZB50 | SDB982275253A | (50,000,000) | (50,000,000) | 9-Oct-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 EY820 | SDB982119037.1A | 10,000,000 | (10,000,000) | 28-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 EY820 | SDB982119037A | 5,000,000 | (5,000,000) | 28-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982243442A | 10,000,000 | 10,000,000 | 28-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 3BPR0 | SDB982243451A | 5,000,000 | 5,000,000 | 28-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.07-1 LP0 EY820 | SDB982128693A | 25,000,000 | (25,000,000) | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.10B | 300,000 | 300,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.11A | 600,000 | 600,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.12B | 200,000 | 200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.13B | 200,000 | 200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.14A | 2,800,000 | 2,800,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.15A | 800,000 | 800,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.16B | 200,000 | 200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.17A | 400,000 | 400,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.18A | 700,000 | 700,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.19A | 1,500,000 | 1,500,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.1A | 100,000 | 100,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.20A | 1,200,000 | 1,200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.21A | 500,000 | 500,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.22A | 100,000 | 100,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.23A | 1,200,000 | 1,200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.24A | 400,000 | 400,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.25A | 5,500,000 | 5,500,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.26B | 200,000 | 200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.27B | 300,000 | 300,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.28B | 300,000 | 300,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.29A | 2,200,000 | 2,200,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.2A | 1,100,000 | 1,100,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.30A | 100,000 | 100,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.31A | 400,000 | 400,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.32B | 300,000 | 300,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.33A | 1,300,000 | 1,300,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.34A | 900,000 | 900,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.35A | 1,300,000 | 1,300,000 | 27-Sep-07 |
| vITG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.36A | 400,000 | 400,000 | 27-Sep-07 |

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| | | | | | |
|---|---|---|---|---|---|
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.39A | 900,000 | 900,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.3B | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.40A | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.41A | 400,000 | 400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.42A | 4,700,000 | 4,700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.43A | 1,000,000 | 1,000,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.44A | 1,400,000 | 1,400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.45A | 1,300,000 | 1,300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.46B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.47A | 500,000 | 500,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.48A | 1,600,000 | 1,600,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.49A | 500,000 | 500,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.4A | 2,700,000 | 2,700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.50A | 700,000 | 700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.51B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.52A | 1,900,000 | 1,900,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.53A | 2,200,000 | 2,200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.54A | 1,400,000 | 1,400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.55A | 100,000 | 100,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.56A | 2,500,000 | 2,500,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.57A | 600,000 | 600,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.58A | 900,000 | 900,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.59A | 100,000 | 100,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.5B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.60A | 1,000,000 | 1,000,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.61A | 6,000,000 | 6,000,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.62A | 1,200,000 | 1,200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.63A | 900,000 | 900,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.64A | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.65A | 1,100,000 | 1,100,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.66A | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.67A | 500,000 | 500,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.68A | 700,000 | 700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.69A | 600,000 | 600,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.6A | 100,000 | 100,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.70A | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.71A | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.72B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.73A | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.74A | 4,600,000 | 4,600,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.75B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.76A | 400,000 | 400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.77A | 900,000 | 900,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.78A | 700,000 | 700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.79A | 2,700,000 | 2,700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.7A | 400,000 | 400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.80A | 600,000 | 600,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.81A | 800,000 | 800,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.82A | 100,000 | 100,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.83A | 1,700,000 | 1,700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.84A | 400,000 | 400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.85B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.86B | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.87A | 400,000 | 400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.88A | 1,300,000 | 1,300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.89A | 1,500,000 | 1,500,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.8A | 2,800,000 | 2,800,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.90A | 4,700,000 | 4,700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.91A | 700,000 | 700,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.92B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.93A | 1,100,000 | 1,100,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.94A | 1,300,000 | 1,300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.95A | 1,400,000 | 1,400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.96B | 300,000 | 300,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.97B | 200,000 | 200,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413.9A | 400,000 | 400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 KMUR0 | SDB982238413A | 2,400,000 | 2,400,000 | 27-Sep-07 |
| MTG02130 | MDX ABX.HE.AAA.06-2 A50 CN3N0 | LTAA0982233571 | 100,000,000 | (100,000,000) | 26-Sep-07 |

Footnote [redacted] age 2740

[redacted] = Redacted by the Permanent Subcommittee on Investigations

PSI_QFR_GS0497

**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**

**to**

# JOSHUA S. BIRNBAUM
## Former Managing Director
## Structured Products Group Trading
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

PSI_QFR_GS0498

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**JOSHUA S. BIRNBAUM**
**Former Managing Director**
**Structured Products Group Trading**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010:**

1. Is it, or was it, your understanding or belief that one or more individuals within Goldman Sachs ("Goldman") believed that the ABS desk made money in 2007 primarily from a single short trade (the "Trade")? If so, provide the following information.

   (a) Identify by name and job title any individuals that you understood held that belief.

   (b) Describe in detail the Trade to which you understood any such individuals to be referring.

   (c) State the notional value of the Trade.

   (d) Describe in detail the assets or positions that were included or referenced in the Trade.

   (e) Describe in detail how Goldman unwound or covered the positions acquired in the Trade.

   (f) State when Goldman unwound or covered the positions acquired in the Trade.

   (g) State the amount of profit made, or loss avoided, by Goldman from the Trade.

   If you are unable to provide complete answers to any of the foregoing questions, identify the persons within Goldman who would be able to provide the answers or information requested.

2. Is it or was it your understanding or belief that by June 2007, all CDO and RMBS positions retained by SPG Trading were identified and already hedged?

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3. Is it or was it your understanding or belief that after the Bear Stearns Asset Management (BSAM) unwind in 2007, SPG Trading initiated shorts on an outright basis, with no accompanying CDO or RMBS retained position longs? If so, what was the dollar value of the short position acquired as a result off that activity?

4. Is it or was it your understanding or belief that the shorts referenced in Question 3, above, were not a hedge?

5. Exhibit 86 from the Subcommittee's hearing on April 27, 2010, is an email dated September 19, 2006, from Peter Ostrem to the FICC-SPCDOGROUP. The email states:

> "We have been asked to do a CDO of $2bln for the ABS desk. Approx. $1.2bln will be CDS off single-names referenced from the ABS index 06-1 and 06-2. This is a trade we need to execute for the desk over the next 4-6 weeks and involves selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale). I would like everyone to work together on this one. We expect to charge ongoing 10bp liquidation agent fees and 1-1.5pts upfront. Equity will be offered around 22% no-loss yield. Obviously important to overall SP floor and Sobel and Sparks are focused on this happening . . ."

(a) Was the transaction described in this email carried out? Was the transaction Hudson Mezzanine Funding 2006-1 ("Hudson Mezzanine")? If not, what was the name of the transaction?

(b) Identify by name and job title the individuals in the Mortgages Department who were involved in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine, and the activities related to the transaction that each of them engaged in.

(c) Describe in detail any role you had in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.

(d) Describe in detail any role the ABS desk had in the origination, formulation, design, approval, or implementation of Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.

(e) Was the Hudson Mezzanine transaction a proprietary transaction?

(f) What did you understand the phrase "for the desk" to mean?



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(g) Was the purpose of the transaction described in Mr. Ostrem's email to enable the ABS desk to reduce cash or swap positions (and the risk associated with those positions) that the ABS desk held? If not, what was the purpose of the transaction?

(h) Identify any committee or individual at Goldman that approved this transaction.

(i) Identify any employee of Goldman or its affiliates and any third parties who were involved in the identification and selection of the assets referenced in the Hudson Mezzanine transaction and describe in detail the nature of their involvement.

(j) List the criteria used to identify and select the assets that were referenced in the Hudson Mezzanine transaction.

(k) Based on your knowledge or belief, identify the reasons why Hudson Mezzanine was "a trade [Goldman] need[ed] to execute for the desk over the next 4-6 weeks."

(l) Based on your knowledge or belief, identify the reasons why the Hudson Mezzanine transaction "involve[d] selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale)."

(m) Was the Camber 7 transaction delayed to develop the Hudson Mezzanine transaction? If so, explain why.

6. During your tenure in the Mortgages Department at Goldman, did you ever intentionally fail to respond to a request for a bid or an offer to purchase from a customer or another broker-dealer? If so, explain the circumstances.

7. During your tenure in the Mortgages Department at Goldman, did you ever knowingly make a non-competitive response to a request for a bid or an offer to purchase?

8. During your tenure in the Mortgages Department at Goldman, did you ever inform a customer or a broker-dealer that Goldman did not make a market in any ABX product in order to avoid selling or purchasing that product?

9. Exhibit 34 from the Subcommittee's hearing on April 27, 2010, is a series of emails dated August 21, 2007, and entitled "RE: Potential large subprime trade and impact on Firmwide VAR." The first email in the chain, at the bottom of the page, was written by you. It reads:

> "- 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.



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- 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]."

(a) Was the transaction or series of transactions (hereinafter "transaction") you proposed in your email ("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"), or a transaction similar to the one you identified in your email, implemented? If so, provide the following information.

(b) Describe the purpose of the transaction.

(c) Describe in detail your role in this transaction.

(d) Identify the assets involved.

(e) Identify any entity involved in the transaction and its role.

(f) Describe and state the notional value of each the assets involved or referenced in the transaction.

(g) Identify when the transaction took place.

(h) Identify the Goldman personnel who participated in this transaction and the roles they performed.

(i) Identify the Goldman personnel who reviewed or approved this transaction.

(j) State the value when sold or, if retained, the current value of the assets involved in this transaction.



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10. Exhibit 30 from the Subcommittee's hearing on April 27, 2010, contains an email from Mr. Sparks, dated August 14, 2007. It is entitled "Post." Included in the email is the following paragraph written by Mr. Sparks:

> "(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."

(a) Is the transaction addressed in Question 9, above, related to the transaction addressed in the email written by Mr. Sparks?

(b) If so, explain how they are related and whether they were separately implemented.

(c) If the transactions were not related, explain how they were different, and how the transaction identified by Mr. Sparks was implemented.

11. Exhibit 55b from the Subcommittee's hearing on April 27, 2010, is an excerpt from Mr. Swenson's 2007 EMD Review. On page 2, in the last sentence of point 3 under the Self-Review section, Mr. Swenson wrote:

> "I oversaw and directed the covering of $9bb of AAA ABX that the department was short and was able to monetize approx $250mm of p and l for the origination businesses."

(a) Is the transaction addressed in Question 9, above, related to the transaction addressed in Mr. Swenson's 2007 EMD Review?

(b) If so, explain how they are related and whether they were separately implemented.

(c) If the transactions were not related, explain how they were different, and how the transaction identified by Mr. Swenson was implemented.

12. A Goldman graph entitled "RMBS Subprime Notional History" is Exhibit 56(a) in the Subcommittee's hearing on April 27, 2010. It shows that Goldman had a net short position of approximately $8 billion on a notional basis in November 2006 (hereafter the "short position") on the ABX AAA index (hereafter "ABX AAA").

(a) When did Goldman's short position in ABX AAA first reach approximately $8 billion on a notional basis?



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(b) Who within Goldman had knowledge of the full extent of the notional short position in ABX AAA during FY 2006 and FY 2007?

(c) Who was responsible for reviewing and approving the size of the short position in ABX AAA?

(d) Whose capital was used to acquire the approximately $8 billion notional short position in ABX AAA?

(e) Did you understand the short position to be a Goldman proprietary position?

(f) Did the approximately $8 billion notional short position in ABX AAA include the short positions in ABX AAA held by the desks under the control of Messrs. Gasvoda, Nichols, and Finck?

(g) When did Goldman begin to monetize the $8 billion notional short position in ABX AAA? How was that accomplished?

13. (a) In 2007, did the Mortgages Department cover the ABX AAA short position and then, after August 1, go long on the ABX AAA?

(b) If so, identify the specific trades that resulted in the long ABX AAA position, including the dates of the trades, the amounts involved, and the identity of each counterparty.

(c) Did the Mortgages Department hedge its long ABX AAA position? If so, how and when?

14. Identify the greatest total notional amount by which the Mortgages Department went long on the ABX AAA after August 1, 2007, and the date on which that position was reached.

15. Did the Mortgages Department monetize or unwind its ABX AAA long position during the period August 1, 2007 through the end of FY 2007? If so, provide the date of each transaction used to monetize or unwind the long position, and the notional amount by which the long position was reduced.

16. Provide the total net profit or loss to the Mortgages Department from the ABX AAA transactions during the 4th quarter of FY 2007.





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June 21, 2010

**VIA EMAIL (mary_robertson@hsgac.senate.gov)**

The Honorable Carl Levin
c/o Mary Robertson, Chief Clerk
United States Senate
Committee on Homeland Security and Governmental Affairs
Washington, DC 20510-6250

Re: Permanent Subcommittee on Investigations' Follow Up Questions

Dear Senator Levin:

Enclosed please find, on behalf of Joshua S. Birnbaum, responses to the questions posed in your letter dated May 24, 2010 following the April 27, 2010 hearing. As you are aware, Mr. Birnbaum is no longer employed by Goldman Sachs and therefore does not have access to the documents and other sources of information needed to answer many of the supplemental questions.

Should you have any further questions, please contact me.

Sincerely,

Peter H. White

Enclosure

DOC ID-11208193.1

PSI_QFR_GS0505

**Responses of Joshua S. Birnbaum to**
**Additional Questions Posed by the**
**Permanent Subcommittee on Investigations**

1. I do not believe that the profitability of the ABS desk in 2007 was driven primarily by a single short trade, and do not know of anyone at Goldman Sachs ("Goldman") who thought it was.

2. I do not know whether all CDO and RMBS positions retained by SPG Trading were identified and already hedged by June 2007. I did not retain the records from my time with Goldman relevant to making such a determination. In any event, as I testified, there was significant debate within Goldman regarding the extent of our CDO and RMBS exposures and how to hedge them in part because hedging in this space is not subject to discrete, clear-cut mapping. Goldman would be better able to provide the details asked for in this question.

3. In late June and July 2007, SPG Trading sold the ABX index and bought protection in the single name market, thereby lessening that book's long exposure and increasing its short exposures. Because I did not retain records from my time at Goldman, I do not know the dollar value of the short position acquired as a result of that activity. Goldman would be better able to provide the details asked for in this question.

4. I do not know whether "the shorts referenced in Question 3" were a hedge because I do not recall the extent of those positions or the other long investments Goldman held at that time, and do not have the records necessary to make such a determination. Goldman would be better able to provide the details asked for in this question.

5. I did not receive the email and do not know what is meant by the various phrases the Subcommittee has quoted from that message. Though I do not have access to all of the documents that might help refresh my recollection at this time, I believe the concept referenced in this email became the Hudson Mezzanine Funding 2006-1 transaction. Other than Peter Ostrem, who sent this email, I do not remember who else was involved in the origination, formulation, design, approval or implementation of this transaction, or in the sale of securities issued by the Hudson Mezzanine. I do not recall having any role in that process, other than perhaps providing pricing for the ABX Index, and do not remember whether anyone else on the ABS desk had such a role. I do not know who approved the transaction or selected its referenced assets, or what the criteria for selection were. I believe that the purpose of the transaction was to provide clients interested in purchasing subprime risk exposure with a diversified portfolio that included CDS from the single names that were included in the 06-1 and 06-2 ABX Index and other single name CDS which, if attractive to investors, could also reduce the ABS trading desk's long position in the ABX Index. I do not know what the Subcommittee means by the term "proprietary," but this was not a proprietary transaction as I understand the meaning ascribed to that term by Goldman and the broader Wall Street community. I do not recognize the name "Camber 7."



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6. During my tenure at the Mortgage Department at Goldman, in connection with our role as a market maker, we provided liquidity to customers who requested bids or offers in the context of the market. I do not recall intentionally failing to respond to a customer request for a bid or an offer. It would not be unusual for a broker to not respond to another broker's requests and market practice does not dictate any obligation to provide liquidity to counterparties that are not clients.

7. As I do not understand what is meant by "a non-competitive response to a request for a bid or an offer to purchase," I cannot answer the Committee's question as posed.

8. I do not recall informing any customers that Goldman did not make a market in any ABX product in order to avoid selling or purchasing that product.

9. The transaction I proposed in this email was not implemented. Its purpose would have been to hedge our desk's existing mezzanine subprime BBB short position by purchasing a significant AAA long position.

10. The transaction addressed in the email from Mr. Sparks dated August 14, 2007 was related to the transaction addressed in Question 9, but I do not believe either was implemented as described.

11. The transaction referenced in Mr. Swenson's 2007 EMD review was not related to the transaction addressed in Question 9. The transaction referenced in the emails referenced in Questions 9 and 10 proposed to purchase AAA long positions to offset existing BBB short positions. The transaction described in Mr. Swenson's EMD review covered short AAA positions held outside the SPG Trading group.

12. The graph entitled "RMBS Subprime Notional History" is misleading to the extent that it purports to amalgamate positions that cannot be offset against one another from a risk management perspective. *See* Transcript of Proceedings, United States Senate, Permanent Subcommittee on Investigations, April 27, 2010, at 75-76. Combining these very different positions in this way does not reflect the firm's position or what would happen to the firm's profit and loss statement to the extent the market moved up and down. I do not have access to the records necessary to determine when Goldman's short position in ABX AAA reached any particular level on a notional basis, and do not believe this number to be particularly meaningful from a risk management perspective. I cannot answer the question further as I did not take those records with me when I left Goldman. Goldman would be better able to provide the details asked for in this question.

13. I recall that the Mortgage Department covered many of its ABX AAA short positions in mid 2007, but do not recall whether the Department went net long after August 1, 2007. As I am not certain there was a long ABX AAA position after August 1, 2007, and as I did not retain the relevant documents after leaving Goldman, I cannot provide the information requested regarding trading and hedging activity. Goldman would be better able to provide the details asked for in this question.

14. As I did not retain the documents relevant to this issue after leaving Goldman, I cannot determine the greatest total notional amount by which the Mortgage Department went



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long on the ABX AAA after August 1, 2007. In fact, as mentioned above, I do not even know whether the Department actually went long on the ABX AAA after August 1, 2007. Goldman would be better able to provide the details asked for in this question.

15. Without access to the relevant records, I cannot answer whether the Mortgage Department monetized or unwound some or all of its ABX AAA position between August 1, 2007 and the end of the year. Goldman would be better able to provide the details asked for in this question.

16. I do not know the total net profit or loss to the Mortgage Department from the ABX AAA transactions during the fourth quarter of FY 2007. Goldman would be better able to provide the details asked for in this question.



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October 20, 2010

**VIA COURIER**

The Honorable Carl Levin
Attn: Mr. Bob Roach
United States Senate
Committee on Homeland Security and Governmental Affairs
199 Russell Senate Office Building
Washington, DC 20510-6250

Re: Supplemental Responses to Selected Permanent Subcommittee on Investigations Follow Up Questions

Dear Senator Levin:

We write on behalf of Joshua S. Birnbaum to supplement responses to certain questions posed in your May 24, 2010 letter following his testimony at the April 27, 2010 hearing. During Mr. Birnbaum's second interview with your staff on October 1, 2010, it was revealed that a draft of a document Mr. Birnbaum wrote in 2007 (SPG Trading - 2007, GS MBE-E-015654036-50, copy attached) was quoted extensively, without citation, in certain follow up questions posed to Mr. Birnbaum (specifically Questions 1-4). Unfortunately, Mr. Birnbaum did not have a copy of that document at the time he responded to the May 24 questions and, therefore, could not use it to refresh his recollection of events that occurred several years ago. Curiously, nothing in the questions indicated that your staff had incorporated quotations from a document, unlike the many other questions posed where the your staff clearly indicated that it was quoting from documents that had been provided to Mr. Birnbaum. We cannot understand what legitimate reason the staff would have for neither providing the document nor even disclosing that it was quoting a particular document in posing these questions. Without the benefit of that document, Mr. Birnbaum was not able to answer all of the questions in his written responses. In fact, his response to the questions at issue specifically noted that he did not have the documents necessary to refresh his recollection.

Having now reviewed the document quoted in the questions posed, Mr. Birnbaum's recollection is refreshed regarding certain events that occurred during 2006 and 2007. Accordingly, even though nothing contained in the document is inconsistent with Mr. Birnbaum's June 21, 2010 responses, we wish to supplement those responses as follows:



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1. ***Question**: Is it, or was it, your understanding or belief that one or more individuals at Goldman Sachs ("Goldman") believed that the ABS desk made money in 2007 primarily from a single short trade (the "Trade")? If so, provide the following information.*

   *(a) Identify by name and job title any individuals that you understood held that belief.*

   *(b) Describe in detail the Trade to which you understood any such individuals to be referring.*

   *(c) State the notional value of the Trade.*

   *(d) Describe in detail the assets or positions that were included or referenced in the Trade.*

   *(e) Describe in detail how Goldman unwound or covered the positions acquired in the Trade.*

   *(e) State when Goldman unwound or covered the positions acquired in the Trade.*

   *(f) State the amount of profit made, or loss avoided, by Goldman from the Trade.*

   *If you are unable to provide complete answers to any of the foregoing questions, identify the persons within Goldman who would be able to provide the answers or information requested.*

   **Previous Answer**: I do not believe that the profitability of the ABS desk in 2007 was driven primarily by a single short trade, and do not know of anyone at Goldman Sachs ("Goldman") who thought it was.

   **Supplemental Answer**: In late 2007, I drafted a deck of PowerPoint slides entitled "SPG Trading - 2007" for possible use in the compensation process at Goldman. GS MBS-E-015654036-050 (attached). We ultimately decided not to use that document in connection with the 2007 compensation process and, at the time I responded to the Subcommittee's written questions, I did not recall even having created an unused draft of it. In that document, there was a slide dedicated to debunking the potential misimpression about SPG Trading that "2007 was a unique event, desk made money primarily from a single short trade, results not likely to be repeatable." GS MBS-E-015654041. This is the document which the Subcommittee was quoting in Question #1 (*"desk made money in 2007 primarily from a single short trade"*). The document goes on to state: "Revenues in 2007 were diversified across many different strategies (directional both long and short, capital structure, index/SN [ABX Index/Single Names] basis, tiering, idiosyncratic, flow trading). We switched direction several times with well-timed calls relative to subsequent market moves." *Id.* Having now reviewed the document quoted in this question, which was not available to me at the time I answered the Subcommittee's questions previously, I stand by my prior answer.



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2. ***Question**: Is it or was it your understanding or belief that by June 2007, all CDO and RMBS positions retained by SPG Trading were identified and already hedged?*

**Previous Answer**: I do not know whether all CDO and RMBS positions retained by SPG Trading were identified and already hedged by June 2007. I did not retain the records from my time with Goldman relevant to making such a determination. In any event, as I testified, there was significant debate within Goldman regarding the extent of our CDO and RMBS exposures and how to hedge them in part because hedging in this space is not subject to discrete, clear-cut mapping. Goldman would be better able to provide the details asked for in this question.

**Supplemental Answer**: As noted in my previous answer, because I did not have access to the records in the possession of the Subcommittee and Goldman when I answered this question, I did not know whether all CDO and RMBS positions retained by SPG Trading were identified and already hedged, nor did I recall whether I held that belief as of June 2007. Without the benefit of the PowerPoint slides entitled "SPG Trading - 2007," my initial answer was based on what I was able to recall. The staff recently showed me the deck of "SPG Trading - 2007" PowerPoint slides that helped refresh my recollection. In that document, which we ultimately decided not to use in the compensation process, I stated: "By June, all retained CDO and RMBS positions [retained by SPG Trading] were identified and already hedged." GS MBS-E-015654044. Having now reviewed the document, I recall that I did believe, in late 2007, that all CDO and RMBS positions retained by SPG Trading were identified and already hedged by June 2007. As I testified, though, there was significant debate within Goldman regarding the extent of our CDO and RMBS exposures and how to hedge them in part because hedging in this space is not subject to discrete, clear-cut mapping.

3. ***Question**: Is it or was it your understanding or belief that after the Bear Stearns Asset Management (BSAM) unwind in 2007, SPG Trading initiated shorts on an outright basis, with no accompanying CDO or RMBS retained position longs? If so, what was the dollar value of the short position acquired as a result of that activity?*

**Previous Answer**: In late June and July 2007, SPG Trading sold the ABX index and bought protection in the single name market, thereby lessening that book's long exposure and increasing its short exposures. Because I did not retain records from my time at Goldman, I do not know the dollar value of the short position acquired as a result of that activity. Goldman would be better able to provide the details asked for in this question.

**Supplemental Answer**: In late 2007, in the deck of PowerPoint slides entitled "SPG Trading - 2007" that we ultimately did not use in the compensation process, I stated that "SPG trading reinitiated shorts post BSAM unwind on an outright basis with no accompanying CDO or RMBS retained position longs." GS MBS-E-015654044. Having reviewed the document the staff did not previously identify, I can now recall that, as of late June and July 2007, I believed that this SPG Trading activity resulted in the initiation of shorts on an outright basis with no accompanying CDO or RMBS retained position longs following the Bear Stearns Asset Management unwind in 2007. Even without the



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benefit of the document quoted by the Subcommittee without citation in this question, my previous answer was accurate.

4. **Question**: *Is it or was it your understanding or belief that the shorts referenced in Question 3, above, were not a hedge?*

**Previous Answer**: I do not know whether "the shorts referenced in Question 3" were a hedge because I do not recall the extent of those positions or the other long investments Goldman held at that time, and do not have the records necessary to make such a determination. Goldman would be better able to provide the details asked for in this question.

**Supplemental Answer to Questions 3 and 4**: In late 2007, in the deck of PowerPoint slides entitled "SPG Trading - 2007" that we ultimately did not use in the compensation process, I stated that "SPG trading reinitiated 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*." GS MBS-E-015654044 (emphasis in original). Having reviewed the document the staff did not previously provide me, I can now recall that, as of late June and July 2007, I believed that this SPG Trading activity resulted in the initiation of shorts on an outright basis with no accompanying CDO or RMBS retained position longs following the Bear Stearns Asset Management unwind in 2007, and that these short positions were not a hedge. At the time, as I previously testified, my desk traded, within firm-established risk parameters, with a short bias, resulting in a net short position for the SPG Trading desk. Opening Statement of Josh Birnbaum, United States Senate, Permanent Subcommittee on Investigations, April 27, 2010, at 2-3. Even without the benefit of the document quoted by the Subcommittee without citation in these questions, my previous answers were accurate.

5. ***Question**: Exhibit 86 from the Subcommittee's hearing on April 27, 2010, is an email dated September 19, 2006, from Peter Ostrem to the FICC-SPCDOGROUP. The email states:*

> *"We have been asked to do a CDO of $2bln for the ABS desk. Approx. $1.2bln will be CDS off single-names referenced from the ABS index 06-1 and 06-2. This is a trade we need to execute for the desk over the next 4-6 weeks and involves selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale). I would like everyone to work together on this one. We expect to charge ongoing 10bp liquidation agent fees and 1-1. 5pts upfront. Equity will be offered around 22% no-loss yield. Obviously important to overall SP floor and Sobel and Sparks are focused on this happening . . ."*

(a) *Was the transaction described in this email carried out? Was the transaction Hudson Mezzanine Funding 2006-1 ("Hudson Mezzanine")? If not, what was the name of the transaction?*



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*(b) Identify by name and job title the individuals in the Mortgages Department who were involved in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine, and the activities related to the transaction that each of them engaged in.*

*(c) Describe in detail any role you had in the origination, formulation, design, approval, or implementation of the Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.*

*(d) Describe in detail any role the ABS desk had in the origination, formulation, design, approval, or implementation of Hudson Mezzanine transaction, or in the sale of securities issued by Hudson Mezzanine.*

*(e) Was the Hudson Mezzanine transaction a proprietary transaction?*

*(f) What did you understand the phrase "for the desk" to mean?*

*(g) Was the purpose of the transaction described in Mr. Ostrem's email to enable the ABS desk to reduce cash or swap positions (and the risk associated with those positions) that the ABS desk held? If not, what was the purpose of the transaction?*

*(h) Identify any committee or individual at Goldman that approved this transaction.*

*(i) Identify any employee of Goldman or its affiliates and any third parties who were involved in the identification and selection of the assets referenced in the Hudson Mezzanine transaction and describe in detail the nature of their involvement.*

*(j) List the criteria used to identify and select the assets that were referenced in the Hudson Mezzanine transaction.*

*(k) Based on your knowledge or belief, identify the reasons why Hudson Mezzanine was "a trade [Goldman] need[ed] to execute for the desk over the next 4-6 weeks."*

*(l) Based on your knowledge or belief, identify the reasons why the Hudson Mezzanine transaction "involve[d] selling half the equity (at least 30mm to sell) and the seniors and the mezz (at least half the BBBs to get true sale)."*

*(m) Was the Camber 7 transaction delayed to develop the Hudson Mezzanine transaction? If so, explain why.*

**Previous Answer:** I did not receive the email and do not know what is meant by the various phrases the Subcommittee has quoted from that message. Though I do not have access to all of the documents that might help refresh my recollection at this time, I believe the concept referenced in this email became the Hudson Mezzanine Funding 2006-1 transaction. Other than Peter Ostrem, who sent this email, I do not remember



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who else was involved in the origination, formulation, design, approval or implementation of this transaction, or in the sale of securities issued by the Hudson Mezzanine. I do not recall having any role in that process, other than perhaps providing pricing for the ABX Index, and do not remember whether anyone else on the ABS desk had such a role. I do not know who approved the transaction or selected its referenced assets, or what the criteria for selection were. I believe that the purpose of the transaction was to provide clients interested in purchasing subprime risk exposure with a diversified portfolio that included CDS from the single names that were included in the 06-1 and 06-2 ABX Index and other single name CDS which, if attractive to investors, could also reduce the ABS trading desk's long position in the ABX Index. I do not know what the Subcommittee means by the term "proprietary," but this was not a proprietary transaction as I understand the meaning ascribed to that term by Goldman and the broader Wall Street community. I do not recognize the name "Camber 7."

**Supplemental Answer**: The previous answer is accurate. I do not recall having an active role in the origination, formulation, design, approval or implementation of Hudson Mezzanine Funding 2006-1, or in the sale of securities issued by that transaction. Having reviewed additional documents regarding the transaction, it appears that I passed along information and a point of contact for the transaction to another Goldman employee, and that I may have also provided pricing levels for the ABX Index, which may have been used by the Goldman employee(s) in charge of pricing the transaction. I am not sure how others at Goldman prioritized the motivations for performing the Hudson transaction, but I continue to believe the purpose was as I described above. I, along with most other Wall Street professionals I know, define the term "proprietary trading" to include only those trades which involve no customers. Under that definition, street facing desks like Goldman's ABS and CDO desks do not engage in proprietary trading.

12. ***Question**: A Goldman graph entitled "RMBS Subprime Notional History" is Exhibit 56(a) in the Subcommittee's hearing on April 27, 2010. It shows that Goldman had a net short position of approximately $8 billion on a notional basis in November 2006 (hereafter the "short position") on the ABX AAA index (hereafter "ABX AAA").*

*(a) When did Goldman's short position in ABX AAA first reach approximately $8 billion on a notional basis?*

*(b) Who within Goldman had knowledge of the full extent of the notional short position in ABX AAA during FY 2006 and FY 2007?*

*(c) Who was responsible for reviewing and approving the size of the short position in ABX AAA?*

*(d) Whose capital was used to acquire the approximately $8 billion notional short position in ABX AAA?*

*(e) Did you understand the short position to be a Goldman proprietary position?*



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*(f) Did the approximately $8 billion notional short position in ABX AAA include the short positions in ABX AAA held by the desks under the control of Messrs. Gasvoda, Nichols, and Finck?*

*(g) When did Goldman begin to monetize the $8 billion notional short position in ABX AAA? How was that accomplished?*

**Previous Answer**: The graph entitled "RMBS Subprime Notional History" is misleading to the extent that it purports to amalgamate positions that cannot be offset against one another from a risk management perspective. *See* Transcript of Proceedings, United States Senate, Permanent Subcommittee on Investigations, April 27, 2010, at 75-76. Combining these very different positions in this way does not reflect the firm's position or what would happen to the firm's profit and loss statement to the extent the market moved up and down. I do not have access to the records necessary to determine when Goldman's short position in ABX AAA reached any particular level on a notional basis, and do not believe this number to be particularly meaningful from a risk management perspective. I cannot answer the question further as I did not take those records with me when I left Goldman. Goldman would be better able to provide the details asked for in this question.

**Supplemental Answer**: The previous answer is accurate. To explain further, the graph entitled "RMBS Subprime Notional History" is misleading in the context for which it was used at the Permanent Subcommittee on Investigations ("PSI") hearing for two reasons. First, the graph fails to include non-synthetic positions, like cash and loans, some of which were hedged by the short positions noted in the graph. As these excluded positions are long positions, this graph is an incomplete depiction of the risk position held in the Mortgage Department at any given time, overstating the extent to which the Department was short the market. Second, as noted previously, the graph purports to amalgamate positions that cannot be offset against one another from a risk management perspective. As such, I believe that this graph is not particularly meaningful from a risk management perspective and does not accurately depict how long or short Goldman or its Mortgage Department was during 2007. While the chart which is PSI Exhibit #162 (Goldman Sachs Mortgage Department Total New Short Position, February - December 2007 in $ Billions (Including All Synthetic and Cash Positions in Mortgage Related Products), Prepared by the U.S. Senate PSI, April 2010) appears to fix the first of these problems, even it does not account for the second problem, as it too amalgamates positions that cannot be offset against one another from a risk management perspective. For example, one cannot tell from this amalgamated position alone whether the firm would make or lose money in a declining market.

We appreciate this opportunity to supplement the record. Should you have any further questions, please contact me.

Sincerely,

Peter H. White/KEK

Peter H. White

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# SPG Trading - 2007



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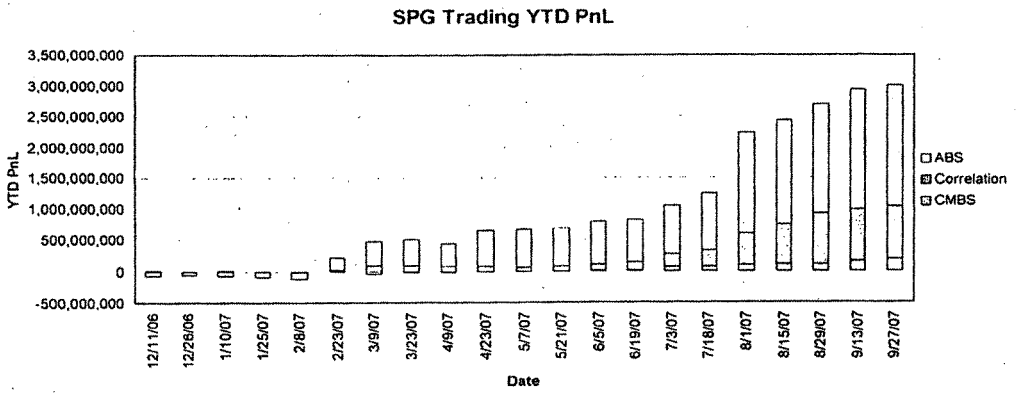
# Highlights: Revenue

- 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.



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# 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.



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# 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.



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# 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."



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# 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.



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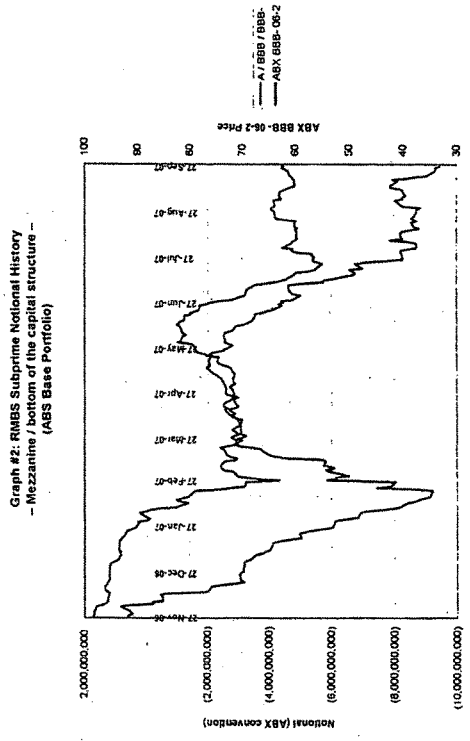
Footnote Exhibits - Page 2765

# Graph #1

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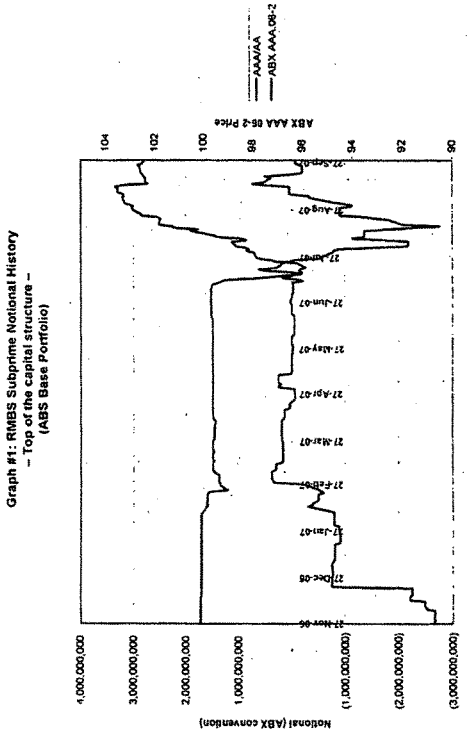
Footnote Exhibits - Page 2766

# Graph #2

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# 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*.



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# 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.



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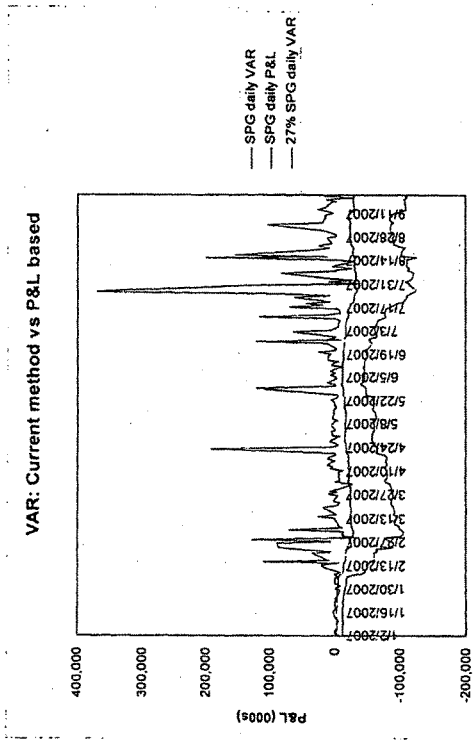
Footnote Exhibits - Page 2769

# Graph #3

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# 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?



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# 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.



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# 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.



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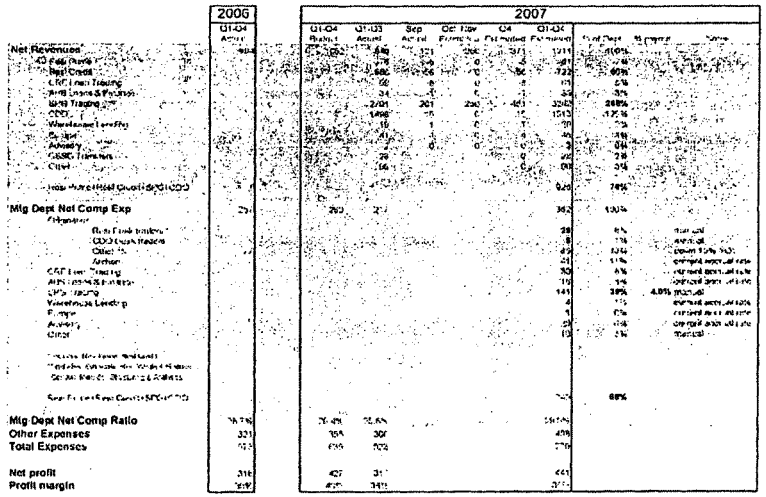
# Proposed Mortgage Department Compensation Breakdown



| | 2006 | 2007 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1-Q4 Actual | Q1-Q4 Budget | Q1-Q3 Actual | Sep Actual | Oct Nov Forecast | Q4 Forecast | Q1-Q4 Forecast | Prof Dept | % Interest | Notes |
| **Net Revenues** | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| 40 Fee Rate | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Bad Credit | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| CRE Loan Trading | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| ARB Loans & Finance | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| SPB Trading | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| CDO | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Warehouse Lending | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Europe | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Advisory | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| GSSC Transfers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Other | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Less Prime Real Credit SPB/CDO | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| **Mtg Dept Net Comp Exp** | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | |
| Origination | | | | | | | | | | |
| Bad Credit traders | | | | | | | [illegible] | [illegible] | | manual |
| CDO Loan traders | | | | | | | [illegible] | [illegible] | | manual |
| Other | | | | | | | [illegible] | [illegible] | | [illegible] |
| Archer | | | | | | | [illegible] | [illegible] | | [illegible] |
| CRE Loan Trading | | | | | | | [illegible] | [illegible] | | [illegible] |
| ARB Loans & Finance | | | | | | | [illegible] | [illegible] | | [illegible] |
| SPB Trading | | | | | | | [illegible] | [illegible] | 4.0% | manual |
| Warehouse Lending | | | | | | | [illegible] | [illegible] | | [illegible] |
| Europe | | | | | | | [illegible] | [illegible] | | [illegible] |
| Advisory | | | | | | | [illegible] | [illegible] | | [illegible] |
| Other | | | | | | | [illegible] | [illegible] | | manual |
| Less Prime Real Credit SPB/CDO | | | | | | | [illegible] | [illegible] | | |
| **Mtg Dept Net Comp Ratio** | [illegible] | [illegible] | [illegible] | | | | [illegible] | | | |
| **Other Expenses** | [illegible] | [illegible] | [illegible] | | | | [illegible] | | | |
| **Total Expenses** | [illegible] | [illegible] | [illegible] | | | | [illegible] | | | |
| **Net profit** | [illegible] | [illegible] | [illegible] | | | | [illegible] | | | |
| **Profit margin** | [illegible] | [illegible] | [illegible] | | | | [illegible] | | | |

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**RESPONSES TO QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**

**to**

# FABRICE P. TOURRE
## Executive Director
## Structured Products Group Trading
## The Goldman Sachs Group, Inc.

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

PSI_QFR_GS0531

**SUPPLEMENTAL QUESTIONS FOR THE RECORD**
**FROM**
**SENATOR CARL LEVIN**
**Permanent Subcommittee on Investigations**
**to**
**FABRICE P. TOURRE**
**Executive Director**
**Structured Products Group Trading**
**The Goldman Sachs Group, Inc.**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**
**HEARING ON**
***WALL STREET AND THE FINANCIAL CRISIS:***
***THE ROLE OF INVESTMENT BANKS***
**April 27, 2010**

**Please provide answers to the following questions by June 15, 2010**:

1. (a) In the sale of the securities in the Abacus 2007-AC1 transaction ("transaction"), was Goldman Sachs ("Goldman") a placement agent?

   (b) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?

   (c) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented the transaction, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)

   (d) Provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests (including securities) in the transaction. It is not necessary to provide duplicates of the same material, but provide the identity of all persons who received such material.

   (e) Did Goldman advise potential investors whether it had taken steps or planned to use the offering to reduce its own inventory of RMBS or CDO securities or other holdings?

   (f) Did Goldman conduct a suitability analysis in connection with soliciting clients or potential investors to purchase securities issued in the transaction? If so, describe the suitability analysis conducted for each investor that purchased these securities. If



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Goldman retained a written record that reflects that such a analysis was conducted provide a copy.

2. (a) In what capacity did Goldman act for Paulson & Co. (together with any of its affiliates, "Paulson") with respect to the Abacus 2007-AC1 transaction or a Credit Default Swap transaction that referenced any or all of the same entities or securities that were referenced in the Abacus 2007-AC1 transaction? Describe in detail Goldman's relationship to Paulson with respect to those transactions, its obligations to Paulson, the nature and amount of any fees or compensation received by Goldman from Paulson relating to those transactions, and whether Goldman advised investors or potential investors in Abacus 2007-AC1 of the existence and nature of its relationship with Paulson.

   (b) If Goldman did so advise investors or potential investors of the nature or existence of the Paulson relationship, identity who so advised investors or potential investors, the date on which that person so advised investors or potential investors, the identity of the investors or potential investors so advised, the manner (i.e. verbal or in writing) in which the person was advised, and the substance of the communication (and, if in writing, provide a copy of the communication).

3. During your appearance before the Subcommittee on April 27, 2010, you engaged in the following exchange with Senator Levin:

   **Senator Levin.** You did not disclose to ACA that Paulson was on the short side of this deal. Is that correct?

   **Mr. Tourre.** I did mention to ACA that the expectation was that Paulson was going to buy protection on senior layers of risk in the transaction.

   **Senator Levin.** That they were going to be only on the short side.

   **Mr. Tourre.** Yes. (Transcript, pp. 210-211)

   Describe in detail what information was provided to ACA regarding the fact that Paulson was going to be only on the short side, identify to whom at ACA the information was provided, and identify each Goldman representative who provided that information.

4. (a) Did you or any representative of Goldman state to ACA that Paulson would not be an equity investor or otherwise not take any long position in or with respect to the Abacus 2007- AC1 transaction?



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(b) If your answer to Question 4(a) is "yes," describe in detail what information was provided to ACA, identify to whom at ACA the information was provided, and identify each Goldman representative who provided that information.

5. Provide a list of any Abacus bonds, from Abacus 2007-AC1 or other Abacus transactions, that Goldman repurchased from the market. List each bond by name, size, and the party from whom it was repurchased.

6. Provide a list of all CDOs containing bonds from Abacus 2007-AC1 or other Abacus transactions. List each bond by name, size, and the CDO that purchased the bond.

7. Provide any document possessed by, generated by, or provided to you related to obtaining a credit rating related to any Abacus transaction by any credit rating agency, including any correspondence, emails, memoranda, or other analysis or exchanges of information.

8. Describe in detail your understanding of Goldman's legal duties of disclosure, pursuant to securities laws and regulations, including rules prescribed by the SEC or FINRA, to purchasers of securities when Goldman acts in any of the following capacities: (a) market maker; (b) underwriter; (b) placement agent; (d) broker (when making a solicitation or recommendation of a security); or (e) a dealer. Include your definition of a "market maker."

9. (a) Does the fact that an investor or a potential investor with whom Goldman is transacting business is an "accredited" investor, a "qualified institutional buyer" or a "qualified purchaser" (as those terms are used in the U.S. federal securities laws) affect the duties and obligations of Goldman when acting in any of the capacities described in Question 8? If so, describe how any of Goldman's duties when acting in any of these capacities are affected by the status of the investor or potential investor.

(b) Does Goldman have a duty to conduct a suitability analysis when making a recommendation to any of the types of investors listed in Question 9(a)? If so, describe the nature and extent of the analysis to be conducted.

(c) Does Goldman owe a duty to disclose any adverse interest that it may have when recommending a security to any of the types of investors listed in Question 9(a)?





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**Responses of Mr. Fabrice P. Tourre to the**
**Supplemental Questions for the Record of the Permanent Subcommittee on Investigations**

**1. (a) In the sale of the securities in the Abacus 2007-AC1 transaction ("transaction"), was Goldman Sachs ("Goldman") a placement agent?**

As explained in the ABACUS 2007-AC1 offering circular, which I believe was produced previously to the Subcommittee staff, Goldman, Sachs & Co. ("Goldman Sachs") acted as the Initial Purchaser and underwriter, Goldman Sachs Capital Markets, L.P. acted as the Protection Buyer and Basis Swap Provider and Goldman Sachs International acted as the Collateral Put Provider. I do not know if Goldman Sachs was considered a "placement agent."

**(b) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?**

The co-issuers of securities for the ABACUS 2007-AC1 transaction were ABACUS 2007-AC1, Ltd. and ABACUS 2007-AC1, Inc., special purpose vehicles ("SPVs") established by or at the request of a Goldman Sachs affiliate for the purpose of the transaction.

**(c) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented the transaction, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)**

In connection with ABACUS transactions, both the syndicate group and the sales force within the Mortgage Department assisted in distributing offering materials to Goldman Sachs clients and potential investors. In addition, Goldman Sachs salespeople were sometimes approached, via phone or e-mail, by clients or potential clients interested in purchasing securities. Offering materials were often transmitted via e-mail, and hard copies were also often sent via U.S. Mail or Federal Express. With respect to the ABACUS 2007-AC1 transaction, ACA Management LLC ("ACA") was contacted to serve as portfolio selection agent and potential investor. I also recall that IKB Deutsche Industriebank AG ("IKB") was approached to determine their interest in potentially investing in the transaction. As I did not work in the syndicate or sales aspect of Goldman Sachs' business, I do not know the identity of each client or potential investor to whom Goldman Sachs presented the 2007-AC1 transaction. To the extent that such communications are memorialized, they would likely be in documents maintained by Goldman Sachs. I believe that some of these documents have been produced to the Subcommittee by Goldman Sachs.



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**(d) Provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests (including securities) in the transaction. It is not necessary to provide duplicates of the same material, but provide the identity of all persons who received such material.**

I believe that the requested materials previously were produced to the Subcommittee staff.

Neither I nor, to my knowledge, Goldman Sachs recorded in a single file or central location each instance in which offering materials were transmitted to potential investors.

Regarding the mortgage capital committee memo, I do not know the identity of all persons who received this memo. A partial list of intended recipients may be found on the memo itself, which I believe has already been produced to the Subcommittee.

**(e) Did Goldman advise potential investors whether it had taken steps or planned to use the offering to reduce its own inventory of RMBS or CDO securities or other holdings?**

I recall that the ABACUS 2007-AC1 transaction was not planned to reduce Goldman Sachs' "inventory of RMBS or CDO securities or other assets." Although the SPV in the ABACUS 2007-AC1 transaction ultimately purchased the collateral securities from Goldman Sachs, the firm retained material economic interest in those securities.

**(f) Did Goldman conduct a suitability analysis in connection with soliciting clients or potential investors to purchase securities issued in the transaction? If so, describe the suitability analysis conducted for each investor that purchased these securities. If Goldman retained a written record that reflects that such a analysis was conducted provide a copy.**

I do not know the specific information sought in this Request. I believe that Goldman Sachs did, however, establish suitability requirements for transactions involving mortgage-related products, and I have no reason to believe that these requirements were not adhered to in connection with the ABACUS 2007-AC1 transaction. Generally, the investors with whom Goldman Sachs transacted in these products were large, global financial institutions, insurance companies and hedge funds with significant resources, relationships with multiple financial intermediaries, and access to extensive information and research flow. Further, as I testified to the Subcommittee, the only two investors in 2007-AC1, ACA and IKB, were institutions with significant resources and extensive experience in this market. Indeed, at the time of 2007-AC1, each institution had managed more than $16 billion of CDOs or CLOs. ACA and IKB were also both longstanding clients of Goldman Sachs and had each invested into numerous ABACUS-type transactions with Goldman Sachs prior to 2007-AC1.

**2. (a) In what capacity did Goldman act for Paulson & Co. (together with any of its affiliates, "Paulson") with respect to the Abacus 2007-AC1 transaction or a Credit**



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**Default Swap transaction that referenced any or all of the same entities or securities that were referenced in the Abacus 2007-AC1 transaction? Describe in detail Goldman's relationship to Paulson with respect to those transactions, its obligations to Paulson, the nature and amount of any fees or compensation received by Goldman from Paulson relating to those transactions, and whether Goldman advised investors or potential investors in Abacus 2007-AC1 of the existence and nature of its relationship with Paulson.**

Goldman Sachs, as market maker, was facing Paulson & Co. ("Paulson") as a counterparty in several credit default swap ("CDS") transactions in which Paulson purchased credit protection on layers of risk referencing a portfolio of Baa2-rated RMBS from the 2006 and 2007 vintage. Goldman Sachs received upfront and running premium payments from Paulson as compensation for this protection. Goldman Sachs partially offset the credit risk taken in these transactions by buying CDS protection from ACA (intermediated by ABN Amro) and the SPV on the same portfolio but with either different attachment/detachment points or different settlement mechanics. Upon almost simultaneous execution of these CDS transactions, Goldman Sachs recognized trading revenue of approximately $15 million. A detailed description of the ABACUS 2007-AC1 transaction is set forth in the Mortgage Capital Committee Memorandum regarding the ABACUS 2007-AC1 transaction and Goldman Sachs' Wells Submissions to the Securities and Exchange Commission, which I believe have already been produced to the Subcommittee.

Regarding my personal knowledge about whether Goldman Sachs advised investors or potential investors of the existence and nature of its relationship with Paulson, please see my response to Request 2(b).

**(b) If Goldman did so advise investors or potential investors of the nature or existence of the Paulson relationship, identity who so advised investors or potential investors, the date on which that person so advised investors or potential investors, the identity of the investors or potential investors so advised, the manner (i.e. verbal or in writing) in which the person was advised, and the substance of the communication (and, if in writing, provide a copy of the communication).**

Because communications with investors or potential investors were made by many different people within Goldman Sachs, I do not know all of the detailed information necessary to respond to this Request. I do not know what information other individuals at Goldman Sachs provided to potential investors regarding the nature or existence of the Paulson relationship, who they communicated it to, or how they communicated it. I believe, however, that ACA, which invested in 2007-AC1, was fully aware of Paulson's role in suggesting securities for inclusion in the portfolio. Also, as I testified to the Subcommittee, I informed ACA that Paulson was expected to buy credit protection on some of the senior tranches of the 2007-AC1 transaction. I further note that, as disclosed in the ABACUS 2007-AC1 offering circular, Goldman Sachs Capital Markets, L.P., was the original protection buyer for the 2007-AC1 transaction but could enter into offsetting hedging transactions to convey to other parties the credit protection it purchased via CDSs with the ABACUS 2007-AC1 SPVs.



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**3. During your appearance before the Subcommittee on April 27, 2010, you engaged in the following exchange with Senator Levin:**

> **Senator Levin. You did not disclose to ACA that Paulson was on the short side of this deal. Is that correct?**
>
> **Mr. Tourre. I did mention to ACA that the expectation was that Paulson was going to buy protection on senior layers of risk in the transaction.**
>
> **Senator Levin. That they were going to be only on the short side.**
>
> **Mr. Tourre. Yes. (Transcript, pp. 210-211)**

**Describe in detail what information was provided to ACA regarding the fact that Paulson was going to be only on the short side, identify to whom at ACA the information was provided, and identify each Goldman representative who provided that information.**

As I testified on April 27, 2010, although I do not recall the exact words I used, I did inform Laura Schwartz at ACA that Paulson was expected to purchase credit protection on some of the senior tranches of the ABACUS 2007-AC1 transaction, which necessarily meant that Paulson was expected to take some short exposure in the deal. As I further testified to the Subcommittee, I never told ACA that Paulson would be an equity investor in 2007-AC1 or take any long position in the deal.

Moreover, the negotiations for this transaction occurred during a six-month period between January and June 2007. Until the CDSs between Paulson and Goldman Sachs actually closed in April and June 2007, Paulson was not obligated to purchase credit protection on any specific tranches or indeed on any tranches at all, and Goldman Sachs was not obligated to sell the protection to Paulson. Market conditions were volatile throughout this period, and all parties were free to change their views and intended positions until the transactions actually closed.

I do not know what other representatives of Goldman Sachs may have discussed with ACA.

**4. (a) Did you or any representative of Goldman state to ACA that Paulson would not be an equity investor or otherwise not take any long position in or with respect to the Abacus 2007- AC1 transaction?**

I do not recall stating to ACA that Paulson would not be an equity investor or otherwise not take any long position with respect to 2007-AC1, nor do I recall ACA ever asking me if Paulson intended to take an equity or long position in the deal. As I testified to the Subcommittee, I am surprised that ACA could ever have thought that Paulson intended to take an equity or long position, given that numerous drafts of the offering documents, as well as the final versions of those documents, made clear that the equity tranche was not being offered. Moreover, as far as I am aware, Paulson's expectation was always to purchase protection on senior layers of risk and I conveyed this expectation to Laura Schwartz at ACA.



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As I further testified to the Subcommittee, ACA had every opportunity to ask questions about Paulson's position to Paulson's representatives directly. Indeed, representatives of Paulson participated in all my meetings with ACA. Moreover, ACA and Paulson had several discussions about the transaction and at least one meeting without any Goldman Sachs representatives present.

I do not know what other representatives of Goldman Sachs may have discussed with ACA.

**(b) If your answer to Question 4(a) is "yes," describe in detail what information was provided to ACA, identify to whom at ACA the information was provided, and identify each Goldman representative who provided that information.**

Please see my response to Request 4(a).

**5. Provide a list of any Abacus bonds, from Abacus 2007-AC1 or other Abacus transactions, that Goldman repurchased from the market. List each bond by name, size, and the party from whom it was repurchased.**

I am not aware of the ABACUS bonds that Goldman Sachs as a firm repurchased from the market, but I believe that Goldman Sachs could address this question. As such, this Request is properly directed to Goldman Sachs.

**6. Provide a list of all CDOs containing bonds from Abacus 2007-AC1 or other Abacus transactions. List each bond by name, size, and the CDO that purchased the bond.**

I am not aware of the CDOs containing bonds from 2007-AC1 or other ABACUS transactions, but I believe that Goldman Sachs could address this question. As such, this Request is properly directed to Goldman Sachs.

**7. Provide any document possessed by, generated by, or provided to you related to obtaining a credit rating related to any Abacus transaction by any credit rating agency, including any correspondence, emails, memoranda, or other analysis or exchanges of information.**

I do not personally maintain in readily accessible form the requested documents;[1] this Request is more properly directed to Goldman Sachs and my understanding is that Goldman Sachs is working to address this Request.

**8. Describe in detail your understanding of Goldman's legal duties of disclosure, pursuant to securities laws and regulations, including rules prescribed by the SEC or FINRA, to purchasers of securities when Goldman acts in any of the following capacities: (a)**

[1] I also note for the record that I am currently on paid administrative leave from Goldman Sachs International and I am not reporting to my office or performing my regular duties.



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**market maker; (b) underwriter; (b) placement agent; (d) broker (when making a solicitation or recommendation of a security); or (e) a dealer. Include your definition of a "market maker."**

Regarding Goldman Sachs' legal duties of disclosure, I am not a lawyer and am not qualified to describe the legal duties of Goldman Sachs as a firm. Goldman Sachs has a well-established institutional review process for securities offerings that includes review of potential transactions by its Legal and Compliance departments, and I always relied on that process to ensure adequate legal disclosures.

However, my personal understanding of a "market maker" is a financial intermediary that stands ready to make an offer to buy or sell a given financial instrument whenever a seller or a buyer enters the market. A market maker connects buyers and sellers – and thereby provides critical liquidity – through its willingness and ability to commit its own capital in taking the other side of transactions that its customers wish to execute. While the transactions executed by a market maker are often initiated by a customer looking to make a specific purchase or sale, a market maker may also frequently propose transactions to its customers, based on their previously expressed investment interests or needs.

As I testified on April 27, I believe that, in my capacity as a market maker, I had a duty to serve my clients, and with respect to Goldman Sachs' role as market maker, Goldman Sachs has a duty to show prices to its clients and offer them liquidity.

With regard to the role of an underwriter and placement agent, I believe that disclosure with respect to the assets and the structure of the transaction is required, and that the specific information that underwriters and issuers have a duty to disclose is governed by disclosure rules that are meant to provide an investor with what they need to make their decision in investing in that particular product. But, as noted above, the precise nature of those disclosure obligations are best addressed by others within Goldman Sachs.

9. (a) **Does the fact that an investor or a potential investor with whom Goldman is transacting business is an "accredited" investor, a "qualified institutional buyer" or a "qualified purchaser" (as those terms are used in the U.S. federal securities laws) affect the duties and obligations of Goldman when acting in any of the capacities described in Question 8? If so, describe how any of Goldman's duties when acting in any of these capacities are affected by the status of the investor or potential investor.**

As noted above, I am not a lawyer and thus not in a position to speak with authority on the legal duties imposed on Goldman Sachs to transact business in the circumstances described above. However, I do know that Goldman Sachs has a duty to be truthful. In addition, I believe that for the sophisticated investors who dealt with my desk, such as ACA and IKB, we were able to show them more sophisticated potential transactions. However, to the extent that this request calls for a legal analysis of the implications of "accredited investor," "qualified institutional buyer" and "qualified purchaser" status under state



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and federal securities laws, this Request is better directed to the members of Goldman Sachs' Legal and Compliance Departments who covered my desk.

**(b) Does Goldman have a duty to conduct a suitability analysis when making a recommendation to any of the types of investors listed in Question 9(a)? If so, describe the nature and extent of the analysis to be conducted.**

I believe that Goldman Sachs has implemented controls to ensure that certain restricted transactions are sold only to certain types of investors, but I was not personally involved in such analysis. However, the investors with which I did business were all sophisticated institutions with significant resources and expertise in the relevant markets. As I noted in my response to Request 9(a), I believe that sophisticated investors, such as those I dealt with on my desk, may be shown more sophisticated potential transactions. To the extent that this Request calls for a legal analysis under state and federal securities laws, it is better directed to Goldman Sachs' Legal and Compliance Departments.

**(c) Does Goldman owe a duty to disclose any adverse interest that it may have when recommending a security to any of the types of investors listed in Question 9(a)?**

As an initial matter, I am not clear about the definition of "adverse interest" as used by the Subcommittee in this Request. In the absence of such an understanding, I am not certain that I can properly address the Request. Moreover, as I am not a lawyer, this Request is better directed to Goldman Sachs' Legal and Compliance Departments.

However, as a general matter, my understanding is that Goldman Sachs regularly discloses certain conflicts of interest that arise when Goldman Sachs assumes multiple roles in a transaction. I believe that such disclosure may sometimes include a description of certain adverse interests. For example, in the 2007-AC1 transaction, a Goldman Sachs affiliate, Goldman Sachs Capital Markets, L.P., was disclosed in the offering documents as the Protection Buyer that bought CDS protection from the SPV; this role as Protection Buyer meant that a Goldman Sachs affiliate had an interest adverse to investors in 2007-AC1, and this adverse interest was fully disclosed.

Regarding Goldman Sachs "recommending" a security, I am unclear about the definition of "recommending" as used by the Subcommittee; as I understand the term, however, I do not know whether Goldman Sachs' "recommendation" of a security impacts its duties of disclosure.



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**1. (a) In the sale of the securities in the Abacus 2007-AC1 transaction ("transaction"), was Goldman Sachs ("Goldman") a placement agent?**

Goldman, Sachs & Co. acted as the Initial Purchaser and underwriter, Goldman Sachs Capital Markets, L.P. acted as the Protection Buyer and Basis Swap Provider and Goldman Sachs International acted as the Collateral Put Provider

**(b) Who was the issuer of any securities; what was the issuer's relationship to Goldman; who established the issuer; and who requested the establishment of the issuer?**

Please see Mr. Tourre's response to this Question and Goldman Sachs' response to Question 2(a) posed to Mr. Blankfein.



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**Confidential Treatment Requested by Goldman Sachs**

***Tourre 1(c) & (d)*:**

**1. (c) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented the transaction, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)**

**1. (d) Provide copies of any offering circular or memorandum, mortgage capital committee memo, pitch book or marketing flip book or similar materials regarding the structuring or sale of interests (including securities) in the transaction. It is not necessary to provide duplicates of the same material, but provide the identity of all persons who received such material.**

***Blankfein 2(b)*:**

**2. Provide the following information regarding the sale of securities in each of the following transactions (each of which is hereinafter referred to in this question as a "Transaction" or, collectively, "the Transactions"): Abacus 2007-AC1; Anderson Mezzanine Funding 2007-1; Camber 7; Fort Denison Funding; Hudson Mezzanine Funding 2006-1; Hudson Mezzanine Funding 2006-2; Point Pleasant Funding 2007-1; and Timberwolf I.**

. . .

**(b) In the sale of any securities, how and by what means did Goldman bring the specific securities to the attention of a client or potential investor? Identify each client or potential investor to whom Goldman presented any of the Transactions, describe each communication with that client, and state the substance of each communication. (In lieu of stating the substance of a communication, you may provide a copy of the communication.)**

The requested materials for ABACUS 2007-AC1 were previously produced to the Subcommittee staff. The following chart sets forth the production numbers of the requested materials.

| Transaction Document | Production Number |
|---|---|
| Offering Circular | GS MBS-E-013100361 – 13100556 |
| Term Sheet | GS MBS-E-019710908 – 19710916;<br>GS MBS-E-002507886 – 2507894 |
| Flip Book | GS MBS-E-005954146 – 5954211;<br>GS MBS-E-002407580 – 2407645 |
| Mortgage Capital Committee Memo | GS MBS-E-005974542 – 5974549 |



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As discussed with the Subcommittee staff, Goldman Sachs also encloses a CD-ROM containing e-mail (bearing production numbers GS-MBS-E-021019055 – 21020015) from October 1, 2006 through December 31, 2007 reflecting communications concerning potential investors to whom Goldman Sachs marketed ABACUS 2007-AC1.[1] Goldman Sachs notes that in general the firm marketed CDOs solely to qualified purchasers within the meaning of Securities and Exchange Commission Rule 144A, and that the firm's salespeople discussed securities via phone or e-mail with clients or potential clients known to have an interest in the particular products in which they dealt. Marketing materials were often transmitted, upon request, to interested clients or potential clients via e-mail. Hard copies were sent via U.S. Mail or Federal Express.

Goldman Sachs also notes that it previously produced to the Subcommittee a spreadsheet (bearing production number GS MBS 0000038771) listing investors to whom Anderson Mezzanine Funding 2007-1, Camber 7, Fort Denison Funding, Hudson Mezzanine Funding 2006-1, Hudson Mezzanine Funding 2006-2, Point Pleasant Funding 2007-1 and Timberwolf I were marketed.

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[1] To locate these communications, Goldman Sachs reviewed e-mail sent to or from the Exchange user accounts of Goldman Sachs employees from the period October 1, 2007 through December 31, 2007 containing the search terms "collateral disposal agent" and "ABACUS."



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**6. Provide a list of all CDOs containing bonds from Abacus 2007-AC1 or other Abacus transactions. List each bond by name, size, and the CDO that purchased the bond.**

Goldman Sachs encloses a spreadsheet, which sets forth the initial and current mortgage-related CDOs underwritten by Goldman Sachs (bearing production numbers GS MBS 0000035823) which include bonds from Abacus 2007-AC1 or other Abacus transactions.



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Current balances

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## CDO Asset Details (Current)

| Type of collateral | CDO Deal | Cusip | DEFAULT FLAG | Description | Current Face Amount | Intex Deal Name | Intex Tranche Name | RATING FITCH | RATING MOODY | RATING S&P | Source | SYNTHETIC | As Of | Closing Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ABS | ADIR052 | 00256GAB1 | N | ABAC 2005-4A A2 | 30,000,000.00 | ABAC054 | A2 | NR | Baa3 | CCC- | Intex | N | 17-Jun-10 | 15-Nov-05 |
| ABS | ADIR052 | 00256PAC9 | N | ABAC 2005-4A C | 15,000,000.00 | ABAC054 | C | NR | Ba1 | CCC- | Intex | N | 17-Jun-10 | 15-Nov-05 |
| ABS | ALTIUS1 | 00256GAB1 | N | ABAC 2005-4A A2 | 20,000,000.00 | ABAC054 | A2 | NR | Baa3 | CCC- | Intex | N | 17-Jun-10 | 24-Aug-05 |
| ABS | ALTIUS1 | 00256GAC9 | N | ABAC 2005-4A B | 40,000,000.00 | ABAC054 | B | NR | Ba1 | CCC- | Intex | N | 17-Jun-10 | 24-Aug-05 |
| CMBS | ALTIUS3 | 00257AAC1 | N | ABAC 2006-10A - C Libor+0.52% 10/2045 | 4,750,000.00 | ABAC0610 | C | NA | B2 | CCC- | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257AAD9 | N | ABAC 2006-10A - D Libor+0.65% 10/2045 | 5,250,000.00 | ABAC0610 | D | NA | B2 | CCC- | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAB8 | Y | ABAC 2006-13A - B Libor+0.43% 09/2046 | 11,718,750.00 | ABAC0613 | B | CCC | C | CCC | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAC6 | Y | ABAC 2006-13A - C Libor+0.46% 09/2046 | 5,931,250.00 | ABAC0613 | C | CCC | C | CCC | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAD4 | Y | ABAC 2006-13A - D Libor+0.50% 09/2046 | 2,000,000.00 | ABAC0613 | D | CCC | C | CCC | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAE2 | Y | ABAC 2006-13A - E Libor+0.65% 09/2046 | 7,325,000.00 | ABAC0613 | E | CCC | C | CCC | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAG7 | Y | ABAC 2006-13A - G Libor+0.80% 09/2046 | 2,950,000.00 | ABAC0613 | G | CCC | C | CCC | Intex | N | 17-Jun-10 | 28-Sep-06 |
| CMBS | ALTIUS4 | 002578AF9 | Y | ABACUS 2006-17, Ltd. (ABAC 2006-17A E) | 13,500,000.00 | ABAC0617 | E | NA | C | CC | Intex | N | 17-Jun-10 | 31-May-07 |
| CDO | DAVISQ3 | 002550AA9 | Y | ABACUS 2004-1 Ltd (ABAC 2004-1A A) | 9,687,959.33 | ABAC041 | A | NA | C | CCC- | Intex | N | 17-Jun-10 | 21-Oct-04 |
| CDO | DAVISQ3 | 00256LAC8 | Y | ABACUS 2005-3, Ltd. (ABAC 2005-3 CS2) | 5,000,000.00 | ABAC053 | C | NA | C | CCC- | Intex | N | 17-Jun-10 | 21-Oct-04 |
| CDO | DAVISQ4 | 002550AA9 | Y | ABACUS 2004-1 Ltd (ABAC 2004-1A A) | 24,219,898.32 | ABAC041 | A | NA | C | CCC- | Intex | N | 17-Jun-10 | 6-Apr-05 |
| CDO | DAVISQ4 | 00256LAC8 | Y | ABACUS 2005-3, Ltd. (ABAC 2005-3 CS2) | 8,000,000.00 | ABAC053 | C | NA | C | CCC- | Intex | N | 17-Jun-10 | 6-Apr-05 |
| ABS | DAVISQ7 | 00257AAA5 | N | ABAC 2006-10A - A Libor+.40% 10/2045 | 40,000,000.00 | ABAC0610 | A | AAA | Ba2 | CCC- | Intex | N | 17-Jun-10 | 5-Dec-06 |
| ABS | DAVISQ7 | 00257AAB3 | N | ABAC 2006-10A - B Libor+0.47% 10/2045 | 15,000,000.00 | ABAC0610 | B | AA+ | B1 | CCC- | Intex | N | 17-Jun-10 | 5-Dec-06 |
| ABS | DAVISQ7 | 00257AAC1 | N | ABAC 2006-10A - C Libor+0.52% 10/2045 | 5,000,000.00 | ABAC0610 | C | NA | B2 | CCC- | Intex | N | 17-Jun-10 | 5-Dec-06 |
| ABS | FORTIU1 | 00256PAA3 | N | ABAC 2005-4A - D Libor+2.50% 09/2046 | 4,500,000.00 | ABAC054 | D | NA | Baa1 | CCC- | Intex | N | 17-Jun-10 | 8-Mar-06 |
| ABS | FORTIU1 | 00256PAB1 | N | ABAC 2005-4A - E Libor+5.0% 09/2046 | 2,500,000.00 | ABAC054 | E1 | NA | Baa1 | CCC- | Intex | N | 17-Jun-10 | 8-Mar-06 |
| CMBS | FORTIU2 | 00257HAH5 | Y | ABAC 2006-13A - H Libor+1.30% 09/2046 | 4,000,000.00 | ABAC0613 | H | CCC | C | CCC | Intex | N | 17-Jun-10 | 7-Dec-06 |
| CMBS | FORTIU2 | 002563AB0 | Y | ABAC 2006-NS1A - J Libor+1.80% 08/2046 | 5,000,000.00 | ABAC06N1 | J | NA | C | CCC | Intex | N | 17-Jun-10 | 7-Dec-06 |
| CMBS | FORTIU2 | 002563AC8 | Y | ABAC 2006-NS1A - K Libor+2.20% 08/2046 | 2,000,000.00 | ABAC06N1 | K | NA | C | CCC | Intex | N | 17-Jun-10 | 7-Dec-06 |
| CDO | GSTFIN | 00256GAB1 | N | ABACUS 2005-4, Ltd. (ABAC 2005-4A A2) | 10,000,000.00 | ABAC054 | A2 | NA | Baa3 | CCC- | Intex | N | 17-Jun-10 | 20-Oct-05 |
| CMBS | HOUTB061 | 00257AAA5 | N | ABACUS 2006-10, Ltd. (ABAC 2006-10A A) | 43,000,000.00 | ABAC0610 | A | NA | Ba2 | CCC- | Intex | N | 17-Jun-10 | 2-May-06 |

**Footnote Exhibits - Page 2790**

Current balances

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Closing balances

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## CDO Asset Details (Original)

| Type of Collateral | CDO Deal | Cusip | DEFAULT_FLAG | Description | Current Face Amount | Intex Deal Name | Intex Tranche Name | RATING_FITCH | RATING_MOODY | RATING_S&P | Source | SYNTHETIC | As Of | Closing Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CMBS | ADIR052 | 00254GAB1 | N | ABACUS 2005-4, Ltd. (ABAC 2005-4A A2) | 30,000,000.00 | ABAC054 | A2 | NA | Aaa | AAA | Intex | N | 17-May-06 | 15-Nov-05 |
| CMBS | ADIR052 | 00256PAC9 | N | ABACUS 2005-4, Ltd. (ABAC 2005-4A C) | 13,000,000.00 | ABAC054 | C | NA | A3 | A+ | Intex | N | 17-May-06 | 15-Nov-05 |
| CMBS | ALTIUS1 | 00254GAA3 | N | ABACUS 2005-4, Ltd. (ABAC 2005-4A A2) | 20,000,000.00 | ABAC054 | A2 | NA | Aaa | AAA | Intex | N | 29-May-06 | 21-Aug-05 |
| CMBS | ALTIUS1 | 00256GAC9 | N | ABACUS 2005-4, Ltd. (ABAC 2005-4A B) | 40,000,000.00 | ABAC054 | B | NA | Aa3 | AA- | Intex | N | 29-May-06 | 21-Aug-05 |
| CDO | ALTIUS3 | 00257AAD1 | N | ABAC 2006-10A - C Libor+0.52% 10/2045 | 4,750,000.00 | ABAC0610 | C | NA | Aa2 | AA | Intex | N | 29-Jan-07 | 29-Sep-06 |
| CMBS | ALTIUS3 | 00257AAD9 | N | ABAC 2006-10A - D Libor+0.85% 10/2045 | 9,250,000.00 | ABAC0610 | D | NA | Aa3 | AA- | Intex | N | 29-Jan-07 | 29-Sep-06 |
| RMBS | ALTIUS3 | 00256AAA4 | N | ABAC 2006-11A - A2 Libor+0.60% 09/2045 | 20,000,000.00 | ABAC0611 | A2 | NA | Aa1 | AAA | Intex | N | 29-Jan-07 | 28-Sep-06 |
| RMBS | ALTIUS3 | 00256AAC6 | N | ABAC 2006-11A - B Libor+0.78% 09/2045 | 19,375,000.00 | ABAC0611 | B | NA | Aa3 | AA- | Intex | N | 29-Jan-07 | 28-Sep-06 |
| RMBS | ALTIUS3 | 00256AAD4 | N | ABAC 2006-11A - C Libor+1.80% 09/2045 | 18,750,000.00 | ABAC0611 | C | NA | A2 | A- | Intex | N | 29-Jan-07 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAB4 | N | ABAC 2006-13A - B Libor+0.41% 09/2046 | 11,719,750.00 | ABAC0613 | B | NA | Aa1 | AA+ | Intex | N | 29-Jan-07 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAC2 | N | ABAC 2006-13A - C Libor+0.46% 09/2046 | 5,831,250.00 | ABAC0613 | C | NA | Aa2 | AA | Intex | N | 29-Jan-07 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAD0 | N | ABAC 2006-13A - D Libor+0.56% 09/2046 | 2,000,000.00 | ABAC0613 | D | NA | Aa3 | AA- | Intex | N | 29-Jan-07 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAE8 | N | ABAC 2006-13A - E Libor+0.85% 09/2046 | 7,925,000.00 | ABAC0613 | E | NA | A1 | A+ | Intex | N | 29-Jan-07 | 28-Sep-06 |
| CMBS | ALTIUS3 | 00257HAG3 | N | ABAC 2006-13A - G Libor+0.80% 09/2046 | 2,960,000.00 | ABAC0613 | G | NA | A3 | A- | Intex | N | 29-Jan-07 | 28-Sep-06 |
| RMBS | ALTIUS3 | 00256GAB6 | N | ABAC 2006-14A - A2 Libor+0.58% 10/2045 | 20,000,000.00 | ABAC0614 | A2 | NA | Aa1 | AAA | Intex | N | 29-Jan-07 | 28-Sep-06 |
| RMBS | ALTIUS3 | 00256GAC4 | N | ABAC 2006-14A - B Libor+0.70% 10/2045 | 20,000,000.00 | ABAC0614 | B | NA | Aa3 | AA- | Intex | N | 29-Jan-07 | 28-Sep-06 |
| RMBS | ALTIUS3 | 00257MAA9 | N | ABAC 2006-14A - C Libor+1.90% 10/2045 | 20,000,000.00 | ABAC0614 | C | NA | A3 | A- | Intex | N | 29-Jan-07 | 28-Sep-06 |
| CMBS | ALTIUS4 | 00257BAF8 | N | ABACUS 2006-17, Ltd. (ABAC 2006-17A E) | 13,500,000.00 | ABAC0617 | E | A+ | A1 | A+ | Intex | N | 30-Aug-07 | 31-Mar-07 |
| CDO | DAVIS03 | 00255GAA9 | N | ABACUS 2004-1 Ltd (ABAC 2004-1A A) | 12,000,000.00 | ABAC041 | A | AAA | Aaa | AAA | Intex | N | 25-May-05 | 21-Oct-04 |
| CDO | DAVIS04 | 00255GAA9 | N | ABACUS 2004-1 Ltd (ABAC 2004-1A A) | 30,000,000.00 | ABAC041 | A | NA | Aaa | AAA | Intex | N | 15-Oct-05 | 6-Apr-05 |
| ABS | DAVIS07 | 00257AAA5 | N | ABAC 2006-10A - A Libor+.40% 10/2045 | 40,000,000.00 | ABAC0610 | A | AAA | Aaa | AAA | Intex | N | 10-Oct-07 | 5-Dec-06 |
| ABS | DAVIS07 | 00257AAB3 | N | ABAC 2006-10A - B Libor+0.47% 10/2045 | 15,000,000.00 | ABAC0610 | B | AA+ | Aa1 | AA+ | Intex | N | 10-Oct-07 | 5-Dec-06 |
| ABS | DAVIS07 | 00257AAC1 | N | ABAC 2006-10A - C Libor+0.82% 10/2045 | 5,000,000.00 | ABAC0610 | C | NA | Aa2 | AA | Intex | N | 10-Oct-07 | 5-Dec-06 |
| CDO | DAVIS07 | 00257BAB1 | N | ABAC 2006-12A - A2 Libor+.83% 07/2038 | 14,800,000.00 | ABAC0612 | A2 | AA | Aa2 | AAA | Intex | N | 10-Oct-07 | 5-Dec-06 |
| CDO | DAVIS07 | 00237BAC9 | N | ABAC 2006-12A - B Libor+.72% 07/2038 | 10,100,000.00 | ABAC0612 | B | AA- | Aa3 | AAA | Intex | N | 10-Oct-07 | 5-Dec-06 |
| CDO | DAVIS07 | 00257DAA9 | N | ABAC 2006-12A - C Libor+1.80% - 07/2038 | 13,000,000.00 | ABAC0612 | C | NA | A3 | A- | Intex | N | 10-Oct-07 | 5-Dec-06 |
| CDO | DAVIS07 | 00257KAB1 | N | ABAC 2006-15A - A2 Libor+.32% 04/2045 | 15,500,000.00 | ABAC0615 | A2_ISSUED | AAA | Aaa | AAA | Intex | N | 10-Oct-07 | 5-Dec-06 |
| CDO | DAVIS07 | 00257KAC9 | N | ABAC 2006-15A - A3 Libor+0.60% 04/2045 | 20,000,000.00 | ABAC0615 | A3_ISSUED | NA | Aa1 | AAA | Intex | N | 10-Oct-07 | 5-Dec-06 |
| CDO | DAVIS07 | 00257LAA1 | N | ABAC 2006-15A - C31 Libor+1.67% 04/2045 | 20,000,000.00 | ABAC0615 | C_SERIES1 | NA | A3 | A- | Intex | N | 10-Oct-07 | 5-Dec-06 |
| ABS | FORTU1 | 00254PAA3 | N | ABAC 2005-4A - D Libor+2.50% 08/2046 | 4,500,000.00 | ABAC054 | D | NA | Ba1 | BBB | Intex | | 13-Jun-06 | 4-Mar-06 |
| ABS | FORTU1 | 00256PAB1 | N | ABAC 2005-4A - E Libor+3.0% 08/2046 | 2,500,000.00 | ABAC054 | E1 | NA | Ba1 | BB+ | Intex | | 13-Jun-06 | 4-Mar-06 |
| RMBS | FORTU2 | 00257HAA7 | N | ABAC 2006-11A - D Libor+3.30% 09/2045 | 10,000,000.00 | ABAC0611 | D | NA | Ba1 | BBB | Intex | N | 9-May-07 | 7-Dec-06 |
| CMBS | FORTU2 | 00257HAH6 | N | ABAC 2006-13A - H Libor+1.30% 09/2046 | 4,000,000.00 | ABAC0613 | H | BBB+ | Ba1 | BBB+ | Intex | N | 9-May-07 | 7-Dec-06 |
| CMBS | FORTU2 | 00256AAJ6 | N | ABAC 2006-HG1A - J Libor+1.80% 08/2046 | 3,000,000.00 | ABAC06H1 | J | NA | Ba2 | BBB | Intex | N | 9-May-07 | 7-Dec-06 |
| CMBS | FORTU2 | 00256AAL1 | N | ABAC 2006-HG1A - K Libor+2.20% 08/2046 | 2,000,000.00 | ABAC06H1 | K | NA | Ba3 | BB- | Intex | N | 9-May-07 | 7-Dec-06 |
| CDO | GSCAD03Q | 00257AAG2 | N | ABACUS 2006-10, Ltd. (ABAC 2006-10 G) | 4,000,000.00 | ABAC0610 | G | NA | A3 | A- | Intex | N | 21-May-07 | 18-Jan-07 |
| CDO | GSTFIN | 00254GAB1 | N | ABACUS 2005-4, Ltd. (ABAC 2005-4A A2) | 10,000,000.00 | ABAC054 | A2 | NA | Aaa | AAA | Intex | N | 24-Apr-06 | 20-Dec-05 |
| CMBS | HOUT0501 | 00257AAA5 | N | ABACUS 2006-10, Ltd. (ABAC 2006-10 A) | 43,000,000.00 | ABAC0610 | A | NA | Aaa | AAA | Intex | N | 4-Oct-06 | 2-May-06 |
| ABS | LOCH3 | 00257AAF4 | N | ABAC 2006-10A - F Libor+0.85% 10/2045 | 10,000,000.00 | ABAC0610 | F | NA | A3 | A- | Intex | Y | 9-May-07 | 4-Oct-06 |
| ABS | LOCH3 | 00257HAF9 | N | ABAC 2006-13A - F Libor+0.70% 09/2046 | 7,000,000.00 | ABAC0613 | F | NA | A3 | A- | Intex | Y | 9-May-07 | 4-Oct-06 |
| CDO | TMSW1 | 00256TAC0 | N | ABAC 2006-HG1A C | 6,000,000.00 | ABAC06H1 | C | NA | A3 | A- | Intex | N | 30-Aug-07 | 27-Mar-07 |
| CDO | TMSW1 | 00256TAE6 | N | ABAC 2006-HG1A D | 9,000,000.00 | ABAC06H1 | D | NA | A3 | A- | Intex | N | 30-Aug-07 | 27-Mar-07 |

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# SPG Trading

## Mortgages Weekly Metrics 30-November-2007

INTERNAL USE ONLY

| Desk | P&L ($000) WTD | PWA | Variance % | 07 YTD | YTD Annl | 2006 FYE | Sales Credits 07 YTD | YTD Annl | 2006 FYE |
|---|---|---|---|---|---|---|---|---|---|
| SPG Trading (Swenson, Lehman, Birnbaum) | | | | | | | | | |
| CMBS Securities | (20,598) | (1,356) | 1420% | (91,087) | (69,368) | 29,623 | 101,024 | 101,024 | 61,419 |
| CMBS Synthetics | 22,067 | 7,033 | 214% | 387,762 | 380,446 | 18,888 | | n/a | - |
| CRE CDO | 0 | 51 | -100% | 2,651 | 2,601 | 3,283 | | n/a | - |
| ABS Securities | (67,379) | (20,081) | 236% | (1,111,597) | (1,090,624) | 20,602 | 307,997 | 307,997 | 141,813 |
| ABS Synthetics | 75,446 | 63,873 | 18% | 3,396,855 | 3,332,783 | 36,150 | | n/a | - |
| Property Derivatives | 0 | 0 | n/a | 0 | n/a | 0 | | n/a | - |
| Correlation | 27,304 | 21,270 | 28% | 1,133,355 | 1,111,971 | 118,519 | 162,251 | 162,251 | 76,226 |
| Gross Total | 36,840 | 70,790 | -48% | 3,717,939 | 3,647,789 | 226,865 | 571,272 | 571,272 | 279,258 |
| Exit Price | 0 | 0 | n/a | 0 | n/a | (52,958) | - | n/a | - |
| Transfers | 8,113 | (8) | -98111% | 7,682 | 7,537 | (10,504) | - | n/a | - |
| Net Total | 44,953 | 70,782 | -36% | 3,726,621 | 3,655,326 | 163,403 | 571,272 | 571,272 | 279,258 |

*Actual P&L as of 29-November-2007*

*As of 23-November-2007 (week lag)*

| Desk | P&L ($000) WTD | PWA | Variance % | 07 YTD | YTD Annl | 2006 FYE | Sales Credits 07 YTD | YTD Annl | 2006 FYE |
|---|---|---|---|---|---|---|---|---|---|
| CDO/CLO | (3,150) | (33,516) | -91% | (1,745,974) | (1,713,031) | 173,863 | 71,877 | 71,877 | 148,023 |

*Actual P&L as of 29-November-2007*

*As of 23-November-2007 (week lag)*

| Risk Measures ($mm)* | VaR | Stress Test | SDV01 |
|---|---|---|---|
| SPG Trading | 63.2 | 598.0 | (172) |

*As of 29-November-2007 / VaR is not additive due to portfolio diversification benefit*

| Balance Sheet ($m)* | Long | Limit | Short |
|---|---|---|---|
| SPG Trading | 5,853 | 10,000 | (345) |

*As of 29-November-2007*

** Risk, and Balance Sheet include SP CDOs*

[redacted] = Redacted by the Permanent Subcommittee on Investigations

### Commercial Mortgage Backed Securities

**CMBS Cash/TRS**

[redacted]

**CMBS Synthetics (CMBX/CDS)**

[redacted]

### Asset Backed Securities

**ABS Cash**

In ABX, the desk had $700mm in total flows (GS buys $300mm, GS sells $400mm). Volumes picked up prior to remit date as fast money shorts coupled with dealer selling pushed the market wider. Even at these lows, we continue to see short interest. Post remits, we have seen short covering from macro accounts. We have also seen several capital structure trades put on as macro players speculate on convergence.

**ABS Single-Names**

Single-name volume remained light this week. The desk saw roughly $500mm 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.

**ABS Index**

In cash trading, we saw active selling up the capital structure. Real money accounts continue to sell short, AAA securities. Non-resi ABS continues to widen, specifically cards and autos. The desk saw over $1bn in non-resi cash up for the bid. Overall, the lack of liquidity has increased frustration amongst investors.

### Tranche Risk

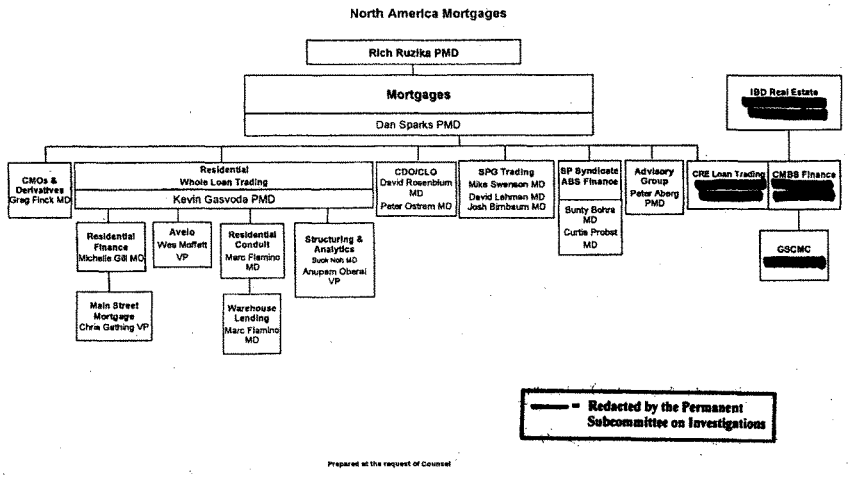
**Correlation & CDO**

[redacted] On Friday MS asked us to indicate the bid side for the full size of the $1.8bn ABX Quadrant super senior tranche and the $1.2bn Hudson Mezz I super senior tranche. We think MS may look to trade both positions next week.

In cash CDOs, a number of trustees have put out bid lists relating to CDOs experiencing events of default, to judge liquidation value. We have been hit on small pieces (trading has been sporadic).

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1515

**Footnote Exhibits - Page 2793**




Confidential Treatment Requested by Goldman Sachs



Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1531

VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00539 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

66051.537

**From:** O'Brien, Brian
**Sent:** Tuesday, June 27, 2006 11:26 AM
**To:** Cassidy, John
**Cc:** Peterson, Linda
**Subject:** RE: Conduit Sellers and u'writing guides - ~ INTERNAL

John - Do you have a full list of all approved Conduit accounts? It's important that I get all on here, and looks like two came up today that are not:

CLC Home Loans and
Comunity First Bank.

**From:** O'Brien, Brian
**Sent:** Tuesday, June 27, 2006 11:00 AM
**To:** Cassidy, John
**Subject:** FW: Conduit Sellers and u'writing guides - ~ INTERNAL

[redacted] = Redacted by the Permanent Subcommittee on Investigations

FYI - it's a read only file.

<< File: GSMC Conduit - Sellers and UW Guides 2006.xls >>

**From:** Gething, Christopher
**Sent:** Tuesday, June 27, 2006 10:56 AM
**To:** O'Brien, Brian; gs-whole-loan-florida; Hood, Kris
**Cc:** Flamino, Marc
**Subject:** RE: Conduit Sellers and u'writing guides - ~ INTERNAL

**Let's get this to Flamino as well and let him decide how to distribute**

**From:** O'Brien, Brian
**Sent:** Monday, June 26, 2006 11:22 AM
**To:** gs-whole-loan-florida
**Subject:** RE: Conduit Sellers and u'writing guides - ~ INTERNAL

The following file should be used by all TM's and CRM's to identify:

- Active Conduit Sellers
- Which underwriting guidelines are used for each Seller (and guideline exceptions).
- Sampling amounts for each Seller.

[redacted]Obrien Brian\Conduit Underwriting\Conduit UW to sellers guides \GSMC Conduit - Sellers and UW Guides 2006.xls> Please open as a READ-ONLY and do not save the document. It should never be distributed externally.

If anyone on this list needs the file, but cannot access this link then please let me know.

thanks



Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1533

Confidential Treatment Requested by Goldm



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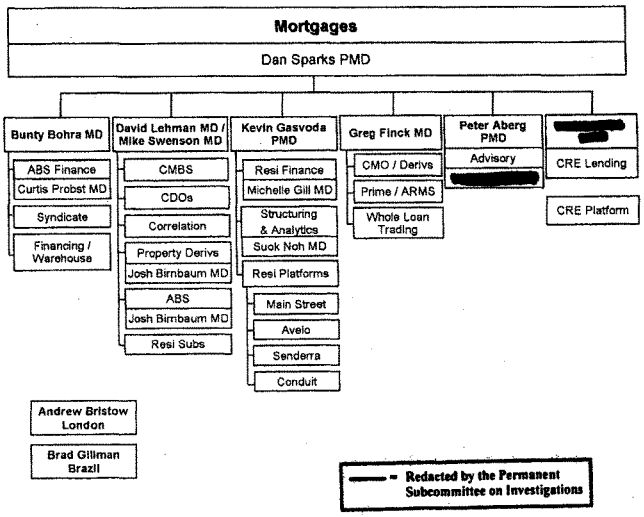
**Mortgages Organizational Structure**






Confidential Treatment Requested by Goldm

Permanent Subcommittee on Investigations
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Report Footnote #1539

GS MBS-E-010872812

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66051.539

**RMBS**

## Footnote Exhibits - Page 2796

**Trustees:**
Bank of New York
Citibank
Deutsche Bank
HSBC
JPMorgan Chase Bank
LaSalle Bank
U.S. Bank
Wachovia Bank
Wells Fargo Bank

**Rating Agencies:**
S&P
Moody's
Fitch
DBRS
**If multiple, separate by comma*

**Collateral Type:**
Alt-A
HELOC
Option ARM
Prime Fixed
Prime Hybrid
S&D
Seconds
Subprime

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*Wall Street & The Financial Crisis*
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66051.540

| Transaction Name: | FFML 2004-FF3 | FFML 2005-FF2 |
|---|---|---|
| Closing Date | May 27, 2004 | April 28, 2005 |
| Issuer | FFMLT Trust 2004-FF3 | FFMLT Trust 2005-FF2 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's, Fitch | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $982,174,000 | A-1 | $783,060,000 |
| | A-2A | $199,443,000 | A-2A | $329,824,000 |
| | A-2B | $64,957,000 | A-2B | $174,940,000 |
| | A-2C | $58,365,000 | A-2C | $91,981,000 |
| | M-1 | $95,775,000 | M-1 | $85,240,000 |
| | M-2 | $79,813,000 | M-2 | $59,151,000 |
| | M-3 | $23,944,000 | M-3 | $34,794,000 |
| | M-4 | $21,549,000 | M-4 | $29,576,000 |
| | B-1 | $19,156,000 | M-5 | $28,705,000 |
| | B-2 | $17,558,000 | M-6 | $25,226,000 |
| | B-3 | $15,963,000 | B-1 | $22,617,000 |
| | X | 100% | B-2 | $20,007,000 |
| | P | $1 | B-3 | $14,788,000 |
| | R | N/A | B-4 | $13,048,000 |
| | | | B-5 | $17,397,000 |
| | | | R-1 | $100 |
| | | | R-2 | $100 |
| | | | X | N/A |
| | | | P | N/A |

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RMBS

| | | |
|---|---|---|
| **Transaction Name:** | **FFML 2005-FF8** | **FFML 2005-FFA** |
| Closing Date | September 29, 2005 | July 21, 2005 |
| Issuer | FFMLT Trust 2005-FF8 | FFMLT Trust 2005-FFA |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Seconds |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $304,713,000 | A-1 | $300,687,000 |
| | A-2A | $388,977,000 | A-2A | $146,433,000 |
| | A-2B | $105,951,000 | A-2B | $92,053,000 |
| | A-2C | $197,892,000 | M-1 | $89,818,000 |
| | A-2D | $131,311,000 | M-2 | $40,384,000 |
| | M-1 | $101,834,000 | M-3 | $16,294,000 |
| | M-2 | $31,778,000 | M-4 | $14,813,000 |
| | M-3 | $46,945,000 | B-1 | $15,553,000 |
| | M-4 | $18,778,000 | B-2 | $11,109,000 |
| | B-1 | $20,945,000 | B-3 | $14,442,000 |
| | B-2 | $15,889,000 | B-4 | $11,850,000 |
| | B-3 | $12,278,000 | B-5 | $7,406,000 |
| | B-4 | $14,444,000 | X | $740,622,812 |
| | B-5 | $20,945,000 | X-1 | N/A |
| | R-1 | $50 | P | N/A |
| | R-2 | $100 | R-1 | N/A |
| | R-3 | $50 | R-2 | N/A |
| | X | N/A | | |
| | P | N/A | | |
| | C | N/A | | |

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RMBS

| | | |
|---|---|---|
| **Transaction Name:** | **FFNT 2005-FF11** | **FFML 2006-FF13** |
| Closing Date | January 23, 2006 | September 28, 2006 |
| Issuer | FFMLT Trust 2005-FF11 | FFMLT Trust 2006-FF13 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $240,920,000 | A-1 | $241,582,000 |
| A-2A | $162,968,000 | A-2A | $268,689,000 |
| A-2B | $65,054,000 | A-2B | $121,873,000 |
| A-2C | $82,808,000 | A-2C | $115,439,000 |
| A-2D | $71,578,000 | A-2D | $48,975,000 |
| M-1 | $48,612,000 | M-1 | $41,491,000 |
| M-2 | $15,412,000 | M-2 | $38,379,000 |
| M-3 | $21,803,000 | M-3 | $22,820,000 |
| M-4 | $9,398,000 | M-4 | $19,190,000 |
| M-5 | $9,773,000 | M-5 | $19,190,000 |
| M-6 | $8,766,000 | M-6 | $17,634,000 |
| B-1 | $5,263,000 | M-7 | $17,115,000 |
| B-2 | $4,887,000 | M-8 | $14,003,000 |
| B-3 | $7,518,000 | M-9 | $11,410,000 |
| R-1 | $50 | B-1 | $10,373,000 |
| R-2 | $100 | B-2 | $10,373,000 |
| R-3 | $50 | R | $50 |
| X | $21,051,171 | RC | $100 |
| P | N/A | RX | $50 |
| C | N/A | X | $20,745,778 |
| | | P | $100 |

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| | | |
|---|---|---|
| **Transaction Name:** | **FFML 2006-FF3** | **FFML 2006-FF4** |
| Closing Date | February 23, 2006 | March 30, 2006 |
| Issuer | FFMLT Trust 2006-FF3 | FFMLT Trust 2006-FF4 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $241,651,000 | A-1 | $631,866,000 |
| A-2A | $280,279,000 | A-2 | $517,371,000 |
| A-2B | $245,124,000 | A-3 | $87,566,000 |
| A-2C | $31,616,000 | M-1 | $54,894,000 |
| M-1 | $33,712,000 | M-2 | $49,556,000 |
| M-2 | $30,737,000 | M-3 | $29,734,000 |
| M-3 | $17,847,000 | M-4 | $25,922,000 |
| M-4 | $16,381,000 | M-5 | $24,397,000 |
| M-5 | $14,872,000 | M-6 | $22,872,000 |
| M-6 | $14,377,000 | M-7 | $21,348,000 |
| M-7 | $12,890,000 | M-8 | $18,298,000 |
| M-8 | $10,411,000 | B-1 | $12,961,000 |
| M-9 | $7,932,000 | B-2 | $15,248,000 |
| B-1 | $6,941,000 | R | $50 |
| B-2 | $9,915,000 | RC | $100 |
| R | $50 | RX | $50 |
| RC | $100 | X | $32,783,744 |
| RX | $50 | P | $100 |
| X | $16,856,656 | C | $100 |
| P | $100 | | |
| C | N/A | | |

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| | | |
|---|---|---|
| **Transaction Name:** | **FFML 2006-FF6** | **FFML 2007-FFB3** |
| Closing Date | May 16, 2006 | April 26, 2007 |
| Issuer | FFMLT Trust 2006-FF6 | FFMLT 2007-FFB-SS |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Seconds |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A1 | $144,738,000 | A | $295,150,000 |
| A2 | $59,157,000 | M1 | $32,394,000 |
| A3 | $64,915,000 | M2 | $9,740,000 |
| A4 | $30,598,000 | M3 | $17,997,000 |
| M1 | $23,930,000 | M4 | $8,257,000 |
| M2 | $18,551,000 | M5 | $7,622,000 |
| M3 | $5,008,000 | M6 | $6,887,000 |
| M4 | $5,009,000 | M7 | $12,280,000 |
| M5 | $3,710,000 | X | $33,030,324 |
| M6 | $3,154,000 | P | $100 |
| M7 | $1,855,000 | X1 | $100 |
| B1 | $3,710,000 | R | $100 |
| X | $6,678,790 | | |
| P | $100 | | |
| C | $100 | | |
| R | $50 | | |
| RC | $100 | | |
| RX | $50 | | |

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| | | |
|---|---|---|
| **Transaction Name:** | **GPMF 2006-OH1** | **GSAA 2004-3** |
| Closing Date | December 29, 2006 | May 28, 2004 |
| Issuer | GreenPoint Mortgage Funding Trust 2006-OH1 | GSAA Home Equity Trust 2004-3 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $261,887,000 | AV-1 | $156,061,000 |
| | A-2 | $109,119,000 | AF-2 | $98,866,000 |
| | A-3 | $65,472,000 | AF-3 | $30,018,000 |
| | M-1 | $12,948,000 | AF-4 | $82,106,000 |
| | M-2 | $3,532,000 | AF-5 | $38,340,000 |
| | M-3 | $2,589,000 | M-1 | $14,395,000 |
| | M-4 | $2,590,000 | M-2 | $11,644,000 |
| | M-5 | $2,590,000 | B-1 | $7,409,000 |
| | M-6 | $2,354,000 | B-2 | $3,176,000 |
| | M-7 | $3,060,000 | X | N/A |
| | M-8 | $2,355,000 | P | $0 |
| | R | $100 | R | N/A |
| | RC | $100 | | |
| | RX | $100 | | |
| | X | N/A | | |
| | P | $0 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2004-4** | **GSAA 2004-5** |
| Closing Date | June 28, 2004 | June 29, 2004 |
| Issuer | GSAA Home Equity Trust 2004-4 | GSAA Home Equity Trust 2004-5 |
| Trustee | JPMorgan Chase Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A1 | $145,084,000 | AV-1 | $108,867,000 |
| | A2A | $102,801,000 | AF-2 | $67,382,000 |
| | A2B | $42,282,000 | AF-3 | $21,554,000 |
| | M-1 | $8,431,000 | AF-4 | $44,497,000 |
| | M-2 | $9,411,000 | AF-5 | $26,700,000 |
| | M-3 | $4,704,000 | AV-2 | $11,319,000 |
| | X | $2,980,872 | M-1 | $8,669,000 |
| | R | $100 | M-2 | $6,540,000 |
| | P | $100 | B-1 | $5,932,000 |
| | | | B-2 | $1,825,000 |
| | | | X | N/A |
| | | | P | $0 |
| | | | R | N/A |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2004-6** | **GSAA 2004-7** |
| Closing Date | July 29, 2004 | August 31, 2004 |
| Issuer | GSAA Home Equity Trust 2004-6 | GSAA Home Equity Trust 2004-7 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | Moodys, Fitch |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $124,177,000 | AV-1 | $107,665,000 |
| | A-2 | $75,359,000 | AF-2 | $65,734,000 |
| | M-1 | $6,312,000 | AF-3 | $26,718,000 |
| | M-2 | $4,708,000 | AF-4 | $45,360,000 |
| | M-3 | $3,423,000 | AF-5 | $27,275,000 |
| | X | N/A | M-1 | $5,598,000 |
| | P | $0 | M-2 | $3,875,000 |
| | R | N/A | B-1 | $3,301,000 |
| | | | B-2 | $1,581,000 |
| | | | X | N/A |
| | | | R | N/A |

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| | GSAA 2004-8 | GSAA 2004-9 |
|---|---|---|
| Transaction Name: | GSAA 2004-8 | GSAA 2004-9 |
| Closing Date | September 23, 2004 | October 28, 2004 |
| Issuer | GSAA Home Equity Trust 2004-8 | GSAA Home Equity Trust 2004-9 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A1 | $96,837,000 | A-1 | $217,272,000 |
| A2 | $139,498,000 | A-2 | $114,355,000 |
| A3-A | $197,534,000 | M-1 | $25,668,000 |
| A3-B | $7,166,000 | M-2 | $20,739,000 |
| M1 | $12,093,000 | M-3 | $6,161,000 |
| M2 | $9,247,000 | M-4 | $5,133,000 |
| B-1 | $7,351,000 | M-5 | $4,928,000 |
| B-2 | $2,845,000 | B-1 | $3,491,000 |
| P | $0 | B-2 | $4,107,000 |
| X | N/A | P | $0 |
| R | N/A | X | N/A |
| | | R | N/A |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2004-10** | **GSAA 2004-11** |
| Closing Date | November 24, 2004 | December 30, 2004 |
| Issuer | GSAA Home Equity Trust 2004-10 | GSAA Home Equity Trust 2004-11 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | AV1 | $128,552,000 | 1A1 | $141,041,000 |
| | AF2 | $83,109,000 | 2A1 | $188,816,000 |
| | AF3 | $18,844,000 | 2A2 | $100,000,000 |
| | AF4 | $48,836,000 | 2A3 | $11,112,000 |
| | AF5 | $31,016,000 | M1 | $13,885,000 |
| | M1 | $14,301,000 | M2 | $11,251,000 |
| | M2 | $10,905,000 | B1 | $8,379,000 |
| | B1 | $6,938,000 | B2 | $4,309,000 |
| | B2 | $2,682,000 | X | $3,112,161 |
| | B3 | $4,290,000 | P | $0 |
| | X | $6,257,500 | R | $0 |
| | P | $0 | | |
| | R | $0 | | |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2004-CW1** | **GSAA 2004-NC1** |
| Closing Date | April 29, 2004 | February 26, 2004 |
| Issuer | GSAA Trust 2004-CW1 | GSAA Trust 2004-NC1 |
| Trustee | JPMorgan Chase Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | Moody's, Fitch |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| IA-1 | $16,718,000 | AV-1 | $48,506,000 |
| IIA-1 | $100,000,000 | AF-2 | $17,874,000 |
| IIA-2 | $102,068,000 | AF-3 | $34,264,000 |
| IIA-3 | $15,000,000 | AF-4 | $20,851,000 |
| A-R | $190,424 | AF-5 | $23,009,000 |
| A-X | $23,934,320 | AF-6 | $16,056,000 |
| B1 | $8,629,000 | AV-2A | $71,370,000 |
| B2 | $2,626,000 | AV-2B | $17,835,000 |
| B3 | $1,751,000 | M-1 | $11,584,000 |
| B4 | $1,376,000 | M-2 | $10,880,000 |
| B5 | $875,000 | B-1 | $7,963,000 |
| B6 | $875,953 | B-2 | $2,896,000 |
| R | $0 | X | N/A |
| | | P | $0 |
| | | R | N/A |

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RMBS

| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2005-1** | **GSAA 2005-2** |
| Closing Date | January 28, 2005 | January 28, 2005 |
| Issuer | GSAA Home Equity Trust 2005-1 | GSAA Home Equity Trust 2005-2 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| AV1 | $144,436,000 | 1A1 | $89,370,000 |
| AV2 | $40,000,000 | 1A2 | $9,930,000 |
| AF2 | $123,802,000 | 2A1 | $188,756,000 |
| AF3 | $32,913,000 | 2A2 | $57,207,000 |
| AF4 | $76,351,000 | 2A3 | $48,160,000 |
| AF5 | $48,389,000 | M1 | $17,191,000 |
| M1 | $16,494,000 | M2 | $15,226,000 |
| M2 | $12,370,000 | M3 | $8,596,000 |
| B1 | $6,185,000 | M4 | $8,595,000 |
| B2 | $5,154,000 | M5 | $8,595,000 |
| B3 | $5,154,000 | M6 | $7,367,000 |
| X | $6,186,980 | B1 | $6,140,000 |
| P | $0 | B2 | $6,140,000 |
| R | $0 | B3 | $4,912,000 |
| | | B4 | $6,385,000 |
| | | X | $8,595,811 |
| | | P | $0 |
| | | R | $0 |

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| Transaction Name: | GSAA 2005-3 | GSAA 2005-4 |
|---|---|---|
| Closing Date | February 25, 2005 | March 30, 2005 |
| Issuer | GSAA Home Equity Trust 2005-3 | GSAA Home Equity Trust 2005-4 |
| Trustee | HSBC | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A1 | $214,158,000 | A1 | $185,000,000 |
| | A2 | $63,889,000 | A2 | $56,332,000 |
| | A3 | $66,764,000 | A3 | $59,769,000 |
| | M1 | $19,177,000 | A4 | $6,840,000 |
| | M2 | $9,781,000 | A5 | $214,912,000 |
| | B1 | $4,219,000 | A6 | $23,879,000 |
| | B2 | $1,342,000 | M1 | $16,958,000 |
| | B3 | $1,918,000 | M2 | $11,306,000 |
| | X | $2,301,932 | B1 | $6,248,000 |
| | P | $0 | B2 | $2,975,000 |
| | R | $0 | B3 | $2,975,000 |
| | | | B4 | $2,975,000 |
| | | | X | $5,058,322 |
| | | | P | $100 |
| | | | R1 | $100 |
| | | | R2 | $100 |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2005-5** | **GSAA 2005-6** |
| Closing Date | April 28, 2005 | May 27, 2005 |
| Issuer | GSAA Home Equity Trust 2005-5 | GSAA Home Equity Trust 2005-6 |
| Trustee | HSBC | HSBC |
| Rating Agencies | S&P, Fitch, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A1 | $392,187,000 | A1 | $588,972,000 |
| | A2 | $91,518,000 | A2 | $187,119,000 |
| | A3 | $77,000,000 | A3 | $214,886,000 |
| | A4 | $59,755,000 | M1 | $31,186,000 |
| | M1 | $27,234,000 | M2 | $6,990,000 |
| | M2 | $17,807,000 | M3 | $10,753,000 |
| | M3 | $15,712,000 | M4 | $5,376,000 |
| | M4 | $3,491,000 | B1 | $5,376,000 |
| | B1 | $3,491,000 | B2 | $5,376,000 |
| | B2 | $3,491,000 | B3 | $5,376,000 |
| | B3 | $3,491,000 | B4 | $5,376,000 |
| | X | $3,146,730 | X | $8,609,664 |
| | P | $100 | P | $0 |
| | R-1 | $100 | C | $0 |
| | R-2 | $100 | R-1 | $100 |
| | | | R-2 | $100 |

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|---|---|---|
| Transaction Name: | GSAA 2005-7 | GSAA 2005-8 |
| Closing Date | June 29, 2005 | June 29, 2005 |
| Issuer | GSAA Home Equity Trust 2005-7 | GSAA Home Equity Trust 2005-8 |
| Trustee | HSBC | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| AV-1 | $306,700,000 | A1 | $159,755,000 |
| AF-2 | $163,242,000 | A2 | $48,442,000 |
| AF-3 | $46,526,000 | A3 | $55,732,000 |
| AF-4 | $66,316,000 | A4 | $256,500,000 |
| AF-5 | $84,754,000 | A5 | $28,500,000 |
| M-1 | $10,085,000 | M1 | $20,230,000 |
| M-2 | $9,389,000 | M2 | $4,631,000 |
| M-3 | $4,868,000 | M3 | $7,850,000 |
| M-4 | $4,868,000 | M4 | $3,321,000 |
| M-5 | $4,173,000 | B1 | $3,019,000 |
| M-6 | $2,086,000 | B2 | $3,019,000 |
| B-1 | $2,086,000 | B3 | $3,019,000 |
| B-2 | $1,738,000 | B4 | $4,529,000 |
| B-3 | $1,738,000 | X | $5,136,376 |
| B-4 | $3,477,000 | P | $0 |
| X | $3,483,643 | C | $0 |
| P | $100 | R-1 | $100 |
| C | $100 | R-2 | $100 |
| R1 | $100 | | |
| R2 | $100 | | |

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| Transaction Name: | GSAA 2005-9 | GSAA 2005-10 |
|---|---|---|
| Closing Date | July 28, 2005 | August 26, 2005 |
| Issuer | GSAA Home Equity Trust 2005-9 | GSAA Home Equity Trust 2005-10 |
| Trustee | HSBC | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $119,458,000 | 1A1 | $149,186,000 |
| 1A2 | $13,273,000 | 2A1 | $254,412,000 |
| 2A1 | $393,888,000 | 2A2 | $57,699,000 |
| 2A2 | $125,468,000 | 2A3 | $8,412,000 |
| 2A3 | $132,504,000 | 2A4 | $36,079,000 |
| 2A4 | $14,722,000 | 2A5 | $4,010,000 |
| M1 | $11,621,000 | M1 | $25,109,000 |
| M2 | $8,608,000 | M2 | $23,457,000 |
| M3 | $4,304,000 | M3 | $13,876,000 |
| M4 | $4,304,000 | M4 | $12,224,000 |
| M5 | $4,304,000 | M5 | $11,233,000 |
| M6 | $4,304,000 | M6 | $10,241,000 |
| B1 | $4,304,000 | B1 | $9,250,000 |
| B2 | $4,304,000 | B2 | $8,259,000 |
| B3 | $4,304,000 | B3 | $7,598,000 |
| B4 | $4,304,000 | B4 | $15,197,000 |
| X | $6,890,883 | X | $18,523,860 |
| P | $100 | P | $100 |
| C | $100 | C | $100 |
| R-1 | $100 | R-1 | $100 |
| R-2 | $100 | R-2 | $100 |



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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2005-11** | **GSAA 2005-12** |
| Closing Date | September 29, 2005 | October 28, 2005 |
| Issuer | GSAA Home Equity Trust 2005-11 | GSAA Home Equity Trust 2005-12 |
| Trustee | Wachovia | HSBC |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A1 | $103,804,000 | AV-1 | $253,054,000 |
| | 1A2 | $11,534,000 | AF-2 | $21,174,000 |
| | 2A1 | $99,780,000 | AF-3 | $18,492,000 |
| | 2A2 | $11,087,000 | AF-3W | $75,000,000 |
| | 3A1 | $300,000,000 | AF-4 | $64,211,000 |
| | 3A2 | $33,334,000 | AF-5 | $42,067,000 |
| | 3A3 | $188,833,000 | AF-6 | $52,666,000 |
| | 3A4 | $53,085,000 | M-1 | $7,105,000 |
| | 3A5 | $62,868,000 | M-2 | $7,105,000 |
| | M1 | $23,668,000 | M-3 | $3,979,000 |
| | M2 | $7,737,000 | M-4 | $3,694,000 |
| | M3 | $7,282,000 | M-5 | $3,694,000 |
| | M4 | $4,551,000 | M-6 | $2,842,000 |
| | B1 | $4,551,000 | B-1 | $2,558,000 |
| | B2 | $4,551,000 | B-2 | $1,989,000 |
| | B3 | $4,551,000 | B-3 | $2,842,000 |
| | B4 | $4,551,000 | B-4 | $3,126,000 |
| | X | $4,557,243 | X | $2,847,284 |
| | P | $100 | P | $100 |
| | C | $100 | R1 | $100 |
| | R-1 | $100 | R2 | $100 |
| | R-2 | $100 | | |

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|---|---|
| **Transaction Name:** | **GSAA 2005-14** |
| Closing Date | November 22, 2005 |
| Issuer | GSAA Home Equity Trust 2005-14 |
| Trustee | Wachovia |
| Rating Agencies | S&P, Moody's |
| Collateral Type | Alt-A |

Capital Structure:

| Tranche | Orig. Balance |
|---|---|
| 1A1 | $168,059,000 |
| 1A2 | $18,674,000 |
| 2A1 | $393,599,000 |
| 2A2 | $134,713,000 |
| 2A3 | $133,600,000 |
| 2A4 | $14,867,000 |
| M1 | $18,554,000 |
| M2 | $8,349,000 |
| M3 | $4,638,000 |
| M4 | $4,638,000 |
| M5 | $4,638,000 |
| M6 | $4,638,000 |
| B1 | $4,638,000 |
| B2 | $4,638,000 |
| B3 | $4,638,000 |
| X | $4,644,183 |
| P | $100 |
| R-1 | $100 |
| R-2 | $100 |

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| Transaction Name: | GSAA 2005-15 | GSAA 2005-MTR1 |
|---|---|---|
| Closing Date | December 29, 2005 | October 28, 2005 |
| Issuer | GSAA Home Equity Trust 2005-15 | GSAA Home Equity Trust 2005-MTR1 |
| Trustee | HSBC | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A1 | $188,059,000 | A1 | $239,254,000 |
| | 1A2 | $18,674,000 | A2 | $66,874,000 |
| | 2A1 | $393,599,000 | A3 | $7,431,000 |
| | 2A2 | $134,713,000 | A4 | $77,094,000 |
| | 2A3 | $133,800,000 | A5 | $8,566,000 |
| | 2A4 | $14,887,000 | M1 | $7,202,000 |
| | M1 | $18,554,000 | M2 | $6,548,000 |
| | M2 | $8,349,000 | M3 | $4,365,000 |
| | M3 | $4,638,000 | M4 | $8,329,000 |
| | M4 | $4,638,000 | M5 | $2,837,000 |
| | M5 | $4,638,000 | B1 | $3,055,000 |
| | M6 | $4,638,000 | B2 | $2,183,000 |
| | B1 | $4,638,000 | B3 | $2,401,000 |
| | B2 | $4,638,000 | X | $2,404,480 |
| | B3 | $4,638,000 | P | $100 |
| | X | $4,644,183 | R-1 | $100 |
| | P | $100 | R-2 | $100 |
| | R-1 | $100 | | |
| | R-2 | $100 | | |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2006-1** | **GSAA 2006-2** |
| Closing Date | January 27, 2006 | February 6, 2006 |
| Issuer | GSAA Home Equity Trust 2006-1 | GSAA Home Equity Trust 2006-2 |
| Trustee | U.S. Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $498,836,000 | 1A1 | $148,331,000 |
| A-2 | $165,614,000 | 1A2 | $16,482,000 |
| A-3 | $176,445,000 | 2A1 | $444,704,000 |
| A-4 | $19,606,000 | 2A2 | $85,046,000 |
| M-1 | $13,658,000 | 2A3 | $9,450,000 |
| M-2 | $4,554,000 | 2A4 | $48,948,000 |
| M-3 | $4,554,000 | 2A5 | $5,439,000 |
| M-4 | $4,554,000 | M-1 | $41,283,000 |
| M-5 | $4,554,000 | M-2 | $38,225,000 |
| B-1 | $4,555,000 | M-3 | $23,445,000 |
| B-2 | $4,556,000 | M-4 | $20,387,000 |
| B-3 | $4,555,000 | M-5 | $19,367,000 |
| X | $4,554,506 | M-6 | $17,839,000 |
| P | $100 | B-1 | $16,820,000 |
| R-1 | $100 | B-2 | $14,271,000 |
| R-2 | $100 | B-3 | $10,704,000 |
| | | B-4 | $20,386,000 |
| | | X | $38,228,439 |
| | | P | $100 |
| | | R | $100 |
| | | RC | $100 |

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|---|---|---|
| **Transaction Name:** | **GSAA 2006-3** | **GSAA 2006-4** |
| Closing Date | February 24, 2006 | March 2, 2006 |
| Issuer | GSAA Home Equity Trust 2006-3 | GSAA Home Equity Trust 2006-4 |
| Trustee | U.S. Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A1 | $548,029,000 | 1A1 | $223,080,000 |
| A2 | $186,047,000 | 1A2 | $24,787,000 |
| A3 | $190,366,000 | 2A1 | $81,053,000 |
| A4 | $21,152,000 | 3A1 | $101,396,000 |
| M-1 | $16,624,000 | 4A1 | $201,218,000 |
| M-2 | $5,038,000 | 4A2 | $84,122,000 |
| M-3 | $5,038,000 | 4A3 | $116,283,000 |
| M-4 | $5,038,000 | B-1 | $22,304,000 |
| M-5 | $5,038,000 | B-2 | $13,828,000 |
| B-1 | $5,038,000 | B-3 | $9,921,000 |
| B-2 | $5,038,000 | B-4 | $6,691,000 |
| B-3 | $5,038,000 | B-5 | $4,906,000 |
| B-4 | $5,038,000 | B-6 | $3,570,172 |
| X | $5,041,393 | 4A-IO | $285,340,000 |
| P | $100 | P | $100 |
| R | $100 | R | $100 |
| RC | $100 | RC | $100 |

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|---|---|---|
| **Transaction Name:** | **GSAA 2006-5** | **GSAA 2006-6** |
| Closing Date | March 30, 2006 | April 28, 2006 |
| Issuer | GSAA Home Equity Trust 2006-5 | GSAA Home Equity Trust 2006-6 |
| Trustee | U.S. Bank | U.S. Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $186,376,000 | AV-1 | $198,417,000 |
| 2A1 | $569,877,000 | AF-2 | $28,298,000 |
| 2A2 | $178,482,000 | AF-3 | $69,317,000 |
| 2A3 | $193,964,000 | AF-4 | $58,335,000 |
| 2A4 | $21,552,000 | AF-5 | $34,500,000 |
| M-1 | $22,819,000 | AF-6 | $38,888,000 |
| M-2 | $9,866,000 | AF-7 | $4,321,000 |
| M-3 | $6,168,000 | M-1 | $6,399,000 |
| M-4 | $6,168,000 | M-2 | $6,162,000 |
| M-5 | $6,168,000 | M-3 | $3,792,000 |
| B-1 | $6,168,000 | M-4 | $3,317,000 |
| B-2 | $6,168,000 | M-5 | $3,317,000 |
| B-3 | $12,334,000 | M-6 | $2,371,000 |
| X | $7,402,284 | B-1 | $2,371,000 |
| P | $100 | B-2 | $2,371,000 |
| R | $100 | B-3 | $2,371,000 |
| RC | $100 | B-4 | $3,081,000 |
| RX | $100 | R | $100 |
| | | RC | $100 |
| | | RX | $100 |
| | | X | $6,399,528 |
| | | P | N/A |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2006-7** | **GSAA 2006-8** |
| Closing Date | April 28, 2006 | April 28, 2006 |
| Issuer | GSAA Home Equity Trust 2006-7 | GSAA Home Equity Trust 2006-8 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | AV-1 | $193,351,000 | 1A1 | $199,053,000 |
| | AF-2 | $133,519,000 | 2A1 | $599,904,000 |
| | AF-3 | $43,105,000 | 2A2 | $189,774,000 |
| | AF-4A | $82,087,000 | 2A3A | $197,853,000 |
| | AF-4B | $9,119,000 | 2A3B | $24,265,000 |
| | AF-5A | $38,832,000 | M-1 | $16,309,000 |
| | AF-5B | $14,409,000 | M-2 | $16,309,000 |
| | M-1 | $8,504,000 | M-3 | $9,133,000 |
| | M-2 | $5,484,000 | M-4 | $16,309,000 |
| | M-3 | $2,744,000 | M-5 | $8,524,000 |
| | M-4 | $2,744,000 | B-1 | $7,828,000 |
| | M-5 | $2,744,000 | B-2 | $8,524,000 |
| | B-1 | $2,744,000 | B-3 | $8,524,000 |
| | B-2 | $2,744,000 | R | $100 |
| | B-3 | $3,072,000 | RC | $100 |
| | R | $100 | RX | $100 |
| | RC | $100 | X | $8,485,206 |
| | RX | $100 | P | N/A |
| | X | $5,487,316 | | |
| | P | $100 | | |

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| | GSAA 2006-9 | GSAA 2006-10 |
|---|---|---|
| Transaction Name: | GSAA 2006-9 | GSAA 2006-10 |
| Closing Date | May 26, 2006 | June 29, 2006 |
| Issuer | GSAA Home Equity Trust 2006-9 | GSAA Home Equity Trust 2006-10 |
| Trustee | U.S. Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P / Moodys |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $724,918,000 | AV1 | $296,280,000 |
| | A-2 | $237,590,000 | AF2 | $40,496,000 |
| | A-3 | $255,442,000 | AF3 | $117,039,000 |
| | A-4-A | $244,624,000 | AF4 | $67,727,000 |
| | A-4-B | $27,181,000 | AF5 | $60,523,000 |
| | M-1 | $28,726,000 | AF6 | $64,679,000 |
| | M-2 | $14,363,000 | M1 | $9,158,000 |
| | M-3 | $10,373,000 | M2 | $8,454,000 |
| | M-4 | $12,765,000 | M3 | $4,931,000 |
| | M-5 | $7,980,000 | M4 | $4,579,000 |
| | B-1 | $7,980,000 | M5 | $3,874,000 |
| | B-2 | $7,980,000 | M6 | $3,523,000 |
| | B-3 | $7,980,000 | B1 | $3,523,000 |
| | R | $100 | B2 | $3,523,000 |
| | RC | $100 | B3 | $3,523,000 |
| | RX | $100 | B4 | $3,523,000 |
| | X | $7,979,637 | X | $9,160,209 |
| | P | N/A | P | N/A |
| | | | R | $100 |
| | | | RC | $100 |
| | | | RX | $100 |

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| | | |
|---|---|---|
| **Transaction Name:** | **GSAA 2006-11** | **GSAA 2006-12** |
| Closing Date | June 30, 2006 | July 28, 2006 |
| Issuer | GSAA Home Equity Trust 2006-11 | GSAA Home Equity Trust 2006-12 |
| Trustee | Deutsche Bank | U.S. Bank |
| Rating Agencies | S&P / Moodys | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A1 | $242,367,000 | A1 | $567,989,000 |
| | 2A1 | $707,406,000 | A2A | $165,021,000 |
| | 2A2 | $221,428,000 | A2B | $18,336,000 |
| | 2A3-A | $240,727,000 | A3A | $195,407,000 |
| | 2A3-B | $26,748,000 | A3B | $21,712,000 |
| | M1 | $27,013,000 | M-1 | $13,975,000 |
| | M2 | $13,118,000 | M-2 | $9,317,000 |
| | M3 | $7,719,000 | M-3 | $10,352,000 |
| | M4 | $7,719,000 | M-4 | $6,211,000 |
| | M5 | $7,719,000 | B-1 | $10,352,000 |
| | B1 | $7,719,000 | B-2 | $5,177,000 |
| | B2 | $7,719,000 | B-3 | $5,177,000 |
| | B3 | $16,208,000 | X | $6,212,069 |
| | R | $100 | P | N/A |
| | RC | $100 | R | $100 |
| | RX | $100 | RC | $100 |
| | X | $10,034,389 | RX | $100 |
| | P | $100 | | |

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|---|---|---|
| **Transaction Name:** | **GSAA 2006-13** | **GSAA 2006-14** |
| Closing Date | August 25, 2006 | August 25, 2006 |
| Issuer | GSAA Home Equity Trust 2006-13 | GSAA Home Equity Trust 2006-14 |
| Trustee | Deutsche Bank | LaSalle Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | AV1 | $181,651,000 | A-1 | $726,454,000 |
| | AF2 | $34,050,000 | A-2 | $221,318,000 |
| | AF3 | $78,527,000 | A-3A | $277,524,000 |
| | AF4 | $61,500,000 | A-3B | $30,837,000 |
| | AF5 | $60,721,000 | M-1 | $19,326,000 |
| | AF6 | $46,272,000 | M-2 | $9,995,000 |
| | M1 | $7,439,000 | M-3 | $12,661,000 |
| | M2 | $3,720,000 | M-4 | $6,664,000 |
| | M3 | $2,976,000 | B-1 | $12,661,000 |
| | M4 | $2,480,000 | R | $100 |
| | M5 | $3,223,000 | RC | $100 |
| | B1 | $2,480,000 | RX | $100 |
| | B2 | $2,976,000 | B-2 | $6,664,000 |
| | B3 | $2,480,000 | X | N/A |
| | R | $100 | P | $100 |
| | RC | $100 | | |
| | RX | $100 | | |
| | X | $5,455,599 | | |
| | P | $100 | | |

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|---|---|---|
| **Transaction Name:** | **GSAA 2006-15** | **GSAA 2006-16** |
| Closing Date | September 28, 2006 | September 28, 2006 |
| Issuer | GSAA Home Equity Trust 2006-15 | GSAA Home Equity Trust 2006-16 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | AV1 | $222,508,000 | A1 | $797,539,000 |
| | AF2 | $39,829,000 | A2 | $216,239,000 |
| | AF3-A | $78,511,000 | A3_A | $302,442,000 |
| | AF3-B | $8,757,000 | A3_B | $33,605,000 |
| | AF4 | $62,948,000 | M1 | $18,878,000 |
| | AF5 | $48,004,000 | M2 | $18,153,000 |
| | AF6 | $51,206,000 | M3 | $10,165,000 |
| | M1 | $6,286,000 | M4 | $9,440,000 |
| | M2 | $2,736,000 | M5 | $14,522,000 |
| | M3 | $2,736,000 | B1 | $8,711,000 |
| | M4 | $2,736,000 | B2 | $7,262,000 |
| | M5 | $2,736,000 | B3 | $7,262,000 |
| | M6 | $2,736,000 | R | $100 |
| | B1 | $2,736,000 | RC | $100 |
| | B2 | $2,736,000 | RX | $100 |
| | B3 | $2,736,000 | X | $7,987,705 |
| | B4 | $2,736,000 | P | $100 |
| | R1 | $100 | | |
| | RC | $100 | | |
| | RX | $100 | | |
| | X | $4,103,164 | | |
| | P | $100 | | |

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| Transaction Name: | GSAA 2006-17 | GSAA 2006-18 |
|---|---|---|
| Closing Date | October 30, 2006 | November 30, 2006 |
| Issuer | GSAA Home Equity Trust 2006-17 | GSAA Home Equity 2006-18 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A1 | $589,300,000 | A-1 | $218,347,000 |
| A2 | $155,750,000 | A-2A | $25,075,000 |
| A-3A | $223,873,000 | A-2B | $2,787,000 |
| A-3B | $24,875,000 | A-3A | $78,557,000 |
| M1 | $13,899,000 | A-3B | $8,507,000 |
| M2 | $13,365,000 | A-4A | $50,337,000 |
| M3 | $7,484,000 | A-4B | $5,593,000 |
| M4 | $8,950,000 | A-5A | $25,963,000 |
| M5 | $5,348,000 | A-5B | $8,491,000 |
| M6 | $5,348,000 | A-6 | $46,629,000 |
| B1 | $5,880,000 | M-1 | $11,047,000 |
| B2 | $5,348,000 | M-2 | $7,707,000 |
| B3 | $5,348,000 | M-3 | $4,367,000 |
| R | $100 | M-4 | $3,597,000 |
| RC | $100 | M-5 | $3,083,000 |
| RX | $100 | M-6 | $2,826,000 |
| X | $6,415,901 | B-1 | $4,109,000 |
| P | $100 | B-2 | $2,570,000 |
| | | B-3 | $3,340,000 |
| | | R | $100 |
| | | RC | $100 |
| | | RX | $100 |
| | | X | $4,881,756 |
| | | P | $100 |

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| | GSAA 2006-19 | GSAA 2006-20 |
|---|---|---|
| Transaction Name: | GSAA 2006-19 | GSAA 2006-20 |
| Closing Date | November 24, 2006 | December 29, 2006 |
| Issuer | GSAA Home Equity 2006-19 | GSAA Home Equity 2006-20 |
| Trustee | U.S. Bank | U.S. Bank |
| Rating Agencies | S&P / Moodys | S&P / Moodys |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A1 | $452,682,000 | 1A1 | $584,602,000 |
| A2 | $129,034,000 | 1A2 | $158,240,000 |
| A3-A | $172,006,000 | 2A1A | $144,680,000 |
| A3-B | $19,112,000 | 2A1B | $16,076,000 |
| M1 | $11,231,000 | A4A | $276,744,000 |
| M2 | $10,399,000 | A4B | $30,750,000 |
| M3 | $6,239,000 | M1 | $23,925,000 |
| M4 | $4,574,000 | M2 | $12,288,000 |
| M5 | $4,160,000 | M3 | $6,467,000 |
| M6 | $4,160,000 | M4 | $6,467,000 |
| B1 | $4,160,000 | M5 | $6,467,000 |
| B2 | $4,991,000 | B1 | $6,467,000 |
| B3 | $4,160,000 | B2 | $6,467,000 |
| R | $100 | B3 | $6,467,000 |
| RC | $100 | P | $100 |
| RX | $100 | X | $7,112,705 |
| X | $4,991,428 | R | $100 |
| P | $100 | RC | $100 |
| | | RX | $100 |

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|---|---|---|
| **Transaction Name:** | **GSAA 2006-S1** | **GSAA 2007-1** |
| Closing Date | December 28, 2006 | January 30, 2007 |
| Issuer | GSAA Home Equity Trust 2006-S1 | GSAA Home Equity Trust 2007-1 |
| Trustee | Deutsche Bank | U.S. Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Seconds | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | I-A-1 | $240,924,000 | 1A1 | $515,268,000 |
| | I-A-IO | $147,920,000 | 1A2 | $199,816,000 |
| | I-M-1 | $32,770,000 | 2A1A | $82,495,000 |
| | I-M-2 | $8,520,000 | 2A1B | $9,167,000 |
| | I-M-3 | $15,048,000 | A4A | $158,851,000 |
| | I-M-4 | $5,350,000 | A4B | $17,851,000 |
| | I-M-5 | $5,350,000 | M1 | $13,715,000 |
| | I-M-6 | $4,180,000 | M2 | $12,659,000 |
| | I-M-7 | $5,183,000 | M3 | $7,913,000 |
| | I-B-1 | $5,183,000 | M4 | $5,802,000 |
| | I-X | $334,385,335 | M5 | $5,275,000 |
| | I-X-1 | $100 | M6 | $5,275,000 |
| | I-P | $100 | B1 | $5,275,000 |
| | I-R | $100 | B2 | $5,275,000 |
| | II-A-1 | $42,135,000 | B3 | $5,275,000 |
| | II-M-1 | $6,533,000 | R1 | $100 |
| | II-M2 | $5,576,000 | RC | $100 |
| | II-M-3 | $1,716,000 | RX | $100 |
| | II-M-4 | $3,267,000 | X | $5,275,378 |
| | II-M-5 | $1,319,000 | P | $100 |
| | II-X | $65,991,160 | | |
| | II-X-1 | $100 | | |
| | II-P | $100 | | |
| | II-R | $100 | | |

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|---|---|---|
| **Transaction Name:** | **GSAA 2007-2** | **GSAA 2007-3** |
| Closing Date | February 23, 2007 | February 23, 2007 |
| Issuer | GSAA Home Equity Trust 2007-2 | GSAA Home Equity Trust 2007-3 |
| Trustee | Deutsche Bank | U.S. Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| AV1 | $240,823,000 | 1A1A | $561,842,000 |
| AF2 | $32,032,000 | 1A1B | $62,428,000 |
| AF3 | $115,068,000 | 1A2 | $209,413,000 |
| AF4A | $53,131,000 | 2A1A | $100,000,000 |
| AF4B | $12,000,000 | 2A1B | $11,112,000 |
| AF5A | $48,351,000 | A4A | $233,360,000 |
| AF5B | $5,373,000 | A4B | $25,930,000 |
| AF6A | $50,858,000 | M1 | $17,544,000 |
| AF6B | $5,629,000 | M2 | $16,895,000 |
| M1 | $7,627,000 | M3 | $7,142,000 |
| M2 | $6,711,000 | M4 | $6,499,000 |
| M3 | $4,271,000 | M5 | $6,499,000 |
| M4 | $3,661,000 | M6 | $6,499,000 |
| M5 | $3,661,000 | B1 | $6,499,000 |
| M6 | $3,661,000 | B2 | $6,499,000 |
| B1 | $3,051,000 | B3 | $6,499,000 |
| B2 | $4,576,000 | B4 | $7,148,000 |
| B3 | $3,051,000 | R | $100 |
| R | $100 | RC | $100 |
| RC | $100 | RX | $100 |
| RX | $100 | X | $7,798,289 |
| X | $7,017,029 | P | $100 |
| P | $100 | | |

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|---|---|---|
| **Transaction Name:** | **GSAA 2007-4** | **GSAA 2007-5** |
| Closing Date | March 29, 2007 | April 30, 2007 |
| Issuer | GSAA Home Equity Trust 2007-4 | GSAA Home Equity Trust 2007-5 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A1 | $535,274,000 | 1AV1 | $144,477,000 |
| | A2 | $143,692,000 | 1AF2A | $25,614,000 |
| | A-3A | $201,942,000 | 1AF2B | $2,847,000 |
| | A-3B | $25,381,000 | 1AF3A | $39,256,000 |
| | M1 | $12,648,000 | 1AF3B | $9,815,000 |
| | M2 | $11,189,000 | 1AF4A | $47,947,000 |
| | M3 | $5,831,000 | 1AF4B | $5,328,000 |
| | M4 | $4,866,000 | 1AF5A | $23,661,000 |
| | M5 | $4,866,000 | 1AF5B | $2,629,000 |
| | M6 | $4,866,000 | 1AF6 | $8,000,000 |
| | B1 | $4,866,000 | 1AF7A | $20,407,000 |
| | B2 | $4,866,000 | 1AF7B | $5,102,000 |
| | B3 | $6,811,000 | 1M1 | $6,116,000 |
| | R | $100 | 1M2 | $3,057,000 |
| | RC | $100 | 1M3 | $2,159,000 |
| | RX | $100 | 1M4 | $1,975,000 |
| | X | $5,837,672 | 1M5 | $1,260,000 |
| | P | $100 | 1M6 | $1,260,000 |
| | | | 1B1 | $1,260,000 |
| | | | 1B2 | $1,260,000 |
| | | | 1B3 | $1,619,000 |
| | | | 1R | $100 |
| | | | 1RC | $100 |
| | | | 1RX | $100 |
| | | | 1X | $4,676,370 |

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|---|---|---|
| **Transaction Name:** | **GSAA 2007-6** | **GSAA 2007-7** |
| Closing Date | May 30, 2007 | June 28, 2007 |
| Issuer | GSAA Home Equity Trust 2007-6 | GSAA Home Equity Trust 2007-7 |
| Trustee | Deutsche Bank | U.S. Bank |
| Rating Agencies | S&P / Moody's | S&P / Moody's |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $275,768,000 | 1A1 | $161,141,000 |
| 1A2 | $102,718,000 | 1A2 | $63,314,000 |
| 2A1 | $112,825,000 | 2A1 | $110,428,000 |
| 3A1A | $78,936,000 | A4 | $72,188,000 |
| 3A1B | $8,771,000 | A5 | $45,231,000 |
| A4 | $113,496,000 | M1 | $8,998,000 |
| A5 | $67,202,000 | M2 | $4,620,000 |
| M1 | $15,096,000 | M3 | $3,161,000 |
| M2 | $7,344,000 | M4 | $3,162,000 |
| M3 | $5,301,000 | M5 | $1,945,000 |
| M4 | $4,081,000 | M6 | $1,702,000 |
| M5 | $4,081,000 | B1 | $2,432,000 |
| M6 | $2,857,000 | B2 | $2,918,000 |
| B1 | $4,081,000 | R | $100 |
| B2 | $4,896,000 | RC | $100 |
| R | $100 | RX | $100 |
| RC | $100 | X | $5,107,189 |
| RX | $100 | P | $100 |
| X | $8,568,478 | | |
| P | $100 | | |

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|---|---|---|
| **Transaction Name:** | **GSAA 2007-8** | **GSAA 2007-9** |
| Closing Date | July 30, 2007 | September 28, 2007 |
| Issuer | GSAA Home Equity Trust 2007-8 | GSAA Home Equity Trust 2007-9 |
| Trustee | Citibank | Citibank |
| Rating Agencies | S&P / Moody's | Fitch / S&P |
| Collateral Type | Alt-A | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A1 | $118,546,000 | A1A | $188,341,000 |
| A2 | $89,339,000 | A1B | $12,842,000 |
| A3 | $91,082,000 | A2A | $148,538,000 |
| A4 | $33,219,000 | A2B | $10,128,000 |
| M1 | $6,658,000 | A3A | $61,312,000 |
| M2 | $3,419,000 | A3B | $4,181,000 |
| M3 | $2,519,000 | B1 | $10,662,000 |
| M4 | $2,158,000 | B2 | $5,898,000 |
| M5 | $1,440,000 | B3 | $2,495,000 |
| M6 | $1,440,000 | B4 | $2,949,000 |
| B1 | $1,440,000 | B5 | $2,495,000 |
| B2 | $1,260,000 | B6 | $2,722,759 |
| B3 | $1,800,000 | A-PO | $1,120,302 |
| R | $100 | A-IO | $3,890,509 |
| RC | $100 | R | $100 |
| RX | $100 | RC | $100 |
| X | $5,578,864 | P | $100 |
| P | $100 | | |

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| Transaction Name: | GSAA 2007-10 | | GSAA 2007-S1 | |
|---|---|---|---|---|
| Closing Date | October 30, 2007 | | February 28, 2007 | |
| Issuer | GSAA Home Equity Trust 2007-10 | | GSAA Home Equity Trust 2007-S1 | |
| Trustee | Citibank | | Deutsche Bank | |
| Rating Agencies | Fitch / S&P | | S&P / Moody's | |
| Collateral Type | Alt-A | | Seconds | |
| **Capital Structure:** | **Tranche** | **Orig. Balance** | **Tranche** | **Orig. Balance** |
| | A1A | $40,846,000 | A-1 | $277,251,000 |
| | A1B | $3,380,000 | A-IO | $114,658,000 |
| | A2A | $104,746,000 | R | $100 |
| | A2B | $8,668,000 | X | $21,189,360 |
| | B1 | $4,852,000 | P | $100 |
| | B2 | $2,554,000 | X-1 | $100 |
| | B3 | $1,021,000 | | |
| | B4 | $1,277,000 | | |
| | B5 | $1,106,000 | | |
| | B6 | $1,277,337 | | |
| | A-PO | $499,778 | | |
| | A-IO | $6,838,067 | | |
| | R | $100 | | |
| | RC | $100 | | |
| | P | $1,000 | | |

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|---|---|---|
| **Transaction Name:** | **GSAMP 2004-AHL** | **GSAMP 2004-AR1** |
| Closing Date | October 28, 2004 | July 12, 2004 |
| Issuer | GSAMP Trust 2004-AHL | GSAMP Trust 2004-AR1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's, Fitch |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1A | $148,594,000 | A-1A | $639,127,000 |
| A-1B | $37,149,000 | A-1B | $27,023,000 |
| A-2A | $77,099,000 | A-2A | $218,483,000 |
| A-2B | $41,803,000 | A-2B | $45,774,000 |
| A-2C | $23,637,000 | A-2C | $60,000,000 |
| A-2D | $74,388,000 | M-1 | $52,160,000 |
| M-1 | $28,585,000 | M-2 | $31,421,000 |
| M-2 | $24,359,000 | M-3 | $21,367,000 |
| M-3 | $7,209,000 | M-4 | $15,711,000 |
| B-1 | $5,985,000 | M-5 | $15,711,000 |
| B-2 | $4,971,000 | M-6 | $25,137,000 |
| B-3 | $4,972,000 | B-1 | $16,339,000 |
| B-4 | $5,965,000 | B-2 | $16,339,000 |
| N | $27,913,000 | B-3 | $12,569,000 |
| X | N/A | B-4 | $15,711,000 |
| R-1 | N/A | B-5 | $12,568,000 |
| R-2 | N/A | X | N/A |
| | | P | N/A |
| | | R | N/A |

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| Transaction Name: | GSAMP 2004-AR2 | GSAMP 2004-FM1 |
|---|---|---|
| Closing Date | August 31, 2004 | January 28, 2004 |
| Issuer | GSAMP Trust 2004-AR2 | GSAMP Trust 2004-FM1 |
| Trustee | Deutsche Bank | Wells Fargo |
| Rating Agencies | Moody's, Fitch | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1A | $273,942,000 | A-1 | $374,015,000 |
| A-1B | $30,438,000 | A-2A | $191,161,000 |
| A-2A | $267,588,000 | A-2B | $45,858,000 |
| A-2B | $29,732,000 | M-1 | $49,959,000 |
| A-3A | $78,744,000 | M-2 | $42,273,000 |
| A-3B | $53,228,000 | M-3 | $13,450,000 |
| A-3C | $20,681,000 | B-1 | $11,529,000 |
| M-1 | $45,885,000 | B-2 | $11,529,000 |
| M-2 | $31,715,000 | B-3 | $11,529,000 |
| M-3 | $18,054,000 | X | $17,293,884 |
| M-4 | $14,837,000 | P | N/A |
| M-5 | $15,126,000 | R | N/A |
| M-6 | $16,102,000 | | |
| B-1 | $16,589,000 | | |
| B-2 | $12,198,000 | | |
| B-3 | $9,759,000 | | |
| B-4 | $14,638,000 | | |
| X | N/A | | |
| P | N/A | | |
| R | N/A | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2004-FM2** | **GSAMP 2004-HE1** |
| Closing Date | March 30, 2004 | April 30, 2004 |
| Issuer | GSAMP Trust 2004-FM2 | GSAMP Trust 2004-HE1 |
| Trustee | Wells Fargo | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $241,162,000 | A-1A | $251,138,000 |
| A-2A | $271,687,000 | A-1B | $27,905,000 |
| A-2B | $30,188,000 | A-2A | $115,639,000 |
| A-3A | $210,187,000 | A-2B | $16,549,000 |
| A-3B | $44,069,000 | M-1 | $37,023,000 |
| M-1 | $87,695,000 | M-2 | $31,735,000 |
| M-2 | $55,159,000 | M-3 | $9,256,000 |
| M-3 | $17,550,000 | M-4 | $9,256,000 |
| B-1 | $15,044,000 | B-1 | $7,405,000 |
| B-2 | $14,542,000 | B-2 | $7,405,000 |
| B-3 | $13,037,000 | B-3 | $6,347,000 |
| B-4 | $12,538,000 | A-IO | $188,497,000 |
| X | $10,029,496 | A-INV | $528,911,975 |
| P | N/A | X | 100% |
| R | N/A | P | $1 |
| | | R | $1 |

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| Transaction Name: | GSAMP 2004-HE2 | GSAMP 2004-NC1 |
|---|---|---|
| Closing Date | July 30, 2004 | April 29, 2004 |
| Issuer | GSAMP Trust 2004-HE2 | GSAMP Trust 2004-NC1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $284,714,000 | A-1 | $201,244,000 |
| | A-2 | $238,934,000 | A-2 | $70,956,000 |
| | A-3A | $117,719,000 | A-3 | $51,672,000 |
| | A-3B | $45,371,000 | M-1 | $27,673,000 |
| | A-3C | $32,809,000 | M-2 | $23,573,000 |
| | M-1 | $58,510,000 | M-3 | $7,174,000 |
| | M-2 | $31,750,000 | B-1 | $5,125,000 |
| | M-3 | $13,607,000 | B-2 | $4,715,000 |
| | M-4 | $13,607,000 | B-3 | $5,124,000 |
| | B-1 | $13,607,000 | N | $20,574,000 |
| | B-2 | $9,072,000 | X | N/A |
| | B-3 | $9,071,000 | R | N/A |
| | B-4 | $20,411,000 | | |
| | X | 100% | | |
| | P | N/A | | |
| | R | N/A | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2004-NC2** | **GSAMP 2004-OPT** |
| Closing Date | October 28, 2004 | December 28, 2004 |
| Issuer | GSAMP Trust 2004-NC2 | GSAMP Trust 2004-OPT |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Fitch | S&P, Moody's, Fitch |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A -1A | $263,769,000 | A-1 | $354,000,000 |
| | A-1B | $29,308,000 | A-2 | $110,970,000 |
| | A-2A | $67,249,000 | A-3 | $71,427,000 |
| | A-2B | $49,195,000 | A-4 | $37,929,000 |
| | A-2C | $25,730,000 | M-1 | $43,424,000 |
| | M-1 | $38,007,000 | M-2 | $34,320,000 |
| | M-2 | $13,536,000 | M-3 | $9,805,000 |
| | M-3 | $7,810,000 | B-1 | $7,004,000 |
| | B-1 | $4,425,000 | B-2 | $7,004,000 |
| | B-2 | $5,206,000 | B-3 | $6,304,000 |
| | B-3 | $4,686,000 | B-4 | $7,004,000 |
| | N | $28,811,000 | X | $1 |
| | X | N/A | P | $1 |
| | R-1 | N/A | R | N/A |
| | R-2 | N/A | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2004-SD1** | **GSAMP 2004-SEA1** |
| Closing Date | July 30, 2004 | March 30, 2004 |
| Issuer | GSAMP Trust 2004-SD1 | GSAMP Trust 2004-SEA1 |
| Trustee | Wachovia | Wachovia |
| Rating Agencies | S&P, Moody's | S&P |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $59,000,000 | A-1A | $82,409,000 |
| A-2 | $24,140,000 | A-1B | $15,790,000 |
| A-3 | $16,094,000 | A-2 | $17,329,000 |
| A-4 | $43,000,000 | M-1 | $7,702,000 |
| A-5 | $43,000,000 | M-2 | $2,246,000 |
| M-1 | $27,212,000 | B-1 | $642,000 |
| M-2 | $14,322,000 | B-2 | $642,000 |
| B-1 | $4,774,000 | B-3 | $642,000 |
| B-2 | $3,581,000 | X | $128,365,405 |
| B-3 | $3,580,000 | P | $1 |
| X | 100% | R | $1 |
| P | $100 | | |
| R | $100 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2004-SEA2** | **GSAMP 2004-WF** |
| Closing Date | June 29, 2004 | November 23, 2004 |
| Issuer | GSAMP Trust 2004-SEA2 | GSAMP Trust 2004-WF |
| Trustee | JPMorgan Chase Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $52,000,000 | A-1A | $145,492,000 |
| A-2A | $355,360,000 | A-1B | $36,373,000 |
| A-2B | $69,040,000 | A-2A | $42,349,000 |
| M-1 | $46,554,000 | A-2B | $27,782,000 |
| M-2 | $43,450,000 | A-2C | $13,777,000 |
| M-3 | $15,518,000 | A-2D | $100,000,000 |
| M-4 | $10,863,000 | M-1 | $31,321,000 |
| M-5 | $9,931,000 | M-2 | $16,426,000 |
| B-1 | $11,794,000 | M-3 | $4,381,000 |
| B-2 | $6,207,000 | B-1 | $4,381,000 |
| A-IO | $220,093,000 | B-2 | $4,380,000 |
| X | 100% | B-3 | $4,381,000 |
| R | N/A | B-4 | $4,380,000 |
| | | X | 100% |
| | | P | N/A |
| | | R | N/A |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2005-AHL** | **GSAMP 2005-AHL2** |
| Closing Date | May 26, 2005 | December 28, 2005 |
| Issuer | GSAMP Trust 2005-AHL | GSAMP Trust 2005-AHL2 |
| Trustee | Deutsche Bank | LaSalle Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $269,282,000 | A-1A | $108,759,000 |
| | A-2 | $145,242,000 | A-1B | $27,190,000 |
| | A-3 | $77,440,000 | A-2A | $156,886,000 |
| | M-1 | $46,190,000 | A-2B | $85,607,000 |
| | M-2 | $31,620,000 | A-2C | $63,603,000 |
| | M-3 | $9,300,000 | A-2D | $25,693,000 |
| | M-4 | $7,749,000 | M-1 | $43,526,000 |
| | M-5 | $5,580,000 | M-2 | $11,317,000 |
| | M-6 | $5,270,000 | M-3 | $19,152,000 |
| | B-1 | $4,340,000 | M-4 | $8,995,000 |
| | B-2 | $6,200,000 | M-5 | $8,415,000 |
| | R-1 | $100 | B-1 | $6,094,000 |
| | R-2 | $100 | B-2 | $5,803,000 |
| | X | N/A | B-3 | $5,804,000 |
| | P | N/A | B-4 | $5,803,000 |
| | | | R-1 | $100 |
| | | | R-2 | $100 |
| | | | R-3 | $100 |
| | | | X | $17,700,821 |
| | | | P | N/A |
| | | | C | N/A |

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**RMBS**

| Transaction Name: | GSAMP 2005-HE1 | GSAMP 2005-HE2 |
|---|---|---|
| Closing Date | January 27, 2005 | March 30, 2005 |
| Issuer | GSAMP Trust 2005-HE1 | GSAMP Trust 2005-HE2 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A -1A | $248,741,000 | A-1 | $297,638,000 |
| A -1B | $62,185,000 | A-2 | $169,483,000 |
| A-2A | $91,591,000 | A-3 | $79,117,000 |
| A-2B | $49,331,000 | M-1 | $49,720,000 |
| A-2C | $25,880,000 | M-2 | $40,265,000 |
| A-2D | $147,210,000 | M-3 | $11,555,000 |
| M-1 | $54,086,000 | B-1 | $10,154,000 |
| M-2 | $44,216,000 | B-2 | $8,403,000 |
| M-3 | $11,844,000 | B-3 | $8,754,000 |
| B-1 | $12,238,000 | B-4 | $9,804,000 |
| B-2 | $9,475,000 | R-1 | $100 |
| B-3 | $7,896,000 | R-2 | $100 |
| B-4 | $9,475,000 | X | N/A |
| X | N/A | P | N/A |
| P | N/A | | |
| R | N/A | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2005-HE3** | **GSAMP 2005-HE4** |
| Closing Date | June 30, 2005 | August 25, 2005 |
| Issuer | GSAMP Trust 2005-HE3 | GSAMP Trust 2005-HE4 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's, Fitch, DBRS | S&P, Moody's, Fitch |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1A | $256,997,000 | A-1 | $371,030,000 |
| A-1B | $64,249,000 | A-2A | $385,189,000 |
| A-2A | $382,945,000 | A-2B | $255,843,000 |
| A-2B | $197,691,000 | A-2C | $93,538,000 |
| A-2C | $93,421,000 | M-1 | $57,881,000 |
| M-1 | $96,487,000 | M-2 | $54,951,000 |
| M-2 | $75,117,000 | M-3 | $37,366,000 |
| M-3 | $20,722,000 | M-4 | $26,376,000 |
| M-4 | $19,427,000 | M-5 | $26,376,000 |
| B-1 | $18,780,000 | M-6 | $23,446,000 |
| B-2 | $16,189,000 | B-1 | $24,911,000 |
| B-3 | $14,894,000 | B-2 | $18,316,000 |
| R-1 | $100 | B-3 | $19,782,000 |
| R-2 | $100 | B-4 | $18,317,000 |
| X | $38,206,194 | R-1 | $50 |
| P | N/A | R-2 | $100 |
| | | R-3 | $50 |
| | | X | N/A |
| | | P | N/A |
| | | C | N/A |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2005-HE5** | **GSAMP 2005-HE6** |
| Closing Date | November 22, 2005 | December 29, 2005 |
| Issuer | GSAMP Trust 2005-HE5 | GSAMP Trust 2005-HE6 |
| Trustee | Deutsche Bank | LaSalle Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $405,564,000 | A-1 | $341,242,000 |
| | A-2A | $148,016,000 | A-2A | $137,997,000 |
| | A-2B | $45,382,000 | A-2B | $71,348,000 |
| | A-2C | $53,218,000 | A-2C | $18,060,000 |
| | A-2D | $48,405,000 | M-1 | $31,355,000 |
| | M-1 | $36,888,000 | M-2 | $29,032,000 |
| | M-2 | $33,660,000 | M-3 | $20,516,000 |
| | M-3 | $23,516,000 | M-4 | $15,097,000 |
| | M-4 | $16,600,000 | M-5 | $15,097,000 |
| | M-5 | $16,599,000 | M-6 | $13,161,000 |
| | M-6 | $14,294,000 | M-7 | $12,774,000 |
| | M-7 | $15,217,000 | M-8 | $9,290,000 |
| | M-8 | $11,527,000 | B-1 | $10,839,000 |
| | B-1 | $11,528,000 | B-2 | $10,065,000 |
| | B-2 | $10,144,000 | R-1 | $50 |
| | R-1 | $50 | R-2 | $100 |
| | R-2 | $100 | R-3 | $50 |
| | R-3 | $50 | X | $48,356,023 |
| | X | $33,660,672 | P | $100 |
| | P | $100 | C | N/A |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2005-NC1** | **GSAMP 2005-S1** |
| Closing Date | February 25, 2005 | April 7, 2005 |
| Issuer | GSAMP Trust 2005-NC1 | GSAMP Trust 2005-S1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's, Fitch | Moody's, Fitch |
| Collateral Type | Subprime | Seconds |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $189,636,000 | A1 | $187,366,000 |
| | A-2 | $129,754,000 | M1 | $21,530,000 |
| | A-3 | $49,572,000 | M2 | $19,993,000 |
| | M 1 | $45,170,000 | B1 | $16,917,000 |
| | M 2 | $23,298,000 | B2 | $4,742,000 |
| | M 3 | $4,754,000 | B3 | $5,510,000 |
| | B-1 | $4,755,000 | R | $256,315,158 |
| | B-2 | $4,755,000 | | |
| | B-3 | $4,754,000 | | |
| | B-4 | $4,750,000 | | |
| | X | N/A | | |
| | N | $28,053,000 | | |
| | R1 | N/A | | |
| | R2 | N/A | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2005-S2** | **GSAMP 2005-WMC1** |
| Closing Date | May 13, 2005 | September 28, 2005 |
| Issuer | GSAMP Trust 2005-S2 | GSAMP Trust 2005-WMC1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | Moody's, Fitch | Moody's, S&P |
| Collateral Type | Seconds | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A | $315,407,000 | A-1 | $331,764,000 |
| M-1 | $38,986,000 | A-2 | $117,392,000 |
| M-2 | $28,359,000 | A-3 | $123,367,000 |
| M-3 | $11,040,000 | A-4 | $116,671,000 |
| M-4 | $8,226,000 | M-1 | $64,542,000 |
| B-1 | $8,443,000 | M-2 | $20,762,000 |
| B-2 | $6,659,000 | M-3 | $30,239,000 |
| B-3 | $6,494,000 | M-4 | $13,089,000 |
| X | $432,954,843 | M-5 | $13,540,000 |
| X-1 | $0 | M-6 | $10,381,000 |
| P | $0 | B-1 | $8,124,000 |
| R | $0 | B-2 | $9,478,000 |
| | | B-3 | $8,124,000 |
| | | B-4 | $9,930,000 |
| | | B-5 | $11,735,000 |
| | | R-1 | $100 |
| | | R-2 | $100 |
| | | X | $13,539,989 |
| | | P | $100 |
| | | C | $100 |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2005-WMC2** | **GSAMP 2005-WMC3** |
| Closing Date | November 23, 2005 | December 28, 2005 |
| Issuer | GSAMP Trust 2005-WMC2 | GSAMP Trust 2005-WMC3 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | Moody's, S&P | Moody's, S&P |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1A | $268,290,000 | A-1A | $238,899,000 |
| | A-1B | $66,572,000 | A-1B | $26,545,000 |
| | A-2A | $261,433,000 | A-2A | $159,198,000 |
| | A-2B | $190,321,000 | A-2B | $121,835,000 |
| | A-2C | $66,596,000 | A-2C | $12,360,000 |
| | M-1 | $80,187,000 | M-1 | $52,207,000 |
| | M-2 | $26,355,000 | M-2 | $15,074,000 |
| | M-3 | $37,570,000 | M-3 | $26,104,000 |
| | M-4 | $16,822,000 | M-4 | $11,397,000 |
| | M-5 | $17,944,000 | M-5 | $10,295,000 |
| | M-6 | $13,458,000 | M-6 | $6,617,000 |
| | B-1 | $12,897,000 | B-1 | $8,456,000 |
| | B-2 | $12,337,000 | B-2 | $6,986,000 |
| | R-1 | $100 | B-3 | $7,353,000 |
| | R-2 | $100 | R-1 | $100 |
| | X | $52,710,111 | R-2 | $100 |
| | P | $100 | X | $31,986,872 |
| | | | P | $100 |

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**RMBS**

| Transaction Name: | GSAMP 2006-FM1 | | GSAMP 2006-FM2 | |
|---|---|---|---|---|
| Closing Date | April 27, 2006 | | September 29, 2006 | |
| Issuer | GSAMP Trust 2006-FM1 | | GSAMP Trust 2006-FM2 | |
| Trustee | Deutsche Bank | | Deutsche Bank | |
| Rating Agencies | Moody's, S&P | | Moody's, S&P | |
| Collateral Type | Subprime | | Subprime | |
| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
| | A-1 | $245,164,000 | A-1 | $351,611,000 |
| | A-2A | $250,071,000 | A-2A | $225,625,000 |
| | A-2B | $110,276,000 | A-2B | $95,613,000 |
| | A-2C | $101,913,000 | A-2C | $99,392,000 |
| | A-2D | $42,914,000 | A-2D | $53,666,000 |
| | M-1 | $34,648,000 | M-1 | $34,230,000 |
| | M-2 | $30,849,000 | M-2 | $29,631,000 |
| | M-3 | $18,034,000 | M-3 | $19,414,000 |
| | M-4 | $16,611,000 | M-4 | $18,349,000 |
| | M-5 | $16,136,000 | M-5 | $15,837,000 |
| | M-6 | $14,713,000 | M-6 | $15,838,000 |
| | M-7 | $13,763,000 | M-7 | $14,305,000 |
| | B-1 | $12,340,000 | M-8 | $11,750,000 |
| | B-2 | $9,492,000 | M-9 | $9,196,000 |
| | B-3 | $8,543,000 | B-1 | $6,131,000 |
| | B-4 | $9,492,000 | B-2 | $10,217,000 |
| | R | $50 | X | $12,772,822 |
| | RC | $100 | P | $100 |
| | RX | $50 | C | $100 |
| | X | $14,237,951 | R | $50 |
| | P | $100 | RC | $100 |
| | C | $100 | RX | $50 |

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**RMBS**

| Transaction Name: | GSAMP 2006-FM3 | GSAMP 2006-HE1 |
|---|---|---|
| Closing Date | December 21, 2006 | February 17, 2006 |
| Issuer | GSAMP Trust 2006-FM3 | GSAMP Trust 2006-HE1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | Moody's, S&P | Moody's, S&P |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $257,050,000 | A-1 | $210,928,000 |
| | A-2A | $154,772,000 | A-2A | $300,225,000 |
| | A-2B | $59,281,000 | A-2B | $85,326,000 |
| | A-2C | $63,186,000 | A-2C | $95,696,000 |
| | A-2D | $37,998,000 | A-2D | $30,102,000 |
| | M-1 | $28,759,000 | M-1 | $38,167,000 |
| | M-2 | $26,601,000 | M-2 | $35,268,000 |
| | M-3 | $12,581,000 | M-3 | $21,258,000 |
| | M-4 | $11,504,000 | M-4 | $18,842,000 |
| | M-5 | $11,143,000 | M-5 | $17,876,000 |
| | M-6 | $7,190,000 | M-6 | $15,943,000 |
| | M-7 | $8,627,000 | M-7 | $15,460,000 |
| | M-8 | $4,674,000 | M-8 | $13,528,000 |
| | M-9 | $7,908,000 | B-1 | $10,629,000 |
| | B-1 | $8,627,000 | B-2 | $11,595,000 |
| | B-2 | $6,831,000 | B-3 | $10,629,000 |
| | X | $12,221,818 | R | $50 |
| | P | $100 | RC | $100 |
| | C | $100 | RX | $50 |
| | R | $50 | X | $55,213,918 |
| | RC | $100 | P | $100 |
| | RX | $50 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-HE2** | **GSAMP 2006-HE3** |
| Closing Date | April 6, 2006 | May 26, 2006 |
| Issuer | GSAMP Trust 2006-HE2 | GSAMP Trust 2006-HE3 |
| Trustee | U.S. Bank | LaSalle Bank |
| Rating Agencies | Moody's, S&P | Moody's, S&P |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $282,460,000 | A-1 | $304,472,000 |
| | A-2 | $181,748,000 | A-2A | $517,353,000 |
| | A-3 | $21,005,000 | A-2B | $176,107,000 |
| | M-1 | $24,214,000 | A-2C | $151,980,000 |
| | M-2 | $22,327,000 | A-2D | $49,697,000 |
| | M-3 | $13,207,000 | M-1 | $63,053,000 |
| | M-4 | $12,264,000 | M-2 | $59,063,000 |
| | M-5 | $11,321,000 | M-3 | $35,916,000 |
| | M-6 | $10,377,000 | M-4 | $31,928,000 |
| | B-1 | $11,635,000 | M-5 | $29,531,000 |
| | B-2 | $10,377,000 | M-6 | $27,137,000 |
| | B-3 | $7,547,000 | M-7 | $25,540,000 |
| | B-4 | $7,233,000 | M-8 | $22,348,000 |
| | B-5 | $6,289,000 | M-9 | $19,156,000 |
| | CE | $8,918,615 | B-1 | $19,155,000 |
| | P | $0 | B-2 | $17,559,000 |
| | R | $0 | R | $50 |
| | RX | $0 | RC | $100 |
| | | | RX | $50 |
| | | | X | $46,292,971 |
| | | | P | $100 |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-HE4** | **GSAMP 2006-HE5** |
| Closing Date | June 29, 2006 | August 25, 2006 |
| Issuer | GSAMP Trust 2006-HE4 | GSAMP Trust 2006-HE5 |
| Trustee | LaSalle Bank | LaSalle Bank |
| Rating Agencies | Moody's, S&P | Moody's, S&P |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $352,415,000 | A-1 | $241,582,000 |
| | A-2A | $208,415,000 | A-2A | $266,689,000 |
| | A-2B | $94,519,000 | A-2B | $121,873,000 |
| | A-2C | $87,368,000 | A-2C | $115,439,000 |
| | A-2D | $34,923,000 | A-2D | $48,975,000 |
| | M-1 | $40,100,000 | M-1 | $41,491,000 |
| | M-2 | $37,055,000 | M-2 | $38,379,000 |
| | M-3 | $21,319,000 | M-3 | $22,820,000 |
| | M-4 | $19,289,000 | M-4 | $19,190,000 |
| | M-5 | $18,781,000 | M-5 | $19,190,000 |
| | M-6 | $15,200,000 | M-6 | $17,634,000 |
| | M-6 | $1,551,000 | M-7 | $17,115,000 |
| | M-7 | $16,243,000 | M-8 | $14,003,000 |
| | M-8 | $14,720,000 | M-9 | $11,410,000 |
| | M-9 | $11,167,000 | B-1 | $10,373,000 |
| | B-1 | $10,152,000 | B-2 | $10,373,000 |
| | B-2 | $10,152,000 | R | $50 |
| | R | $50 | RC | $100 |
| | RC | $100 | RX | $50 |
| | RX | $50 | X | $20,745,778 |
| | X | $21,827,150 | P | $100 |
| | P | $100 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-HE6** | **GSAMP 2006-HE7** |
| Closing Date | September 14, 2006 | October 31, 2006 |
| Issuer | GSAMP Trust 2006-HE6 | GSAMP Trust 2006-HE7 |
| Trustee | U.S. Bank | LaSalle Bank |
| Rating Agencies | Moody's, S&P, Fitch, DBRS | Moody's, S&P |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $300,146,000 | A-1 | $333,098,000 |
| | A-2 | $64,689,000 | A-2A | $184,027,000 |
| | A-3 | $104,712,000 | A-2B | $46,214,000 |
| | A-4 | $41,994,000 | A-2C | $73,637,000 |
| | M-1 | $26,834,000 | A-2D | $43,787,000 |
| | M-2 | $32,608,000 | M-1 | $34,900,000 |
| | M-3 | $12,568,000 | M-2 | $39,317,000 |
| | M-4 | $11,888,000 | M-3 | $13,695,000 |
| | M-5 | $13,927,000 | M-4 | $16,787,000 |
| | M-6 | $8,152,000 | M-5 | $16,345,000 |
| | M-7 | $8,152,000 | M-6 | $10,161,000 |
| | M-8 | $6,793,000 | M-7 | $10,602,000 |
| | B-1 | $12,228,000 | M-8 | $7,069,000 |
| | B-2 | $11,889,000 | M-9 | $11,486,000 |
| | B-3 | $10,869,000 | B-1 | $11,927,000 |
| | CE | N/A | B-2 | $11,928,000 |
| | CL-R | $50 | R | $50 |
| | CL-RX | $100 | RC | $100 |
| | P | $100 | RX | $50 |
| | | | X | $18,554,474 |
| | | | P | $100 |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-HE8** | **GSAMP 2006-NC1** |
| Closing Date | December 27, 2006 | February 28, 2006 |
| Issuer | GSAMP Trust 2006-HE8 | GSAMP Trust 2006-NC1 |
| Trustee | LaSalle Bank | U.S. Bank |
| Rating Agencies | Moody's, S&P | Moody's, S&P |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $353,741,000 | A-1 | $310,299,000 |
| A-2A | $230,823,000 | A-2 | $224,955,000 |
| A-2B | $65,795,000 | A-3 | $42,585,000 |
| A-2C | $85,335,000 | M-1 | $23,213,000 |
| A-2D | $33,516,000 | M-2 | $21,784,000 |
| M-1 | $45,700,000 | M-3 | $12,857,000 |
| M-2 | $41,593,000 | M-4 | $11,070,000 |
| M-3 | $25,161,000 | M-5 | $10,714,000 |
| M-4 | $21,567,000 | M-6 | $9,642,000 |
| M-5 | $20,539,000 | B-1 | $9,285,000 |
| M-6 | $18,431,000 | B-2 | $10,000,000 |
| M-7 | $12,837,000 | B-3 | $6,428,000 |
| M-8 | $8,729,000 | B-4 | $5,357,000 |
| M-9 | $11,811,000 | B-5 | $7,142,000 |
| B-1 | $16,945,000 | CE | $8,928,486 |
| B-2 | $14,892,000 | P | $0 |
| R | $50 | R | $0 |
| RC | $100 | RX | $0 |
| RX | $50 | | |
| X | $21,840,703 | | |
| P | $100 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-NC2** | **GSAMP 2006-S1** |
| Closing Date | June 29, 2006 | January 27, 2006 |
| Issuer | GSAMP Trust 2006-NC2 | GSAMP Trust 2006-S1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | Moody's, S&P | Moody's, Fitch |
| Collateral Type | Subprime | Seconds |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $239,618,000 | A-1 | $273,339,000 |
| | A-2A | $214,090,000 | A-2A | $53,999,000 |
| | A-2B | $102,864,000 | A-2B | $13,500,000 |
| | A-2C | $99,900,000 | M-1 | $47,548,000 |
| | A-2D | $42,998,000 | M-2 | $41,087,000 |
| | M-1 | $35,700,000 | M-3 | $12,662,000 |
| | M-2 | $28,649,000 | M-4 | $13,695,000 |
| | M-3 | $16,748,000 | M-5 | $12,148,000 |
| | M-4 | $14,988,000 | M-6 | $9,561,000 |
| | M-5 | $14,545,000 | B-1 | $9,819,000 |
| | M-6 | $13,663,000 | B-2 | $8,788,000 |
| | M-7 | $12,341,000 | X | $20,672,865 |
| | M-8 | $11,019,000 | X-1 | $100 |
| | M-9 | $7,052,000 | P | $100 |
| | B-1 | $6,170,000 | R | $100 |
| | B-2 | $8,815,000 | | |
| | X | $12,341,301 | | |
| | P | $100 | | |
| | R | $50 | | |
| | C | $100 | | |
| | RC | $100 | | |
| | RX | $50 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-S2** | **GSAMP 2006-S3** |
| Closing Date | March 30, 2006 | April 27, 2006 |
| Issuer | GSAMP Trust 2006-S2 | GSAMP Trust 2006-S3 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | Moody's, S&P, Fitch | Moody's, S&P |
| Collateral Type | Seconds | Seconds |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1A | $130,000,000 | A-1 | $240,613,000 |
| A-1B | $32,500,000 | A-2 | $74,961,000 |
| A-2 | $243,151,000 | A-3 | $19,989,000 |
| A-3 | $100,000,000 | M-1 | $47,196,000 |
| M-1 | $79,333,000 | M-2 | $12,503,000 |
| M-2 | $16,682,000 | M-3 | $23,721,000 |
| M-3 | $35,217,000 | M-4 | $11,367,000 |
| M-4 | $12,975,000 | M-5 | $10,625,000 |
| M-5 | $15,570,000 | M-6 | $7,907,000 |
| M-6 | $11,883,000 | M-7 | $9,885,000 |
| M-7 | $21,131,000 | B-1 | $12,849,000 |
| B-1 | $12,604,000 | B-2 | $8,401,000 |
| B-2 | $12,804,000 | X | $14,085,219 |
| X | $17,794,403 | X-1 | $100 |
| X-1 | $100 | P | $100 |
| P | $100 | R | $100 |
| R | $100 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-S4** | **GSAMP 2006-S5** |
| Closing Date | June 9, 2006 | August 18, 2006 |
| Issuer | GSAMP Trust 2006-S4 | GSAMP Trust 2006-S5 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | Moody's, S&P | Moody's, S&P |
| Collateral Type | Seconds | Seconds |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $340,283,000 | A-1 | $164,416,000 |
| | A-2 | $100,116,000 | A-2 | $67,155,000 |
| | A-3 | $20,295,000 | M-1 | $27,789,000 |
| | M-1 | $70,148,000 | M-2 | $8,601,000 |
| | M-2 | $12,725,000 | M-3 | $15,879,000 |
| | M-3 | $29,691,000 | M-4 | $7,609,000 |
| | M-4 | $12,724,000 | M-5 | $8,436,000 |
| | M-5 | $11,746,000 | M-6 | $7,278,000 |
| | M-6 | $10,441,000 | M-7 | $4,962,000 |
| | M-7 | $10,440,000 | B-1 | $6,451,000 |
| | B-1 | $12,399,000 | B-2 | $5,624,000 |
| | B-2 | $8,809,000 | X | $6,616,322 |
| | X | $12,724,566 | X-1 | $100 |
| | X-1 | $100 | P | $100 |
| | P | $100 | R | $100 |
| | R | $100 | | |
| | RC | $100 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2006-S6** | **GSAMP 2007-FM1** |
| Closing Date | October 20, 2006 | January 30, 2007 |
| Issuer | GSAMP Trust 2006-S6 | GSAMP Trust 2007-FM1 |
| Trustee | Deutsche Bank | Deutsche Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Seconds | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1A | $76,000,000 | A-1 | $315,873,000 |
| | A-1B | $19,000,000 | A-2A | $131,536,000 |
| | A-1C | $95,531,000 | A-2B | $28,394,000 |
| | A-2 | $62,803,000 | A-2C | $46,057,000 |
| | A-3 | $19,053,000 | A-2D | $28,008,000 |
| | M-1 | $35,241,000 | M-1 | $31,825,000 |
| | M-2 | $8,324,000 | M-2 | $28,289,000 |
| | M-3 | $13,281,000 | M-3 | $12,376,000 |
| | M-4 | $6,376,000 | M-4 | $12,377,000 |
| | M-5 | $7,260,000 | M-5 | $10,962,000 |
| | M-6 | $5,667,000 | M-6 | $8,133,000 |
| | M-7 | $5,844,000 | M-7 | $7,426,000 |
| | X | $354,180,830 | M-8 | $6,011,000 |
| | X-1 | $100 | M-9 | $6,719,000 |
| | P | $100 | B-1 | $10,962,000 |
| | R | $100 | B-2 | $8,487,000 |
| | | | X | $13,790,579 |
| | | | P | $100 |
| | | | C | $100 |
| | | | R | $50 |
| | | | RC | $100 |
| | | | RX | $50 |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2007-FM2** | **GSAMP 2007-H1** |
| Closing Date | February 21, 2007 | January 31, 2007 |
| Issuer | GSAMP Trust 2007-FM2 | GSAMP Trust 2007-H1 |
| Trustee | Deutsche Bank | LaSalle Bank |
| Rating Agencies | S&P, Moody's | Fitch, Moody's |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $351,823,000 | A-1A | $39,569,000 |
| | A-2A | $230,215,000 | A-1B | $26,640,000 |
| | A-2B | $62,884,000 | A-1C | $10,651,000 |
| | A-2C | $83,578,000 | A-2A1 | $42,000,000 |
| | A-2D | $45,285,000 | A-2A2S | $30,472,000 |
| | M-1 | $42,570,000 | A-2A2M | $10,157,000 |
| | M-2 | $44,072,000 | A-2B | $61,559,000 |
| | M-3 | $16,527,000 | A-2C | $12,480,000 |
| | M-4 | $17,027,000 | M-1 | $11,532,000 |
| | M-5 | $15,025,000 | M-2 | $10,622,000 |
| | M-6 | $11,018,000 | M-3 | $6,069,000 |
| | M-7 | $12,020,000 | M-4 | $5,615,000 |
| | M-8P | $4,106,000 | M-5 | $5,614,000 |
| | M-8D | $3,907,000 | M-6 | $5,007,000 |
| | M-9 | $12,018,000 | M-7 | $4,553,000 |
| | B-1 | $14,524,000 | M-8 | $4,248,000 |
| | B-2 | $14,023,000 | M-9 | $4,401,000 |
| | X | $21,034,651 | R | $50 |
| | P | $100 | RC | $100 |
| | C | $100 | RX | $50 |
| | R | $50 | X | $12,291,039 |
| | RC | $100 | P | $100 |
| | RX | $50 | | |

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**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2007-HE1** | **GSAMP 2007-HE2** |
| Closing Date | February 23, 2007 | April 20, 2007 |
| Issuer | GSAMP Trust 2007-HE1 | GSAMP Trust 2007-HE2 |
| Trustee | LaSalle Bank | LaSalle Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A-1 | $205,454,000 | A-1 | $370,801,000 |
| A-2A | $149,399,000 | A-2A | $216,267,000 |
| A-2B | $44,191,000 | A-2B | $50,045,000 |
| A-2C | $59,585,000 | A-2C | $74,161,000 |
| A-2D | $15,726,000 | A-2D | $28,668,000 |
| M-1 | $25,691,000 | M-1 | $42,961,000 |
| M-2 | $32,668,000 | M-2 | $39,423,000 |
| M-3 | $13,367,000 | M-3 | $24,261,000 |
| M-4 | $12,083,000 | M-4 | $21,228,000 |
| M-5 | $14,019,000 | M-5 | $19,206,000 |
| M-6 | $9,129,000 | M-6 | $17,184,000 |
| M-7 | $9,129,000 | M-7 | $18,198,000 |
| M-8 | $8,150,000 | M-8 | $16,173,000 |
| M-9 | $9,129,000 | M-9 | $15,162,000 |
| B-1 | $10,772,000 | R | $50 |
| B-2 | $9,455,000 | RC | $100 |
| R | $50 | RX | $50 |
| RC | $100 | C | $100 |
| RX | $50 | X | $57,114,094 |
| X | $24,125,896 | P | $100 |
| P | $100 | | |

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66051.601

**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSAMP 2007-HS1** | **GSAMP 2007-NC1** |
| Closing Date | August 30, 2007 | February 20, 2007 |
| Issuer | GSAMP Trust 2007-HSBC1 | GSAMP Trust 2007-NC1 |
| Trustee | Deutsche Bank | LaSalle Bank |
| Rating Agencies | S&P, Moody's | S&P, Moody's |
| Collateral Type | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1 | $522,538,000 | A-1 | $479,787,000 |
| | M-1 | $6,361,000 | A-2A | $482,234,000 |
| | M-2 | $12,403,000 | A-2B | $145,757,000 |
| | M-3 | $12,722,000 | A-2C | $198,385,000 |
| | M-4 | $11,449,000 | A-2D | $79,824,000 |
| | M-5 | $11,132,000 | M-1 | $76,022,000 |
| | M-6 | $9,859,000 | M-2 | $75,106,000 |
| | M-7 | $6,679,000 | M-3 | $40,301,000 |
| | M-8 | $7,633,000 | M-4 | $38,469,000 |
| | M-9 | $6,360,000 | M-5 | $34,805,000 |
| | R | $50 | M-6 | $24,730,000 |
| | RC | $100 | M-7 | $22,898,000 |
| | RX | $50 | M-8 | $15,571,000 |
| | C | $100 | M-9 | $21,982,000 |
| | X | $28,992,502 | B-1 | $32,058,000 |
| | P | $100 | B-2 | $26,562,000 |
| | | | R | $50 |
| | | | RC | $100 |
| | | | RX | $50 |
| | | | X | $39,384,621 |
| | | | P | $100 |

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66051.602

**RMBS**

| | | |
|---|---|---|
| **Transaction Name:** | **GSR 2004-2F** | **GSR 2004-3F** |
| Closing Date | January 30, 2004 | February 27, 2004 |
| Issuer | GSR Mortgage Loan Trust 2004-2F | GSR Mortgage Loan Trust 2004-3F |
| Trustee | Wachovia | Wachovia |
| Rating Agencies | S&P, Fitch | S&P, Fitch |
| Collateral Type | Prime Fixed | Prime Fixed |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | I-A1 | $23,285,625 | I-A1 | $37,754,000 |
| | I-A2 | $23,285,625 | IIA-1 | $85,578,000 |
| | I-A3 | $38,809,375 | IIA-2 | $19,449,090 |
| | I-A4 | $16,715,000 | IIA-3 | $31,137,000 |
| | I-A5 | $35,673,000 | IIA-4 | $21,213,000 |
| | I-A6 | $12,972,000 | IIA-5 | $5,675,000 |
| | I-A7 | $14,483,000 | IIA-6 | $38,353,334 |
| | II-A1 | $100,000,000 | IIA-7 | $38,353,334 |
| | II-A2 | $38,461,538 | IIA-8 | $16,000,000 |
| | II-A3 | $40,156,188 | IIA-9 | $15,444,734 |
| | II-A4 | $40,156,188 | IIA-10 | $19,562,932 |
| | II-A5 | $38,505,188 | IIA-11 | $26,277,000 |
| | II-A6 | $18,152,824 | IIA-12 | $500,000 |
| | III-A1 | $100,000,000 | IIIA-1 | $87,000,000 |
| | III-A2 | $40,769,230 | IIIA-2 | $32,642,500 |
| | III-A3 | $53,120,438 | IIIA-3 | $36,845,894 |
| | III-A4 | $53,120,438 | IIIA-4 | $36,845,894 |
| | III-A5 | $38,096,500 | IIIA-5 | $30,332,571 |
| | III-A6 | $21,050,062 | IIIA-6 | $19,995,535 |
| | IV-A1 | $76,198,000 | IIIA-7 | $19,578,582 |
| | IV-A2 | $76,198,000 | IIIA-8 | $440,418 |
| | V-A1 | $35,524,000 | A-P | $114,266 |
| | VI-A1 | $94,581,000 | A-X | $862,716 |
| | VII-A1 | $53,305,000 | B-1 | $7,606,000 |
| | VII-A2 | $53,305,000 | B-2 | $2,788,000 |
| | VIII-A1 | $32,814,000 | B-3 | $1,775,000 |
| | IX-A1 | $14,146,000 | B-4 | $1,268,000 |
| | X-A1 | $41,137,000 | B-5 | $1,014,000 |
| | XI-A1 | $27,838,000 | B-6 | $760,550 |
| | XII-A1 | $55,415,000 | R | $0 |
| | XIII-A1 | $43,880,000 | | |
| | XIV-A1 | $45,060,000 | | |
| | I-B1 | $9,103,000 | | |
| | I-B2 | $2,898,000 | | |
| | I-B3 | $1,654,000 | | |
| | I-B4 | $1,241,000 | | |
| | I-B5 | $827,000 | | |
| | I-B6 | $827,817 | | |
| | II-B1 | $1,057,000 | | |
| | II-B2 | $528,000 | | |
| | II-B3 | $395,000 | | |
| | II-B4 | $264,000 | | |
| | II-B5 | $264,000 | | |
| | II-B6 | $131,985 | | |
| | R | $0 | | |
| | A-X | $4,724,122 | | |
| | A-P | $929,495 | | |

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66051.603

**RMBS**

| | |
|---|---|
| **Transaction Name:** | **GSR 2004-4** |
| Closing Date | February 27, 2004 |
| Issuer | GSR Mortgage Loan Trust 2004-4 |
| Trustee | Wachovia |
| Rating Agencies | S&P, Fitch |
| Collateral Type | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance |
|---|---|
| 1A1 | $61,126,000 |
| 2A1 | $25,000,000 |
| 2A2 | $50,000,000 |
| 2A3 | $50,000,000 |
| 2A4 | $112,438,000 |
| 2A5 | $112,438,000 |
| 3A1 | $45,000,000 |
| 3A2 | $37,914,000 |
| 3A3 | $37,914,000 |
| 4A1 | $20,551,000 |
| B1 | $6,862,000 |
| B2 | $722,000 |
| B3 | $541,000 |
| B4 | $361,000 |
| B5 | $361,000 |
| B6 | $181,353 |
| R | $100 |

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66051.604

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2004-5 | GSR 2004-6F |
| Closing Date: | April 30, 2004 | May 27, 2004 |
| Issuer: | GSR Mortgage Loan Trust 2007-5 | GSR Mortgage Loan Trust 2004-6F |
| Trustee: | JPMorgan Chase Bank | Wachovia |
| Rating Agencies: | S&P, Moody's | S&P, Fitch |
| Collateral Type: | Prime Hybrid | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $80,000,000 | IA-1 | $24,017,000 |
| 1A2 | $1,702,000 | IA-2 | $3,180,000 |
| 1A3 | $86,821,000 | IA-3 | $3,167,000 |
| 2A1 | $192,070,000 | IIA-1 | $139,884,000 |
| 3A1 | $98,403,000 | IIA-2 | $17,870,000 |
| 3A2 | $36,888,000 | IIA-3 | $12,870,000 |
| 3A3 | $32,113,000 | IIA-4 | $21,858,000 |
| 1AX | $168,323,000 | IIA-5 | $25,453,000 |
| 2AX | $192,070,000 | IIA-6 | $684,000 |
| B1 | $10,996,000 | IIA-7 | $1,000,000 |
| B2 | $4,123,000 | IIA-8 | $35,246,000 |
| B3 | $2,199,000 | IIIA-1 | $70,000,000 |
| B4 | $1,925,000 | IIIA-2 | $20,461,538 |
| B5 | $1,649,000 | IIIA-3 | $11,700,000 |
| B6 | $1,099,486 | IIIA-4 | $13,817,000 |
| R | $100 | IIIA-5 | $34,032,267 |
| | | IIIA-6 | $5,255,733 |
| | | IVA-1 | $85,529,000 |
| | | VA-1 | $43,263,000 |
| | | A-P | $115,381 |
| | | A-X | $3,031,408 |
| | | B1 | $8,510,000 |
| | | B2 | $2,711,000 |
| | | B3 | $1,356,000 |
| | | B4 | $1,084,000 |
| | | B5 | $1,085,000 |
| | | B6 | $542,329 |
| | | R | $0 |

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66051.605

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2004-7 | GSR 2004-8F |
| Closing Date: | June 30, 2004 | July 30, 2004 |
| Issuer: | GSR Mortgage Loan Trust 2004-7 | GSR Mortgage Loan Trust 2004-8F |
| Trustee: | JPMorgan Chase Bank | Wachovia |
| Rating Agencies: | S&P | S&P, Fitch |
| Collateral Type: | Prime Hybrid | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $125,580,000 | IA-1 | $165,993,000 |
| 1A2 | $12,580,000 | IA-2 | $3,932,000 |
| 1A3 | $105,000,000 | IIA-1 | $133,700,000 |
| 2A1 | $99,089,000 | IIA-2 | $33,425,000 |
| 3A1 | $237,742,000 | IIA-3 | $59,158,000 |
| 4A1 | $96,056,000 | IIIA-1 | $61,611,000 |
| B1 | $11,899,000 | IIIA-2 | $62,740,000 |
| B2 | $4,899,000 | IIIA-3 | $1,129,000 |
| B3 | $2,099,000 | A-X | $161,398 |
| B4 | $2,100,000 | B1 | $6,345,000 |
| B5 | $1,749,000 | B2 | $1,969,000 |
| B6 | $1,050,537 | B3 | $1,531,000 |
| R | $100 | B4 | $875,000 |
| | | B5 | $875,000 |
| | | B6 | $438,507 |
| | | R | $0 |

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66051.606

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2004-9 | GSR 2004-10F |
| Closing Date: | July 30, 2004 | August 26, 2004 |
| Issuer: | GSR Mortgage Loan Trust 2007-9 | GSR Mortgage Loan Trust 2004-10F |
| Trustee: | Wachovia | Wachovia |
| Rating Agencies: | S&P, Moody's, Fitch | S&P, Fitch |
| Collateral Type: | Prime Hybrid | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $30,000,000 | 1A-1 | $50,000,000 |
| 1AX | $30,000,000 | 1A-2 | $2,027,000 |
| 1A2 | $41,207,000 | 1A-3 | $28,475,000 |
| 2A1 | $232,398,000 | 1A-4 | $14,051,000 |
| 3A1 | $155,295,000 | 1A-5 | $84,617,000 |
| 3A2 | $4,780,000 | 1A-6 | $50,000,000 |
| 4A1 | $80,711,000 | 1A-7 | $947,000 |
| 5A1 | $37,892,000 | 2A-1 | $66,228,000 |
| 5A2 | $44,352,000 | 2A-2 | $6,228,000 |
| 5A3 | $20,439,000 | 2A-3 | $10,000,000 |
| 5A4 | $16,080,000 | 2A-4 | $138,953,000 |
| 5A5 | $12,319,000 | 2A-5 | $408,000 |
| 5A6 | $21,373,000 | 3A-1 | $63,854,000 |
| 5A7 | $25,229,000 | 4A-1 | $55,211,000 |
| 5A8 | $1,640,000 | 5A-1 | $21,434,000 |
| 6A1 | $144,471,000 | 6A-1 | $142,460,000 |
| 7A1 | $51,075,000 | 7A-1 | $192,798,000 |
| B1 | $18,480,000 | 8A-1 | $147,700,000 |
| B2 | $9,206,000 | 8A-2 | $36,925,000 |
| B3 | $4,846,000 | 8A-3 | $59,955,000 |
| B4 | $3,877,000 | 9A-1 | $36,928,000 |
| B5 | $1,938,000 | A-P | $1,906,837 |
| B6 | $3,678,811 | A-X | $223,222 |
| R | $100 | B1 | $12,145,000 |
| | | B2 | $4,832,000 |
| | | B3 | $2,416,000 |
| | | B4 | $1,812,000 |
| | | B5 | $1,811,000 |
| | | B6 | $1,206,819 |
| | | R | $9 |

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66051.607

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2004-11 | GSR 2004-12 |
| Closing Date: | August 27, 2004 | October 28, 2004 |
| Issuer: | GSR Mortgage Loan Trust 2007-11 | GSR Mortgage Loan Trust 2004-12 |
| Trustee: | Wachovia | U.S. Bank |
| Rating Agencies: | S&P, Moody's | Moody's, Fitch |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $381,670,000 | 1A1 | $299,849,000 |
| 1A2 | $50,000,000 | 1A2 | $8,519,000 |
| 2A1 | $200,000,000 | 2AR | $100 |
| 2A2 | $200,000,000 | 2A1 | $96,813,000 |
| 2A3 | $197,941,000 | 2A2 | $150,000,000 |
| 3A1 | $28,864,000 | 2A3 | $60,000,000 |
| 4A1 | $12,475,000 | 3A1 | $90,841,000 |
| 5A1 | $106,128,000 | 3A2 | $35,897,000 |
| B1 | $22,054,000 | 3A3 | $63,505,000 |
| B2 | $9,801,000 | 3A4 | $38,519,000 |
| B3 | $4,901,000 | 3A5 | $32,825,000 |
| B4 | $5,513,000 | 3A6 | $58,679,000 |
| B5 | $4,288,000 | 1B1 | $8,800,000 |
| B6 | $2,451,098 | 1B2 | $3,566,000 |
| 1AX | $50,000,000 | 1B3 | $2,770,000 |
| 2AX1 | $200,000,000 | 1B4 | $1,467,000 |
| 2AX2 | $200,000,000 | 1B5 | $815,000 |
| R | $100 | 1B6 | $2,118,829 |
| | | 2B1 | $12,873,000 |
| | | 2B2 | $8,507,000 |
| | | 2B3 | $3,082,000 |
| | | 2B4 | $2,055,000 |
| | | 2B5 | $1,370,000 |
| | | 2B6 | $2,397,983 |
| | | 1AX | $321,522,000 |
| | | 2A1X | $96,813,000 |
| | | 2A2X | $150,000,000 |
| | | 2A3X | $60,000,000 |
| | | R | $100 |

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66051.608

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2004-13F | GSR 2004-14 |
| Closing Date: | October 29, 2004 | November 26, 2004 |
| Issuer: | GSR Mortgage Loan Trust 2004-13F | GS Mortgage Loan Trust 2004-14 |
| Trustee: | Wachovia | U.S. Bank |
| Rating Agencies: | S&P, Moody's | S&P, Moody's |
| Collateral Type: | Prime Fixed | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $16,518,000 | AR | $100 |
| 2A-1 | $100,000,000 | 1A1 | $108,377,000 |
| 2A-2 | $29,186,666 | 1AX | $108,377,000 |
| 2A-3 | $29,883,000 | 2A1 | $201,853,000 |
| 3A-1 | $65,000,000 | 2AX | $201,853,000 |
| 3A-2 | $21,666,666 | 3A1 | $119,431,000 |
| 3A-3 | $19,677,000 | 3A2 | $75,000,000 |
| 4A-1 | $97,379,000 | 3AX | $194,431,000 |
| 4A-2 | $97,379,000 | 4A1 | $43,661,000 |
| A-P | $40,902 | 5A1 | $100,000,000 |
| A-X | $249,347 | 5AX | $100,000,000 |
| B1 | $4,359,000 | 5A2 | $82,218,000 |
| B2 | $1,006,000 | 1BX | $16,482,000 |
| B3 | $502,000 | 1B1 | $9,890,000 |
| B4 | $336,000 | 1B2 | $4,120,000 |
| B5 | $167,000 | 1B3 | $2,472,000 |
| B6 | $335,918 | 1B4 | $2,307,000 |
| R | $0 | 1B5 | $1,648,000 |
| | | 1B6 | $991,856 |
| | | 2B1 | $6,518,000 |
| | | 2B2 | $4,494,000 |
| | | 2B3 | $3,595,000 |
| | | 2B4 | $1,797,000 |
| | | 2B5 | $1,573,000 |
| | | 2B6 | $1,125,047 |
| | | R | $100 |

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66051.609

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2004-15F | GSR 2005-1F |
| Closing Date: | December 17, 2004 | January 31, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2004-15F | GSR Mortgage Loan Trust 2005-1F |
| Trustee: | Wachovia | Wachovia |
| Rating Agencies: | S&P, Moody's | S&P, Fitch |
| Collateral Type: | Prime Fixed | Prime Fixed |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A1 | $86,047,000 | 1A-1 | $79,000,000 |
| | 1A2 | $19,654,000 | 1A-2 | $17,489,000 |
| | 1A3 | $11,378,000 | 1A-3 | $10,790,000 |
| | 1A4 | $391,000 | 1A-4 | $25,439,000 |
| | 2A1 | $76,423,000 | 1A-5 | $19,857,000 |
| | 2A2 | $91,099,000 | 1A-6 | $24,080,000 |
| | 2A3 | $15,183,168 | 1A-7 | $38,617,000 |
| | 2A4 | $13,373,000 | 1A-8 | $345,000 |
| | 3A1 | $44,839,000 | 1A-9 | $389,000 |
| | 3A2 | $44,839,000 | 2A-1 | $145,000,000 |
| | 4A1 | $38,507,000 | 2A-2 | $32,302,000 |
| | 5A1 | $101,668,000 | 2A-3 | $19,700,000 |
| | 6A1 | $40,123,000 | 3A-1 | $143,000,000 |
| | 7A1 | $12,052,000 | 3A-2 | $41,708,333 |
| | 7A2 | $12,052,000 | 3A-3 | $56,327,000 |
| | AX | $695,498 | 4A-1 | $57,599,000 |
| | AP | $686,183 | 4A-2 | $57,599,000 |
| | B1 | $8,492,000 | AX | $149,383 |
| | B2 | $2,743,000 | AP | $1,200,889 |
| | B3 | $1,097,000 | B1 | $9,885,000 |
| | B4 | $1,372,000 | B2 | $4,150,000 |
| | B5 | $822,000 | B3 | $2,767,000 |
| | B6 | $549,590 | B4 | $1,383,000 |
| | R | $0 | B5 | $1,729,000 |
| | | | B6 | $1,038,251 |
| | | | R | $0 |

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66051.610

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-3F | GSR 2005-3F |
| Closing Date: | February 25, 2005 | March 30, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-2F | GSR Mortgage Loan Trust 2005-3F |
| Trustee: | Wachovia | Wachovia |
| Rating Agencies: | S&P, Fitch | Fitch, Moody's |
| Collateral Type: | Prime Fixed | Prime Fixed |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A-1 | $13,167,000 | 1A-1 | $26,522,000 |
| | 1A-2 | $69,774,000 | 1A-2 | $40,888,000 |
| | 1A-3 | $23,258,000 | 1A-3 | $67,380,000 |
| | 1A-4 | $23,258,000 | 1A-4 | $28,861,000 |
| | 1A-5 | $12,456,000 | 1A-5 | $3,128,000 |
| | 1A-6 | $7,209,000 | 1A-6 | $1,120,000 |
| | 2A-1 | $105,000,000 | 1A-7 | $848,000 |
| | 2A-2 | $30,825,000 | 1A-8 | $1,112,000 |
| | 2A-3 | $45,880,000 | 1A-9 | $2,988,000 |
| | 3A-1 | $13,172,000 | 1A-10 | $4,000,000 |
| | 3A-2 | $13,172,000 | 1A-11 | $6,760,000 |
| | A-P | $1,199,835 | 1A-12 | $5,000,000 |
| | A-X | $127,206 | 1A-13 | $4,058,000 |
| | B-1 | $5,431,000 | 1A-14 | $24,087,086 |
| | B-2 | $1,961,000 | 1A-15 | $6,049,140 |
| | B-3 | $1,207,000 | 1A-16 | $2,709,794 |
| | B-4 | $754,000 | 1A-17 | $6,000,000 |
| | B-5 | $452,000 | 2A-1 | $53,899,000 |
| | B-6 | $754,798 | 2A-2 | $13,474,750 |
| | R1 | $0 | 2A-3 | $20,056,000 |
| | R2 | $0 | 2A-4 | $17,792,000 |
| | | | 2A-5 | $1,295,000 |
| | | | A-P | $983,827 |
| | | | A-X | $33,350 |
| | | | B-1 | $6,739,000 |
| | | | B-2 | $1,553,000 |
| | | | B-3 | $1,179,000 |
| | | | B-4 | $674,000 |
| | | | B-5 | $505,000 |
| | | | B-6 | $674,619 |
| | | | C | $0 |
| | | | R1 | $0 |
| | | | R2 | $0 |

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66051.611

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-4F | GSR 2005-5F |
| Closing Date: | April 29, 2005 | May 26, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-4F | GSR Mortgage Loan Trust 2005-5F |
| Trustee: | Wachovia | Wachovia |
| Rating Agencies: | S&P, Moody's | S&P, Moody's |
| Collateral Type: | Prime Fixed | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $20,883,000 | 1A-1 | $28,202,000 |
| 2A1 | $100,230,000 | 1A-2 | $6,351,000 |
| 3A1 | $49,232,000 | 2A-1 | $32,844,000 |
| 4A1 | $40,333,000 | 2A-2 | $35,468,000 |
| 4A2 | $21,687,000 | 2A-3 | $136,000,000 |
| 4A3 | $30,556,000 | 2A-4 | $8,170,000 |
| 4A4 | $10,082,000 | 2A-5 | $18,714,000 |
| 4C | $40,959,476 | 2A-6 | $7,721,000 |
| 4A5 | $1,849,522 | 2A-7 | $3,000,000 |
| 5A1 | $142,047,000 | 2A-8 | $41,802,000 |
| 5A2 | $4,938,000 | 2A-9 | $8,000,000 |
| 6A1 | $31,558,000 | 2A-10 | $29,779,466 |
| AX | $414,279 | 2A-11 | $10,000,000 |
| AP | $1,913,141 | 2A-12 | $5,214,588 |
| B1 | $6,831,000 | 2A-13 | $1,977,948 |
| B2 | $2,549,000 | 2A-14 | $17,800,000 |
| B3 | $1,529,000 | 2A-15 | $8,400,000 |
| B4 | $1,275,000 | 2A-16 | $828,571 |
| B5 | $1,019,000 | 2A-17 | $148,287 |
| B6 | $765,397 | 2A-18 | $25,142 |
| R | $0 | 2A-19 | $27,942,000 |
| | | 3A-1 | $12,959,000 |
| | | 3A-2 | $90,570,000 |
| | | 3A-3 | $2,942,125 |
| | | 3A-4 | $13,358,875 |
| | | 3A-5 | $13,358,875 |
| | | 3A-6 | $14,517,000 |
| | | 3A-7 | $1,001,000 |
| | | 4A-1 | $201,751,250 |
| | | 4A-2 | $201,751,250 |
| | | 4A-3 | $100,000,000 |
| | | 4A-4 | $3,249,000 |
| | | 4A-5 | $14,374,000 |
| | | 4A-6 | $1,110,000 |
| | | 4A-7 | $127,065,000 |
| | | 4A-8 | $7,579,750 |
| | | 5A-1 | $5,913,000 |
| | | 5A-1 | $74,022,000 |
| | | 7A-1 | $7,084,000 |
| | | 7A-2 | $7,084,000 |
| | | 8A-1 | $164,000,000 |
| | | 8A-2 | $25,000,000 |
| | | 8A-3 | $225,845,000 |
| | | 8A-4 | $389,845,000 |
| | | 8A-5 | $25,000,000 |
| | | 8A-6 | $49,147,000 |
| | | 8A-7 | $49,147,000 |
| | | 6A-6 | $2,233,954 |
| | | 8A-9 | $2,000,000 |
| | | 8A-10 | $7,561,000 |
| | | A-P | $385,956 |
| | | A-X | $468,232 |
| | | B-1 | $24,570,000 |
| | | B-2 | $10,057,000 |
| | | B-3 | $5,029,000 |
| | | B-4 | $4,190,000 |
| | | B-5 | $3,352,000 |
| | | B-6 | $2,517,954 |
| | | X | $0 |
| | | C | $0 |
| | | R1 | $0 |
| | | R2 | $0 |

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RMBS

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-6F | GSR 2005-7F |
| Closing Date: | June 30, 2005 | August 26, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-6F | GSR Mortgage Loan Trust 2005-7F |
| Trustee: | Wachovia | Wachovia |
| Rating Agencies: | S&P, Moody's | S&P, Moody's |
| Collateral Type: | Prime Fixed | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $177,583,875 | 1A-1 | $13,807,000 |
| 1A-2 | $50,000,000 | 1A-2 | $1,515,000 |
| 1A-3 | $25,389,125 | 1A-3 | $1,515,000 |
| 1A-4 | $25,389,125 | 2A-1 | $83,000,000 |
| 1A-5 | $48,830,000 | 2A-2 | $2,714,288 |
| 1A-6 | $31,272,000 | 2A-3 | $14,285,714 |
| 1A-7 | $2,259,000 | 2A-4 | $14,285,714 |
| 2A-1 | $26,343,000 | 2A-5 | $26,679,000 |
| 2A-2 | $26,343,000 | 2A-6 | $29,630,000 |
| 3A-1 | $45,000,000 | 2A-7 | $2,190,000 |
| 3A-2 | $30,000,000 | 3A-1 | $20,000,000 |
| 3A-3 | $45,000,000 | 3A-2 | $35,000,000 |
| 3A-4 | $30,000,000 | 3A-3 | $20,000,000 |
| 3A-5 | $15,994,000 | 3A-4 | $35,000,000 |
| 3A-6 | $85,000,000 | 3A-5 | $10,142,000 |
| 3A-7 | $85,000,000 | 3A-6 | $2,808,000 |
| 3A-8 | $3,237,000 | 3A-7 | $105,000,000 |
| 3A-9 | $89,237,000 | 3A-8 | $20,126,000 |
| 3A-10 | $3,088,000 | 3A-9 | $33,250,000 |
| 3A-11 | $31,036,875 | 3A-10 | $16,380,000 |
| 3A-12 | $31,036,875 | 3A-11 | $1,212,000 |
| 3A-13 | $100,000,000 | 3A-12 | $1,000,000 |
| 3A-14 | $32,678,000 | 4A-1 | $8,707,000 |
| 3A-15 | $52,150,000 | 4A-2 | $8,707,000 |
| 3A-16 | $52,383,000 | A-P | $11,045 |
| 3A-17 | $23,586,000 | B-1 | $7,826,000 |
| 3A-18 | $23,568,126 | B-2 | $2,537,000 |
| 3A-19 | $29,490,000 | B-3 | $1,268,000 |
| 3A-20 | $2,130,000 | B-4 | $1,268,000 |
| 4A-1 | $20,000,000 | B-5 | $634,000 |
| 4A-2 | $20,000,000 | B-6 | $638,750 |
| 4A-3 | $5,048,000 | X | $0 |
| A-P | $716,232 | C | $0 |
| B-1 | $15,200,000 | R1 | $0 |
| B-2 | $7,124,000 | R2 | $0 |
| B-3 | $3,326,000 | | |
| B-4 | $3,325,000 | | |
| B-5 | $2,849,000 | | |
| B-6 | $1,425,763 | | |
| X | $0 | | |
| C | $0 | | |
| R1 | $0 | | |
| R2 | $0 | | |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-8F | GSR 2005-9F |
| Closing Date: | October 28, 2005 | December 29, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-8F | GSR Mortgage Loan Trust 2005-9F |
| Trustee: | Wachovia | U.S. Bank |
| Rating Agencies: | S&P, Fitch | S&P, Fitch |
| Collateral Type: | Prime Fixed | Prime Fixed |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A-1 | $38,721,000 | 1A-1 | $265,973,000 |
| | 2A-1 | $57,940,000 | 1A-2 | $30,000,000 |
| | 2A-2 | $38,513,000 | 1A-3 | $30,000,000 |
| | 2A-3 | $57,429,000 | 1A-4 | $7,012,000 |
| | 2A-4 | $61,864,000 | 1A-5 | $488,000 |
| | 2A-5 | $45,000,000 | 1A-6 | $203,973,000 |
| | 2A-6 | $69,945,000 | 1A-7 | $125,832,000 |
| | 2A-7 | $32,789,000 | 1A-8 | $45,892,000 |
| | 2A-8 | $2,508,000 | 1A-9 | $79,940,000 |
| | 3A-1 | $6,250,000 | 1A-10 | $76,341,000 |
| | 3A-2 | $25,000,000 | 1A-11 | $42,846,000 |
| | 3A-3 | $25,000,000 | 1A-12 | $21,191,000 |
| | 3A-4 | $165,395,000 | 1A-13 | $21,655,000 |
| | 3A-5 | $34,319,000 | 1A-14 | $17,910,000 |
| | 3A-6 | $20,642,000 | 1A-15 | $1,244,000 |
| | 3A-7 | $1,549,000 | 1A-16 | $4,270,000 |
| | 4A-1 | $100,895,000 | 2A-1 | $92,404,565 |
| | 5A-1 | $39,083,000 | 2A-2 | $175,000,000 |
| | 5A-2 | $39,083,000 | 2A-3 | $53,055,000 |
| | 6A-1 | $38,242,000 | 2A-4 | $19,828,414 |
| | 7A-1 | $107,712,000 | 2A-5 | $18,244,393 |
| | A-P | $30,582 | 2A-6 | $15,512,988 |
| | A-X | $2,783,432 | 2A-7 | $1,077,600 |
| | B-1 | $13,573,000 | 2A-8 | $7,095,042 |
| | B-2 | $5,744,000 | 3A-1 | $17,829,000 |
| | B-3 | $2,872,000 | 3A-2 | $17,829,000 |
| | B-4 | $2,872,000 | 3A-3 | $17,829,000 |
| | B-5 | $2,872,000 | 4A-1 | $42,698,000 |
| | B-6 | $980,258 | 4A-2 | $2,613,000 |
| | X | $0 | 5A-1 | $85,420,000 |
| | C | $0 | 5A-2 | $4,289,000 |
| | R1 | $0 | 6A-1 | $18,578,000 |
| | R2 | $0 | 6A-2 | $1,022,000 |
| | | | 7A-1 | $23,892,520 |
| | | | 7A-2 | $23,892,520 |
| | | | 1-AP | $1,202,541 |
| | | | 2-AP | $182,012 |
| | | | 1-AX | $268,802 |
| | | | 2-AX | $147,187 |
| | | | 1-B1 | $14,397,000 |
| | | | 1-B2 | $4,113,000 |
| | | | 1-B3 | $2,742,000 |
| | | | 2-B1 | $2,552,000 |
| | | | 2-B2 | $1,240,000 |
| | | | 2-B3 | $561,000 |
| | | | 1-B4 | $1,713,000 |
| | | | 1-B5 | $1,028,000 |
| | | | 1-B6 | $1,715,711 |
| | | | 2-B4 | $561,000 |
| | | | 2-B5 | $344,000 |
| | | | 2-B6 | $418,447 |
| | | | 1-R1 | $0 |
| | | | 1-R2 | $0 |
| | | | 2-R1 | $0 |
| | | | 2-R2 | $0 |
| | | | 3-R | $0 |
| | | | X | $0 |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-AR1 | GSR 2005-AR2 |
| Closing Date: | January 31, 2005 | March 31, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-AR1 | GSR Mortgage Loan Trust 2005-AR2 |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | S&P, Fitch | S&P, Moody's |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| AR | $100 | 1A1 | $88,117,000 |
| 1A1 | $211,732,000 | 1A2 | $172,225,000 |
| 2A1 | $154,884,000 | 1A3 | $8,208,000 |
| 3A1 | $193,750,000 | 2A1 | $222,753,000 |
| 3A2 | $7,856,000 | 3A1 | $50,885,000 |
| 4A1 | $86,005,000 | 4A1 | $136,791,000 |
| 4A2 | $5,973,000 | 5A1 | $181,967,000 |
| B1 | $12,886,000 | R | $100 |
| B2 | $4,458,000 | RH | $100 |
| B3 | $3,068,000 | RS | $100 |
| B4 | $2,057,000 | 1B1 | $10,648,000 |
| B5 | $2,057,000 | 1B2 | $7,454,000 |
| B6 | $1,371,276 | 1B3 | $4,614,000 |
| R | $100 | 1B4 | $4,259,000 |
| | | 1B5 | $2,129,000 |
| | | 1B6 | $1,776,131 |
| | | 2B1 | $1,205,000 |
| | | 2B2 | $827,000 |
| | | 2B3 | $484,000 |
| | | 2B4 | $556,000 |
| | | 2B5 | $93,000 |
| | | 2B6 | $185,758 |
| | | R | $100 |
| | | RH | $100 |
| | | RS | $100 |

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66051.615

**RMBS**

| | GSR 2005-AR3 | GSR 2005-AR4 |
|---|---|---|
| Transaction Name: | GSR 2005-AR3 | GSR 2005-AR4 |
| Closing Date: | May 27, 2005 | June 30, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-AR3 | GSR Mortgage Loan Trust 2005-AR4 |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | S&P, Moody's | S&P, Fitch |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $133,294,000 | 1A1 | $70,927,000 |
| 2A1 | $189,571,000 | 2A1 | $132,353,000 |
| 3A1 | $181,240,000 | 3A1 | $28,000,000 |
| 3A2 | $20,138,000 | 3A2 | $50,000,000 |
| 4A1 | $278,440,000 | 3A3 | $3,500,000 |
| 5A1 | $188,805,000 | 3A4 | $205,830,000 |
| 6A1 | $360,482,000 | 3A5 | $68,208,000 |
| 6A2 | $11,158,000 | 4A1 | $42,546,000 |
| 7A1 | $34,039,000 | 5A1 | $230,375,000 |
| 8A1 | $67,807,000 | 6A1 | $411,115,000 |
| 8A2 | $3,855,000 | 1B1 | $14,680,000 |
| 1B1 | $7,790,000 | 1B2 | $8,044,000 |
| 1B2 | $2,544,000 | 1B3 | $3,885,000 |
| 1B3 | $1,271,000 | 1B4 | $3,022,000 |
| 1B4 | $1,431,000 | 1B5 | $2,591,000 |
| 1B5 | $1,272,000 | 1B6 | $1,727,144 |
| 1B6 | $795,489 | 2B1 | $5,498,000 |
| 2B1 | $28,335,000 | 2B2 | $2,538,000 |
| 2B2 | $13,282,000 | 2B3 | $1,269,000 |
| 2B3 | $7,234,000 | 2B4 | $1,057,000 |
| 2B4 | $8,028,000 | 2B5 | $846,000 |
| 2B5 | $4,220,000 | 2B6 | $635,219 |
| 2B6 | $3,014,910 | X | $411,115,000 |
| X | $317,958,489 | R | $100 |
| R | $100 | RT1 | $100 |
| RSR | $100 | RT2 | $100 |
| RH | $100 | | |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-AR5 | GSR 2005-AR6 |
| Closing Date: | August 26, 2005 | September 30, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-AR5 | GSR Mortgage Loan Trust 2005-AR6 |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | S&P, Fitch, DBRS | S&P, Fitch, DBRS |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A1 | $140,821,000 | 1A1 | $559,193,000 |
| | 2A1 | $25,000,000 | 1A2 | $22,634,000 |
| | 2A2 | $1,998,000 | 1A3 | $60,000,000 |
| | 2A3 | $273,002,000 | 1A4 | $90,000,000 |
| | 2A4 | $245,693,000 | 2A1 | $1,088,185,000 |
| | 2A5 | $61,897,000 | 2A2 | $96,015,000 |
| | 3A1 | $112,212,000 | 3A1 | $388,180,000 |
| | 4A1 | $167,173,000 | 3A2 | $12,708,000 |
| | B1 | $26,838,000 | 4A1 | $125,000,000 |
| | B2 | $9,345,000 | 4A2 | $8,081,000 |
| | B3 | $4,397,000 | 4A3 | $175,492,000 |
| | B4 | $4,947,000 | 4A4 | $34,552,000 |
| | B5 | $3,848,000 | 4A5 | $70,000,000 |
| | B6 | $2,201,856 | B1 | $53,241,000 |
| | R-1 | $100 | B2 | $14,010,000 |
| | R-2 | $100 | B3 | $5,604,000 |
| | | | B4 | $4,203,000 |
| | | | B5 | $4,203,000 |
| | | | B6 | $2,803,995 |
| | | | R1 | $100 |
| | | | R2 | $100 |

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66051.617

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2005-AR7 | GSR 2005-HEL1 |
| Closing Date: | October 31, 2005 | December 29, 2005 |
| Issuer: | GSR Mortgage Loan Trust 2005-AR7 | GSR Trust 2005-HEL1 |
| Trustee: | U.S. Bank | Deutsche Bank |
| Rating Agencies: | S&P, Fitch | S&P, Moody's |
| Collateral Type: | Prime Hybrid | HELOC |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $114,562,000 | A-1 | $370,469,000 |
| 1A2 | $4,379,000 | A-2A | $183,150,000 |
| 2A1 | $439,290,000 | A-2B | $68,076,000 |
| 2A2 | $16,634,000 | M-1 | $47,736,000 |
| 3A1 | $107,172,000 | M-2 | $38,485,000 |
| 4A1 | $132,045,000 | M-3 | $11,102,000 |
| 4A2 | $5,048,000 | M-4 | $10,731,000 |
| 5A1 | $141,747,000 | M-5 | $8,511,000 |
| 5A2 | $5,417,000 | M-6 | $8,141,000 |
| 6A1 | $775,788,000 | B-1 | $6,291,000 |
| 1B1 | $16,464,000 | B-2 | $3,000,000 |
| 1B2 | $6,465,000 | B-3 | $4,401,000 |
| 1B3 | $4,490,000 | R-1 | $0 |
| 1B4 | $3,462,000 | R-2 | $0 |
| 1B5 | $2,494,000 | R-3 | $0 |
| 1B6 | $1,996,047 | X | $0 |
| 2B1 | $11,197,000 | S | $0 |
| 2B2 | $4,798,000 | | |
| 2B3 | $2,799,000 | | |
| 2B4 | $2,400,000 | | |
| 2B5 | $1,599,000 | | |
| 2B6 | $1,200,356 | | |
| R | $100 | | |
| RT1 | $100 | | |
| RT2 | $100 | | |

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66051.618

**RMBS**

| | | | | |
|---|---|---|---|---|
| Transaction Name: | GSR 2006-1F | | GSR 2006-2F | |
| Closing Date: | January 30, 2006 | | February 24, 2006 | |
| Issuer: | GSR Mortgage Loan Trust 2006-1F | | GSR Mortgage Loan Trust 2006-2F | |
| Trustee: | U.S. Bank | | U.S. Bank | |
| Rating Agencies: | S&P, Moody's, Fitch | | S&P, Fitch | |
| Collateral Type: | Prime Fixed | | Prime Fixed | |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $103,279,000 | 1A1 | $38,758,000 |
| 1A-2 | $91,070,000 | 2A1 | $110,830,000 |
| 1A-3 | $10,383,000 | 2A2 | $20,000,000 |
| 1A-4 | $62,823,000 | 2A3 | $8,560,000 |
| 1A-5 | $11,818,185 | 2A4 | $8,284,000 |
| 1A-6 | $65,000,015 | 2A5 | $16,844,000 |
| 1A-7 | $6,271,800 | 2A6 | $9,703,000 |
| 1A-8 | $4,000 | 2A7 | $690,000 |
| 1A-9 | $19,842,000 | 2A8 | $2,498,000 |
| 1A-10 | $1,368,000 | 2A9 | $109,000 |
| 1A-11 | $71,854,000 | 2A10 | $917,000 |
| 1A-12 | $10,989,000 | 2A11 | $2,842,274 |
| 1A-13 | $5,427,000 | 2A12 | $10,240,726 |
| 1A-14 | $5,542,000 | 2A13 | $29,923,000 |
| 1A-15 | $19,304,000 | 2A14 | $1,995,000 |
| 1A-16 | $1,362,000 | 2A15 | $38,778,000 |
| 1A-17 | $3,843,000 | 2A16 | $7,949,000 |
| 2A-1 | $228,937,000 | 2A17 | $32,885,000 |
| 2A-2 | $100,000,000 | 2A18 | $47,725,000 |
| 2A-3 | $16,666,666 | 2A19 | $4,000,000 |
| 2A-4 | $38,011,000 | 2A20 | $4,000,000 |
| 2A-5 | $14,331,000 | 3A1 | $86,000,000 |
| 2A-6 | $1,004,000 | 3A2 | $10,750,000 |
| 2A-7 | $50,000,000 | 3A3 | $32,336,000 |
| 2A-8 | $50,000,000 | 3A4 | $12,843,000 |
| 2A-9 | $10,965,000 | 3A5 | $857,000 |
| 2A-10 | $770,000 | 3A6 | $115,000,000 |
| 2A-11 | $786,000 | 4A1 | $49,148,000 |
| 2A-12 | $156,139,000 | 4A2 | $49,148,000 |
| 2A-13 | $25,411,000 | 5A1 | $11,422,000 |
| 2A-14 | $13,269,000 | 6A1 | $20,514,000 |
| 2A-15 | $12,142,000 | 7A1 | $46,652,000 |
| 2A-16 | $42,417,000 | AX | $783,584 |
| 2A-17 | $2,970,000 | M1 | $8,493,000 |
| 3A-1 | $39,984,000 | B1 | $8,228,000 |
| 3A-2 | $39,984,000 | B2 | $4,429,000 |
| 4A-1 | $134,763,000 | B3 | $2,583,000 |
| 4A-2 | $8,810,000 | B4 | $1,845,000 |
| 4A-3 | $84,567,000 | B5 | $1,107,000 |
| 4A-4 | $23,253,000 | B6 | $1,848,497 |
| 4A-5 | $12,500,000 | RC | $0 |
| 4A-6 | $10,753,000 | R | $0 |
| 4A-7 | $36,963,000 | | |
| 5A-1 | $100,000,000 | | |
| 5A-2 | $19,920,000 | | |
| 5A-3 | $129,587,000 | | |
| 5A-4 | $37,299,000 | | |
| 5A-5 | $21,096,000 | | |
| 5A-6 | $19,203,000 | | |
| 5A-7 | $41,722,000 | | |
| 5A-8 | $208,808,000 | | |
| 5A-9 | $3,152,000 | | |
| 6A-1 | $40,394,000 | | |
| 6A-2 | $40,394,000 | | |
| 6A-3 | $600,000 | | |
| 7A-1 | $18,311,000 | | |
| 7A-2 | $18,311,000 | | |
| 1-AP | $2,124,289 | | |
| 2-AP | $238,095 | | |
| AX | $224,309 | | |
| 1-M1 | $10,164,000 | | |
| 1-B1 | $9,315,000 | | |
| 1-B2 | $5,081,000 | | |
| 1-B3 | $2,117,000 | | |
| 2-M1 | $8,629,000 | | |
| 2-B1 | $6,470,000 | | |
| 2-B2 | $3,985,000 | | |
| 2-B3 | $1,687,000 | | |
| 1-B4 | $1,693,000 | | |
| 1-B5 | $1,270,000 | | |
| 1-B6 | $1,696,737 | | |
| 2-B4 | $1,078,000 | | |
| 2-B5 | $808,000 | | |
| 2-B6 | $1,081,558 | | |
| R | $0 | | |
| 1-RC | $0 | | |
| 2-RC | $0 | | |
| X | $0 | | |

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66051.619

**RMBS**

| | | | | |
|---|---|---|---|---|
| Transaction Name: | GSR 2006-3F | | GSR 2006-4F | |
| Closing Date: | March 30, 2006 | | April 28, 2006 | |
| Issuer: | GSR Mortgage Loan Trust 2006-3F | | GSR Mortgage Loan Trust 2006-4F | |
| Trustee: | U.S. Bank | | U.S. Bank | |
| Rating Agencies: | S&P, Fitch | | S&P, Fitch | |
| Collateral Type: | Prime Fixed | | Prime Fixed | |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $50,106,000 | 1A1 | $32,589,000 |
| 1A2 | $37,583,000 | 2A1 | $145,807,000 |
| 1A3 | $3,816,000 | 2A2 | $109,412,000 |
| 1A4 | $3,896,000 | 2A3 | $28,858,000 |
| 1A5 | $7,711,000 | 2A4 | $38,957,000 |
| 1A6 | $4,891,000 | 2A5 | $42,569,000 |
| 1A7 | $320,000 | 2A6 | $56,843,000 |
| 2A1 | $174,888,000 | 2A7 | $10,897,000 |
| 2A2 | $122,064,000 | 2A8 | $10,937,000 |
| 2A3 | $133,080,000 | 2A9 | $21,834,000 |
| 2A4 | $11,008,000 | 2A10 | $13,668,000 |
| 2A5 | $17,856,000 | 2A11 | $875,000 |
| 2A6 | $6,850,000 | 3A1 | $196,374,000 |
| 2A7 | $32,787,000 | 3A2 | $3,838,000 |
| 2A8 | $2,221,000 | 4A1 | $82,874,000 |
| 3A1 | $239,878,000 | 4A2 | $82,874,000 |
| 3A2 | $45,359,000 | 5A1 | $80,719,000 |
| 3A3 | $3,779,916 | 5A2 | $81,137,000 |
| 3A4 | $60,437,000 | 5A3 | $19,710,000 |
| 3A5 | $5,036,418 | 5A4 | $20,853,000 |
| 3A6 | $45,359,000 | 5A5 | $24,474,000 |
| 3A7 | $60,437,000 | 5A6 | $38,863,000 |
| 3A8 | $105,796,000 | 5A7 | $6,044,000 |
| 3A9 | $105,796,000 | 5A8 | $6,179,000 |
| 3A10 | $6,818,332 | 5A9 | $12,223,000 |
| 3A11 | $182,422,000 | 5A10 | $6,151,000 |
| 3A12 | $67,047,000 | 5A11 | $5,208,000 |
| 3A13 | $9,569,000 | 6A1 | $10,000,000 |
| 3A14 | $10,000 | 6A2 | $72,547,000 |
| 3A15 | $9,480,000 | 6A3 | $7,088,000 |
| 3A16 | $44,830,000 | AP | $113,975 |
| 3A17 | $3,046,000 | AX | $406,722 |
| 3A18 | $76,626,000 | B-1 | $12,556,000 |
| 4A1 | $127,059,000 | B-2 | $5,149,000 |
| 5A1 | $49,835,000 | B-3 | $3,218,000 |
| 5A2 | $49,835,000 | B-4 | $2,574,000 |
| A-P | $66,872 | B-5 | $2,252,000 |
| A-X | $36,880 | B-6 | $1,612,858 |
| M1 | $8,012,000 | RC | $0 |
| B1 | $9,016,000 | R | $0 |
| B2 | $4,007,000 | | |
| B3 | $2,671,000 | | |
| B4 | $1,669,000 | | |
| B5 | $1,001,000 | | |
| B6 | $1,673,234 | | |
| R | $0 | | |
| RC | $0 | | |

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RMBS

| | | | | |
|---|---|---|---|---|
| Transaction Name: | GSR 2006-5F | | GSR 2006-6F | |
| Closing Date: | May 26, 2006 | | June 30, 2006 | |
| Issuer: | GSR Mortgage Loan Trust 2006-5F | | GSR MORTGAGE LOAN TRUST 2006-6FO | |
| Trustee: | U.S. Bank | | U.S. Bank | |
| Rating Agencies: | S&P, Fitch | | Fitch, Moody's | |
| Collateral Type: | Prime Fixed | | Prime Fixed | |
| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
| | 1A1 | $57,343,000 | 1A1 | $11,875,000 |
| | 2A1 | $67,875,000 | 2A1 | $103,000,000 |
| | 2A2 | $80,417,000 | 2A2 | $7,725,000 |
| | 2A3 | $28,000 | 2A3 | $44,722,000 |
| | 2A4 | $13,980,000 | 2A4 | $34,481,000 |
| | 2A5 | $33,212,000 | 2A5 | $2,470,000 |
| | 2A6 | $2,307,000 | 3A1 | $30,000,000 |
| | 3A1 | $207,148,000 | 3A2 | $184,510,357 |
| | 3A2 | $8,398,000 | 3A3 | $184,510,357 |
| | 3A3 | $207,148,000 | 3A4 | $12,654,643 |
| | 3A4 | $207,148,000 | 3A5 | $12,654,643 |
| | 3A5 | $179,628,532 | 4A1 | $23,322,000 |
| | 3A6 | $179,628,532 | 4A2 | $23,322,000 |
| | 3A7 | $27,519,468 | AP | $19,850 |
| | 4A1 | $22,407,000 | AX | $29,550 |
| | 4A2 | $22,407,000 | M-1 | $3,321,000 |
| | 5A1 | $24,388,000 | B-1 | $5,756,000 |
| | AP | $255,214 | B-2 | $2,956,000 |
| | AX | $19,308 | B-3 | $1,548,000 |
| | M-1 | $3,881,000 | B-4 | $885,000 |
| | B-1 | $6,978,000 | B-5 | $664,000 |
| | B-2 | $3,101,000 | B-6 | $888,331 |
| | B-3 | $2,067,000 | RC | $0 |
| | B-4 | $1,292,000 | R | $0 |
| | B-5 | $775,000 | | |
| | B-6 | $1,294,070 | | |
| | RC | $0 | | |
| | R | $0 | | |

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RMBS

| | | |
|---|---|---|
| Transaction Name: | GSR 2006-7F | GSR 2006-8F |
| Closing Date: | July 28, 2006 | August 25, 2006 |
| Issuer: | GSR Mortgage Loan Trust 2006-7F | GSR Mortgage Loan Trust 2006-8F |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | S&P, Moody's, Fitch | S&P, Moody's, Fitch |
| Collateral Type: | Prime Fixed | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $6,820,000 | 1A-1 | $3,388,000 |
| 2A-1 | $100,568,000 | 2A-1 | $78,068,000 |
| 2A-2 | $73,819,000 | 3A-1 | $88,973,000 |
| 2A-3 | $38,880,000 | 3A-2 | $88,973,000 |
| 2A-4 | $35,159,000 | 3A-3 | $5,000,000 |
| 2A-5 | $28,127,200 | 3A-4 | $20,000,000 |
| 2A-6 | $28,127,200 | 3A-5 | $102,876,000 |
| 2A-7 | $7,031,800 | 3A-6 | $47,130,000 |
| 2A-8 | $7,031,800 | 3A-7 | $3,509,000 |
| 2A-9 | $16,719,000 | 3A-8 | $3,073,000 |
| 2A-10 | $8,726,000 | 3A-9 | $3,770,400 |
| 2A-11 | $7,993,000 | 3A-10 | $47,130,000 |
| 2A-12 | $9,400,000 | 3A-11 | $47,130,000 |
| 2A-13 | $660,000 | 4A-1 | $54,420,000 |
| 3A-1 | $77,984,000 | 4A-2 | $50,000,000 |
| 3A-2 | $77,984,000 | 4A-3 | $830,000 |
| 3A-3 | $3,117,000 | 4A-4 | $2,409,000 |
| 3A-4 | $26,851,000 | 4A-5 | $3,536,000 |
| 3A-5 | $78,342,000 | 4A-6 | $278,815 |
| 3A-6 | $42,711,000 | 4A-7 | $56,422,000 |
| 3A-7 | $2,990,000 | 4A-8 | $4,494,000 |
| 3A-8 | $822,000 | 4A-9 | $2,164,000 |
| 4A-1 | $50,000,000 | 4A-10 | $196,481 |
| 4A-2 | $89,625,000 | 4A-11 | $3,635,000 |
| 4A-3 | $53,214,000 | 4A-12 | $8,000 |
| 4A-4 | $498,000 | 4A-13 | $56,422,000 |
| 4A-5 | $66,238,000 | 4A-14 | $56,422,000 |
| 4A-6 | $2,526,000 | 4A-15 | $2,164,000 |
| 4A-7 | $13,014,000 | 4A-16 | $2,164,000 |
| 4A-8 | $1,001,078 | 4A-17 | $84,221,000 |
| 4A-9 | $911,000 | 4A-18 | $84,221,000 |
| 4A-10 | $46,270,000 | 4A-19 | $84,221,000 |
| 4A-11 | $9,430,000 | 4A-20 | $66,830,000 |
| 4A-12 | $13,014,000 | 4A-21 | $4,940,076 |
| 4A-13 | $13,014,000 | 5A-1 | $81,799,000 |
| 4A-14 | $2,917,569 | 5A-2 | $81,799,000 |
| 5A-1 | $62,686,000 | A-X | $35,064 |
| 5A-2 | $62,686,000 | M-1 | $1,870,000 |
| A-X | $72,267 | B-1 | $8,711,000 |
| M-1 | $6,712,000 | B-2 | $3,733,000 |
| B-1 | $7,319,000 | B-3 | $2,488,000 |
| B-2 | $3,659,000 | B-4 | $1,244,000 |
| B-3 | $1,829,000 | B-5 | $1,244,000 |
| B-4 | $1,219,000 | B-6 | $1,247,465 |
| B-5 | $914,000 | X | $0 |
| B-6 | $919,367 | RC | $0 |
| X | $0 | R | $0 |
| RC | $0 | | |
| R | $0 | | |

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**RMBS**

| | GSR 2006-6F | GSR 2006-10F |
|---|---|---|
| Transaction Name: | GSR 2006-6F | GSR 2006-10F |
| Closing Date: | October 30, 2006 | December 29, 2006 |
| Issuer: | GSR Mortgage Loan Trust 2006-6F | GSR Mortgage Loan Trust 2006-10F |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | S&P, Moody's, Fitch | S&P, Fitch |
| Collateral Type: | Prime Fixed | Prime Fixed |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A-1 | $5,480,000 | 1A-1 | $8,461,000 |
| | 2A-1 | $102,032,000 | 2A-1 | $46,780,000 |
| | 3A-1 | $508,770,000 | 3A-1 | $204,541,000 |
| | 4A-1 | $306,639,000 | 4A-1 | $88,737,000 |
| | 4A-2 | $284,736,214 | 4A-2 | $88,737,000 |
| | 4A-3 | $284,736,214 | 4A-3 | $3,856,000 |
| | 4A-4 | $21,902,786 | 5A-1 | $27,210,000 |
| | 4A-5 | $21,902,786 | 6A-1 | $31,938,000 |
| | 5A-1 | $126,252,000 | A-X | $349,509 |
| | 5A-2 | $198,252,000 | M-1 | $4,717,000 |
| | 5A-3 | $70,000,000 | B-1 | $5,356,000 |
| | 5A-4 | $2,635,000 | B-2 | $2,788,000 |
| | 6A-1 | $90,220,000 | B-3 | $1,500,000 |
| | 6A-2 | $90,220,000 | B-4 | $1,071,000 |
| | 7A-1 | $8,013,000 | B-5 | $642,000 |
| | 8A-1 | $50,491,000 | B-6 | $1,074,413 |
| | 9A-1 | $62,255,000 | RC | $0 |
| | A-X | $1,284,597 | R | $0 |
| | M-1 | $11,726,000 | | |
| | B-1 | $17,238,000 | | |
| | B-2 | $7,584,000 | | |
| | B-3 | $4,137,000 | | |
| | B-4 | $2,758,000 | | |
| | B-5 | $2,068,000 | | |
| | B-6 | $2,760,849 | | |
| | RC | $0 | | |
| | R | $0 | | |

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66051.623

**RMBS**

| | GSR 2006-AR1 | GSR 2006-AR2 |
|---|---|---|
| Transaction Name: | GSR 2006-AR1 | GSR 2006-AR2 |
| Closing Date: | January 30, 2006 | April 28, 2006 |
| Issuer: | GSR Mortgage Loan Trust 2006-AR1 | GSR Mortgage Loan Trust 2006-AR2 |
| Trustee: | U.S. Bank | Citibank |
| Rating Agencies: | S&P, Fitch | S&P, Fitch |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | $131,859,000 | 1A1 | $50,873,000 |
| 1A2 | $8,520,000 | 2A1 | $104,584,000 |
| 2A1 | $400,000,000 | 2A2 | $19,982,000 |
| 2A2 | $383,536,000 | 2A3 | $6,159,000 |
| 2A3 | $69,461,000 | 3A1 | $222,947,000 |
| 2A4 | $150,885,000 | 3A2 | $11,011,000 |
| 2A5 | $48,583,000 | 4A1 | $190,796,000 |
| 3A1 | $94,348,000 | 4A2 | $9,435,000 |
| 3A2 | $4,866,000 | 5A1 | $287,215,000 |
| B1 | $31,059,000 | 5A2 | $14,204,000 |
| B2 | $10,804,000 | 1X | $56,885,886 |
| B3 | $5,401,000 | 1B1 | $2,284,000 |
| B4 | $6,077,000 | 1B2 | $1,002,000 |
| B5 | $4,051,000 | 1B3 | $557,000 |
| B6 | $3,376,498 | 2B1 | $19,044,000 |
| RC | $100 | 2B2 | $7,254,000 |
| R | $100 | 2B3 | $4,534,000 |
| | | 1B4 | $501,000 |
| | | 1B5 | $278,000 |
| | | 1B6 | $390,888 |
| | | 2B4 | $4,081,000 |
| | | 2B5 | $3,174,000 |
| | | 2B6 | $2,721,016 |
| | | R | $100 |
| | | 1RC | $100 |
| | | 2RC | $100 |

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66051.624

**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2006-OA1 | GSR 2007-1F |
| Closing Date: | August 24, 2006 | February 28, 2007 |
| Issuer: | GSR Mortgage Loan Trust 2006-OA1 | GSR Mortgage Loan Trust 2007-1F |
| Trustee: | Deutsche Bank | U.S. Bank |
| Rating Agencies: | S&P, Moody's | S&P, Moody's, Fitch |
| Collateral Type: | Option ARM | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1-A-1 | $744,970,000 | 1A-1 | $2,520,000 |
| 2-A-1 | $948,465,000 | 2A-1 | $670,073,000 |
| 2-A-2 | $353,527,000 | 2A-2 | $497,838,000 |
| 2-A-3 | $212,117,000 | 2A-3 | $38,222,000 |
| 3-A-1 | $148,888,000 | 2A-4 | $124,216,000 |
| 3-A-2 | $36,722,000 | 2A-5 | $9,830,000 |
| M-1 | $52,195,000 | 2A-6 | $310,270,000 |
| M-2 | $44,055,000 | 2A-7 | $167,566,000 |
| M-3 | $18,140,000 | 2A-8 | $16,909,000 |
| M-4 | $31,098,000 | 2A-9 | $19,313,000 |
| M-5 | $12,957,000 | 2A-10 | $536,056,000 |
| M-6 | $12,958,000 | 3A-1 | $214,978,678 |
| M-7 | $12,957,000 | 3A-2 | $157,522,000 |
| M-8 | $12,957,000 | 3A3 | $14,461,000 |
| M-9 | $12,958,000 | 3A4 | $132,127,000 |
| R | $100 | 3A5 | $12,314,000 |
| RC | $100 | 3A-6 | $153,000,000 |
| RX | $100 | 3A-7 | $153,000,000 |
| P | $100 | 3A-8 | $50,000,000 |
| X | $28,506,312 | 3A-9 | $142,870,000 |
| | | 3A-10 | $13,972,500 |
| | | 3A-11 | $50,000,000 |
| | | 3A-12 | $142,870,000 |
| | | 3A-13 | $10,112,000 |
| | | 3A-14 | $142,870,000 |
| | | 3A-15 | $132,127,000 |
| | | 3A-16 | $5,505,291 |
| | | 4A-1 | $165,077,000 |
| | | 4A-2 | $165,077,000 |
| | | A-X | $289,488 |
| | | M-1 | $10,482,000 |
| | | B-1 | $18,867,000 |
| | | B-2 | $8,032,000 |
| | | B-3 | $4,016,000 |
| | | B-4 | $3,212,000 |
| | | B-5 | $1,606,000 |
| | | B-6 | $2,413,395 |
| | | X | $0 |
| | | RC | $0 |
| | | R | $100 |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2007-2F | GSR 2007-3F |
| Closing Date: | March 30, 2007 | April 30, 2007 |
| Issuer: | GSR Mortgage Loan Trust 2007-2F | GSR Mortgage Loan Trust 2007-3F |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | Moody's, Fitch | Moody's, Fitch |
| Collateral Type: | Prime Fixed | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $101,801,000 | 1A-1 | $53,113,000 |
| 1A-2 | $75,480,000 | 1A-2 | $36,758,000 |
| 1A-3 | $5,981,000 | 1A-3 | $5,732,000 |
| 1A-4 | $18,988,000 | 1A-4 | $9,917,000 |
| 1A-5 | $1,372,000 | 1A-5 | $708,000 |
| 2A-1 | $308,768,000 | 2A-1 | $253,277,000 |
| 2A-2 | $152,973,000 | 2A-2 | $185,301,000 |
| 2A-3 | $162,584,000 | 2A-3 | $197,529,000 |
| 2A-4 | $9,811,000 | 2A-4 | $12,027,000 |
| 2A-5 | $12,441,000 | 2A-5 | $17,121,000 |
| 2A-6 | $2,930,000 | 2A-6 | $5,094,000 |
| 2A-7 | $38,568,000 | 2A-7 | $47,282,000 |
| 2A-8 | $2,786,000 | 2A-8 | $3,383,000 |
| 2A-9 | $94,568,000 | 2A-9 | $114,758,000 |
| 2A-10 | $58,405,000 | 2A-10 | $70,743,000 |
| 3A-1 | $241,703,000 | 3A-1 | $370,744,000 |
| 3A-2 | $173,545,000 | 3A-2 | $281,073,000 |
| 3A-3 | $165,328,000 | 3A-3 | $262,841,000 |
| 3A-4 | $11,783,000 | 3A-4 | $18,832,000 |
| 3A-5 | $19,817,000 | 3A-5 | $34,064,000 |
| 3A-6 | $8,034,000 | 3A-6 | $15,822,000 |
| 3A-7 | $45,084,000 | 3A-7 | $68,228,000 |
| 3A-8 | $3,257,000 | 3A-8 | $4,923,000 |
| 3A-9 | $89,073,000 | 4A-1 | $67,862,000 |
| 3A-10 | $84,472,000 | 4A-2 | $67,862,000 |
| 4A-1 | $64,907,000 | A-X | $248,093 |
| 4A-2 | $54,907,000 | M-1 | $8,409,000 |
| A-X | $192,375 | B-1 | $10,431,000 |
| M-1 | $4,393,000 | B-2 | $4,835,000 |
| B-1 | $8,153,000 | B-3 | $3,091,000 |
| B-2 | $3,783,000 | B-4 | $1,545,000 |
| B-3 | $2,198,000 | B-5 | $1,159,000 |
| B-4 | $1,254,000 | B-6 | $1,545,564 |
| B-5 | $941,000 | R | $100 |
| B-6 | $1,254,730 | RC | $0 |
| R | $100 | | |
| A-P | $69,793 | | |
| X | $0 | | |
| RC | $0 | | |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2007-4F | GSR 2007-5F |
| Closing Date: | June 29, 2007 | December 28, 2007 |
| Issuer: | GSR Mortgage Loan Trust 2007-4F | GSR Mortgage Loan Trust 2007-5F |
| Trustee: | U.S. Bank | U.S. Bank |
| Rating Agencies: | S&P, Fitch | S&P, Fitch |
| Collateral Type: | Prime Fixed | Prime Fixed |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $27,834,000 | A-1 | $987,024,000 |
| 2A-1 | $160,449,000 | A-2 | $28,215,000 |
| 2A-2 | $112,720,000 | M-1 | $10,128,000 |
| 2A-3 | $120,887,000 | B-1 | $4,341,000 |
| 2A-4 | $8,187,000 | B-2 | $4,702,000 |
| 2A-5 | $15,639,000 | B-3 | $2,532,000 |
| 2A-6 | $7,472,000 | B-4 | $2,894,000 |
| 2A-7 | $29,851,000 | B-5 | $2,170,000 |
| 2A-8 | $2,239,000 | B-6 | $1,447,809 |
| 3A-1 | $100,000,000 | R | $100 |
| 3A-2 | $182,099,000 | RC | $100 |
| 3A-3 | $61,948,000 | | |
| 3A-4 | $100,154,000 | | |
| 3A-5 | $18,377,000 | | |
| 3A-6 | $59,096,000 | | |
| 3A-7 | $4,491,000 | | |
| 3A-8 | $45,000,000 | | |
| 3A-9 | $8,510,000 | | |
| 3A-10 | $3,476,000 | | |
| 3A-11 | $250,586,396 | | |
| 4A-1 | $77,846,000 | | |
| 4A-2 | $77,846,000 | | |
| 5A-1 | $12,891,000 | | |
| 6A-1 | $45,244,000 | | |
| 7A-1 | $19,603,000 | | |
| M-1 | $1,190,000 | | |
| B-1 | $11,082,000 | | |
| B-2 | $5,135,000 | | |
| B-3 | $2,788,000 | | |
| B-4 | $2,370,000 | | |
| B-5 | $1,185,000 | | |
| B-6 | $1,975,749 | | |
| A-P | $90,993 | | |
| A-X | $245,320 | | |
| R | $100 | | |
| RC | $0 | | |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2007-AR1 | GSR 2007-AR2 |
| Closing Date: | January 31, 2007 | May 24, 2007 |
| Issuer: | GSR Mortgage Loan Trust 2007-AR1 | GSR Mortgage Loan Trust 2007-AR2 |
| Trustee: | Deutsche Bank | Deutsche Bank |
| Rating Agencies: | S&P, Fitch | S&P, Fitch |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A1 | 74,245,000 | 1A1 | $419,625,000 |
| 1A2 | $3,448,000 | 1A2 | $24,143,000 |
| 2A1 | $1,080,259,000 | 2A1 | $231,812,000 |
| 2A2 | $50,176,000 | 2A2 | $8,717,000 |
| 3A1 | $160,221,000 | 3A1 | $68,220,000 |
| 3A2 | $7,443,000 | 3A2 | $2,568,000 |
| 4A1 | $80,686,000 | 4A1 | $43,565,000 |
| 4A2 | $2,819,000 | 4A2 | $1,640,000 |
| 5A1 | $131,589,000 | 5A1A | $56,038,000 |
| 5A2 | $6,127,000 | 5A1B | $317,896,000 |
| 6A1 | $89,171,000 | 5A2 | $14,075,000 |
| 6A2 | $4,142,000 | 6A1 | $89,703,000 |
| B1 | $39,259,000 | 6A2 | $3,376,000 |
| B2 | $13,065,000 | B1 | $19,916,000 |
| B3 | $7,851,000 | B2 | $8,293,000 |
| B4 | $5,234,000 | B3 | $5,311,000 |
| B5 | $4,361,000 | B4 | $5,310,000 |
| B6 | $4,365,162 | B5 | $3,983,000 |
| R | $100 | B6 | $2,656,049 |
| RC | $100 | R | $100 |
| | | RC | $100 |



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RMBS

| | | |
|---|---|---|
| Transaction Name: | GSR 2007-HEL1 | GSR 2007-OA1 |
| Closing Date: | April 17, 2007 | May 9, 2007 |
| Issuer: | GSR Trust 2007-HEL1 | GSR Mortgage Loan Trust 2007-OA1 |
| Trustee: | Deutsche Bank | Deutsche Bank |
| Rating Agencies: | S&P, Moody's | S&P, Moody's |
| Collateral Type: | HELOC | Option ARM |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| A | $132,937,000 | 1A-1 | $374,916,000 |
| R | $100 | 1A-2 | $93,654,000 |
| X | $100 | 2A-1 | $156,221,000 |
| S | $100 | 2A-2 | $74,738,000 |
| X-1 | $100 | 2A-3A | $93,886,000 |
| | | 2A-3B | $10,433,000 |
| | | 2A-4 | $200,000,000 |
| | | 2A-M | $59,477,000 |
| | | M-1 | $18,718,000 |
| | | M-2 | $18,024,000 |
| | | M-3 | $8,341,000 |
| | | M-4 | $6,918,000 |
| | | M-5 | $6,224,000 |
| | | M-6 | $4,812,000 |
| | | M-7 | $8,070,000 |
| | | M-8 | $5,785,000 |
| | | M-9 | $4,036,000 |
| | | M-10 | $2,882,000 |
| | | R | $100 |
| | | RC | $100 |
| | | RX | $100 |
| | | XP | $6,341,774 |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | GSR 2007-OA2 | NCAMT 2006-ALT2 |
| Closing Date: | October 29, 2007 | October 30, 2006 |
| Issuer: | GSR Mortgage Loan Trust 2007-OA2 | New Century Alternative Mortgage Loan Trust 2006-ALT2 |
| Trustee: | Deutsche Bank | U.S. Bank |
| Rating Agencies: | S&P, Moody's | S&P, Moody's |
| Collateral Type: | Option ARM | Alt-A |

Capital Structure:

| Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|
| 1A-1 | $186,326,000 | AV-1 | $186,161,000 |
| 2A-1 | $105,399,000 | AF-2 | $38,791,000 |
| A-2 | $72,931,000 | AF-3 | $85,815,000 |
| 1X | $232,907,000 | AF-4 | $31,742,000 |
| 2X | $131,749,000 | AF-5 | $56,290,000 |
| B-1 | $8,738,000 | AF-6A | $39,580,000 |
| B-2 | $8,877,000 | AF-6B | $4,398,000 |
| B-3 | $5,291,000 | M-1 | $8,751,000 |
| B-4 | $8,877,000 | M-2 | $3,492,000 |
| B-5 | $8,138,000 | M-3 | $2,329,000 |
| B-6 | $9,312,000 | M-4 | $3,955,000 |
| B-7 | $2,326,000 | B-1 | $2,329,000 |
| B-8 | $8,466,028 | B-2 | $2,329,000 |
| P-1 | $100 | B-3 | $2,329,000 |
| P-2 | $100 | R | $100 |
| R | $100 | RC | $100 |
| RC | $100 | RX | $100 |
| | | X | $2,328,818 |
| | | P | $100 |

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RMBS

| | | |
|---|---|---|
| Transaction Name: | STARM 2007-1 | STARM 2007-4 |
| Closing Date: | February 23, 2007 | September 24, 2007 |
| Issuer: | STARM Mortgage Loan Trust 2007-1 | STARM Mortgage Loan Trust 2007-4 |
| Trustee: | Deutsche Bank | Deutsche Bank |
| Rating Agencies: | S&P, Fitch | S&P, Moody's, Fitch |
| Collateral Type: | Prime Hybrid | Prime Hybrid |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | 1A1 | $63,302,000 | 1A1 | $19,656,000 |
| | 1A2 | $3,323,000 | 1A2 | $1,341,000 |
| | 2A1 | $306,002,000 | 2A1 | $78,233,000 |
| | 2A2 | $18,009,000 | 2A2 | $96,418,000 |
| | 3A1 | $93,787,000 | 2A3 | $11,638,000 |
| | 3A2 | $31,252,000 | 2X | $96,418,000 |
| | 3A3 | $6,562,000 | 3A1 | $391,618,000 |
| | B1 | $13,628,000 | 3A2 | $26,702,000 |
| | B2 | $4,258,000 | 4A1 | $102,139,000 |
| | B3 | $3,271,000 | 4A2 | $8,965,000 |
| | B4 | $1,908,000 | M | $23,942,000 |
| | B5 | $1,635,000 | B1 | $4,431,000 |
| | B6 | $1,363,429 | B2 | $6,996,000 |
| | R | $100 | B3 | $2,721,000 |
| | RC | $100 | B4 | $4,275,000 |
| | | | B5 | $1,166,000 |
| | | | B6 | $3,109,952 |
| | | | R | $100 |
| | | | RC | $100 |

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**RMBS**

| | | |
|---|---|---|
| Transaction Name: | FHLT 2004-A | CBASS 2006-CB9 |
| Closing Date: | February 20, 2004 | December 7, 2006 |
| Issuer: | Fremont Home Loan Trust 2004-A | C-BASS Trust 2006-CB9 |
| Trustee: | HSBC | LaSalle Bank |
| Rating Agencies: | S&P, Moody's | Moody's, Fitch, DBRS |
| Collateral Type: | Subprime | Subprime |

| Capital Structure: | Tranche | Orig. Balance | Tranche | Orig. Balance |
|---|---|---|---|---|
| | A-1A | $212,726,000 | A-1 | $330,834,000 |
| | A-1B | $23,637,000 | A-2 | $72,052,000 |
| | A-2 | $237,239,000 | A-3 | $118,880,000 |
| | A-3 | $189,451,000 | A-4 | $82,496,000 |
| | M-1 | $58,419,000 | M-1 | $26,281,000 |
| | M-2 | $47,987,000 | M-2 | $22,930,000 |
| | M-3 | $14,804,000 | M-3 | $13,758,000 |
| | B-1 | $14,805,000 | M-4 | $11,948,000 |
| | B-2 | $10,432,000 | M-5 | $12,229,000 |
| | B-3 | $10,432,000 | M-6 | $9,554,000 |
| | X | N/A | M-7 | $9,172,000 |
| | P | $100 | M-8 | $6,790,000 |
| | R | N/A | M-9 | $6,115,000 |
| | | | B-1 | $13,376,000 |
| | | | B-2 | $4,968,000 |
| | | | B-3 | $7,644,000 |
| | | | CE-1 | $13,375,922 |
| | | | CE-2 | $100 |
| | | | R | $100 |
| | | | RX | $100 |
| | | | P | $100 |

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| Sum of Orig Face (mm) | |
|---|---|
| Risk Taker/ Customer | Total |
| ACA Management | 42.0 |
| AIG (AIGFP) | 149.7 |
| AIG (Banque AIG) | 205.0 |
| AIG (Global) | 18.6 |
| Aladdin | [redacted] |
| Allied Irish | [redacted] |
| Anglo Irish | [redacted] |
| Bank Hofman | [redacted] |
| BAWAG | [redacted] |
| BSAM | 760.2 |
| C-BASS | [redacted] |
| Church Tavern | [redacted] |
| CNCE | [redacted] |
| Commerzbank | [redacted] |
| Credit Suisse | [redacted] |
| Deutsche Bank | [redacted] |
| Faxtor | [redacted] |
| GIB | [redacted] |
| Greywolf | 15.0 |
| HBK | [redacted] |
| Highland Capital | [redacted] |
| IKB | 985.5 |
| Koch Global | [redacted] |
| Merrill | [redacted] |
| New Bond Street | [redacted] |
| Nordea | [redacted] |
| NY CDO DESK | 250.6 |
| Oppenheimer | [redacted] |
| Princeton Advisory | [redacted] |
| Security Benefit Life | [redacted] |
| TCW | [redacted] |
| Tricadia | [redacted] |
| Vanderbilt | [redacted] |
| Wachovia | [redacted] |
| Grand Total | 3,661.5 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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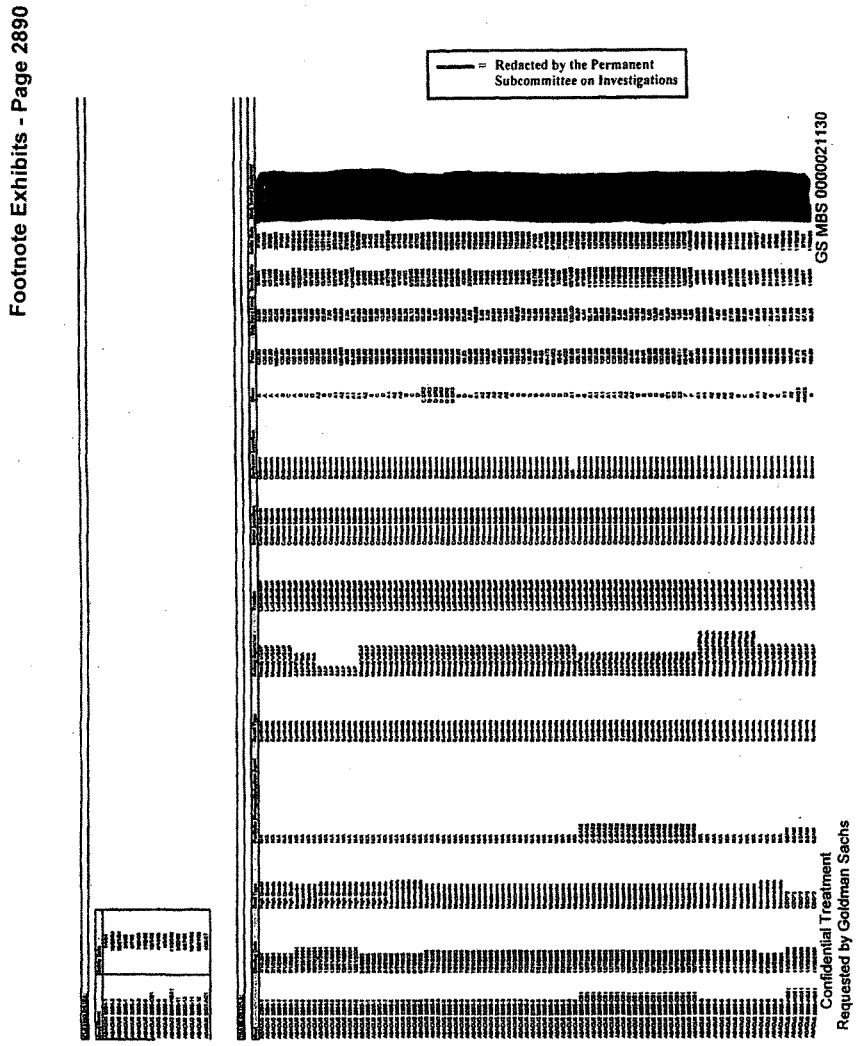
GS MBS 0000021129

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1542


Footnote Exhibits - Page 2890
= Redacted by the Permanent Subcommittee on Investigations
GS MBS 0000021130
Confidential Treatment Requested by Goldman Sachs

Footnote Exhibits - Page 2891

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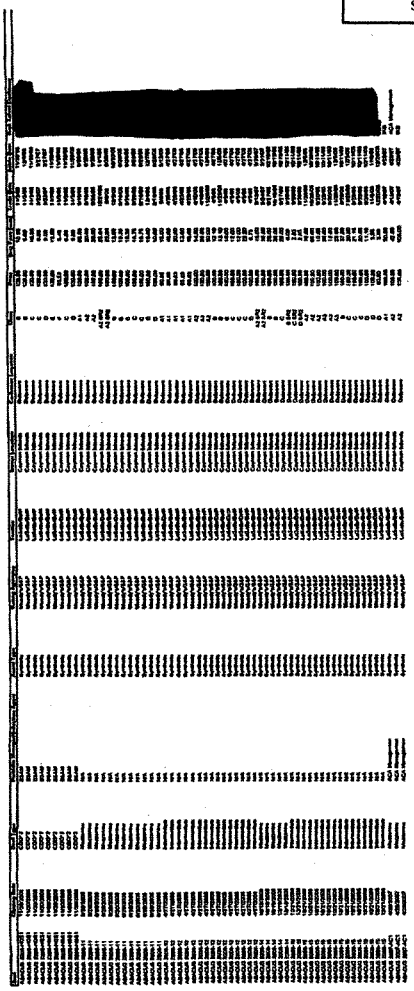

GS MBS 0000021131

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TRADE DETAILS:

| Deal | Class | Price | Orig Face (mm) | Trade Date | Settle Date | Risk Taker/ Customer |
|---|---|---|---|---|---|---|
| ABACUS 06-11 NR | A-1 | CDS- 54bps | -41.25 | 9/18/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-11 NR | A-1 | CDS- 54bps | -41.25 | 9/18/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABACUS 06-11 NR | A-2 | CDS- 62bps | -22.97 | 9/18/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-11 NR | A-2 | CDS- 62bps | -22.97 | 9/18/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABACUS 06-11 NR | B | CDS- 120bps | -10.63 | 9/18/06 | 9/26/06 | GSC Elliot Bridge Master Fund I, Ltd. |
| ABACUS 06-11 NR | B | CDS- 120bps | -10.63 | 9/18/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-11 NR | B | CDS- 120bps | -10.63 | 9/18/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABACUS 06-11 NR | C | CDS- 230bps | -6.25 | 9/18/06 | 9/26/06 | GSC Elliot Bridge Master Fund I, Ltd. |
| ABACUS 06-11 NR | C | CDS- 230bps | -6.25 | 9/18/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-11 NR | C | CDS- 230bps | -6.25 | 9/18/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABACUS 06-11 NR | D | CDS- 405bps | -5.94 | 9/18/06 | 9/26/06 | GSC Elliot Bridge Master Fund I, Ltd. |
| ABACUS 06-11 NR | D | CDS- 405bps | -5.94 | 9/18/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-11 NR | D | CDS- 405bps | -5.94 | 9/18/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABACUS 06-14 NR | A-2 | CDS- 70bps | -36.68 | 10/10/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-14 NR | B | CDS- 105bps | -36.68 | 10/10/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-14 NR | C | CDS- 200bps | -25.16 | 10/10/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-14 NR | D | CDS- 400bps | -15.72 | 10/10/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABACUS 06-15 | C | CDS- 185bps | -9.81 | 11/6/06 | 11/13/06 | GSC Elliot Bridge Master Fund I, Ltd. |
| ABACUS 06-HGS1 | SS | CDS- 22bps | -1032.00 | 9/15/06 | 9/20/06 | PAULSON CRED OPP MST |
| ABACUS 06-INDX2 | SS | CDS- 22bps | -660.00 | 9/27/06 | 10/4/06 | PAULSON CRED OPP MST |
| ABACUS 07-AC1 | SS | CDS- 85bps | -1000.00 | 5/31/07 | 5/31/07 | PAULSON CRED OPP MST |
| ABACUS 07-AC1 | A2 | CDS- 141bps | -142.00 | 5/31/07 | 4/26/07 | PAULSON CRED OPP MST |
| ABACUS 07-AC1 | A1 | CDS- 118bps | -50.00 | 4/10/07 | 4/26/07 | PAULSON CRED OPP MST |

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TRADE DETAILS

| Deal | Class | Price | Orig Face ($mm) | Trade Date | Settle Date | Risk Taker/ Customer |
|---|---|---|---|---|---|---|
| ABACUS 04-1 | Second Loss | 500bps running | 2.00 | 9/29/05 | 10/18/05 | GSC Elist Bridge Master Fund I, Ltd. |
| ABACUS 04-1 | First Loss | 950bps running | 4.50 | 9/26/05 | 10/18/05 | GSC Elist Bridge Master Fund I, Ltd. |
| ABACUS 04-1 | First Loss | 1845bps running | 10.00 | 3/30/06 | 3/30/06 | [redacted] |
| ABACUS 04-1 | Second Loss | 1750bps running | 12.50 | 12/5/06 | 12/5/06 | [redacted] |
| ABACUS 04-1 | SS | 12bps running | 1760.00 | 5/29/05 | 6/6/05 | AIGFP |
| ABACUS 04-2 | SS | 12bps running | 720.00 | 5/26/05 | 6/6/05 | AIGFP |
| ABACUS 05-2 | First Loss | 1590bps running | 3.00 | 10/20/05 | 11/8/05 | GSC Elist Bridge Master Fund I, Ltd. |
| ABACUS 05-2 | Second Loss | 675bps running | 4.20 | 10/20/05 | 11/8/05 | GSC Elist Bridge Master Fund I, Ltd. |
| ABACUS 05-2 | First Loss | 1390bps running | 3.00 | 10/18/05 | 11/2/05 | Bear Stearns Structured Risk Partners Master Fund Ltd. |
| ABACUS 05-2 | Second Loss | 975bps running | 7.00 | 10/18/05 | 11/2/05 | Bear Stearns Structured Risk Partners Master Fund Ltd. |
| ABACUS 05-3 | SS | 13bps running | 1000.00 | 10/7/05 | 10/13/05 | AIGFP |
| ABACUS 05-3 | SS | 12bps running | 1200.00 | 7/6/05 | 7/13/05 | AIGFP |
| ABACUS 05-CB1 | First Loss | 550bps running | 15.94 | 11/10/05 | 12/7/05 | [redacted] |
| ABACUS 05-CB1 | Second Loss | 1150bps running | 18.94 | 11/10/05 | 12/7/05 | [redacted] |
| ABACUS 05-CB1 | SS | 10bps running | 480.00 | 11/10/05 | 12/7/05 | AIGFP |
| ABACUS 06-15 | E | CDS- 1530bps | 5.00 | 11/6/06 | 11/13/06 | GSC Elist Bridge Master Fund I, Ltd. |
| ABACUS 06-15 V2 | A-1 | CDS- 85bps | 94.00 | 11/16/06 | 11/29/06 | Bear Stearns High Grade Credit Strategies Enhanced Leveraged Master Fund Ltd. |
| ABACUS 06-15 V2 | SS | CDS- 22bps | 318.00 | 11/17/06 | 11/17/06 | [redacted] |
| ABACUS 06-8 | E | CDS- 90bps | 2.30 | 11/17/06 | 11/17/06 | [redacted] |
| ABACUS 06-8 | E | CDS- 80bps | 2.70 | 11/17/06 | 11/17/06 | [redacted] |
| ABACUS 06-8 FL | F | CDS- 2050bps | 0.48 | 7/2/07 | 2/16/08 | [redacted] |
| ABACUS 06-8 FL | F | CDS- 2050bps | 4.50 | 2/7/08 | 2/19/08 | [redacted] |
| ABACUS 06-8 SS | SS | CDS- 25bps | 186.84 | 11/17/06 | 11/29/06 | [redacted] |
| ABACUS 06-HGS1 | FL | CDS- 902bps | 2.90 | 11/7/06 | 11/30/06 | Bear Stearns Structured Risk Partners Master Fund Ltd. |
| ABACUS 06-HGS1 | SS | CDS- 27bps | 450.00 | 11/2/07 | 11/3/08 | [redacted] |
| ABACUS 06-HGS1 | SS | CDS- 27bps | 450.00 | 11/3/08 | 11/3/08 | [redacted] |
| ABACUS 06-INDX2 | SS | CDS- 21.5bps | 660.00 | 10/2/06 | 10/2/06 | [redacted] |
| ABACUS 06-INDX2 | SS | CDS- 21.5bps | 1032.00 | 9/15/06 | 9/20/06 | Morgan Stanley Prop |
| ABACUS 07-AC1 v2 | SS | CDS- 67bps | 909.09 | 5/31/07 | 5/31/07 | ABN Amro - London |



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CLOSING RATES:

| Deal Name | Closing Date | Deal (Type) |
|---|---|---|
| Fortius I Funding, Ltd. | 03/08/06 | Mezzanine |
| Davis Square Funding VI, Ltd. | 03/30/06 | High Grade |
| Haut Bay 2006-1 Ltd. | 05/02/06 | High Grade |
| Broadwick Funding, Ltd. | 05/11/06 | Mezzanine |
| West Coast Funding I, Ltd. | 07/26/06 | High Grade |
| Altius III Funding, Ltd. | 09/28/06 | High Grade |
| Lochlong, Ltd. | 10/04/06 | CDO^2 |
| Hudson High Grade Funding 2006-1, Ltd. | 11/01/06 | High Grade |
| Hudson Mezzanine Funding 2006-1, Ltd. | 12/05/06 | Mezzanine |
| Davis Square Funding VII, Ltd. | 12/05/06 | High Grade |
| Fortius II Funding, Ltd. | 12/07/06 | Mezzanine |
| GSC ABS Funding 2006-3g, Ltd. | 01/16/07 | High Grade |
| Hudson Mezzanine Funding 2006-2, Ltd. | 02/08/07 | Mezzanine |
| Fort Denton Funding, Ltd. | 02/14/07 | CDO^2 |
| Carmax 7 plc | 02/28/07 | Mezzanine |
| Anderson Mezzanine Funding 2007-1, Ltd. | 03/20/07 | Mezzanine |
| Timberwolf I, Ltd. | 03/27/07 | CDO^2 |
| Point Pleasant Funding 2007-1, Ltd. | 04/18/07 | CDO^2 |
| Altius IV Funding, Ltd. | 05/31/07 | High Grade |

| Deal Name | Settle Date | Deal (Type) |
|---|---|---|
| ABACUS 2006-14 | 10/2006, 5/2007 | Mezzanine |
| ABACUS 2006-11 | 9/2006 | Mezzanine |
| ABACUS 2006-15 | 10/2006 | Mezzanine |
| ABACUS 2006-9 | 1/2007, 5/2006 | High Grade |
| ABACUS 2006-HGS1 | 11/2006 | CDO^2 |
| ABACUS 2006-12 | 4/2006 | High Grade |
| ABACUS 2006-8 | 4/2006 | Mezzanine |
| ABACUS 2007-AC1 | 4/2007 | Mezzanine |

TRADE DETAILS:

| Deal Name | Class | Price | Orig Face ($mm) | Trade Date | Settle Date | Risk Taker | Customer |
|---|---|---|---|---|---|---|---|
| ABACUS 2005-1 | A1 | 100.00 | 80.00 | 1/9/06 | 1/20/06 | BEAR STEARNS | Asset Management |
| ABACUS 2005-3 | C SR2 | 100.00 | 25.00 | 2/14/06 | 2/28/06 | Trust Company of the West | |
| ABACUS 2005-3 | D SR2 | 100.00 | 12.00 | 5/31/06 | 6/28/06 | FAXTOR | |
| ABACUS 2005-3 | D SR2 | 100.00 | 5.00 | 5/31/06 | 6/28/06 | Trust Company of the West | |
| ABACUS 2005-3 | D SR2 | 100.00 | 10.00 | 6/20/06 | 6/28/06 | WACHOVIA SECURITIES | |
| ABACUS 2005-3 | D SR2 | 100.00 | 10.00 | 6/16/06 | 6/28/06 | WACHOVIA SECURITIES | |
| ABACUS 2005-3 | D SR3 | 100.00 | 15.00 | 6/28/06 | 6/28/06 | KOCH GLOBAL | |
| ABACUS 2005-3 | B | 100.00 | 15.00 | 3/30/06 | 4/28/06 | BEAR STEARNS | Asset Management |
| ABACUS 2005-3 | D | 98.25 | 25.00 | 4/3/06 | 4/10/06 | IKB DEUTSCH | |
| ABACUS 2005-3 | E | 100.00 | 6.00 | 3/30/06 | 4/28/06 | BEAR STEARNS | Asset Management |
| ABACUS 2005-4 | A1 | 100.28 | 25.00 | 5/17/06 | 5/22/06 | DEUTSCHE BANK | |
| ABACUS 2005-4 | A1 | 100.28 | 25.00 | 5/17/06 | 5/22/06 | LIBERTY HAM/ | |
| ABACUS 2005-7 | A1 SR2 | 100.00 | 30.00 | 3/22/06 | 3/28/06 | DEUTSCHE POV | |
| ABACUS 2005-CB1 | B | 100.13 | 10.00 | 9/18/06 | 9/23/06 | NEW BOND ST | |
| ABACUS 2006-CB1 | C | 100.00 | 8.44 | 4/18/06 | 4/21/06 | COMMERZBANK/ | |
| ABACUS 2006-11 | A1 | 100.00 | 82.50 | 9/19/06 | 9/20/06 | IKB DEUTSCH | |
| ABACUS 2006-11 | A1 | 100.00 | 82.50 | 9/19/06 | 9/20/06 | IKB DEUTSCH | |
| ABACUS 2006-11 | A2 | 100.00 | 20.00 | 9/26/06 | 9/28/06 | NY CDO DESK | |
| ABACUS 2006-11 | A2 | 100.00 | 25.94 | 10/27/06 | 11/1/06 | NY CDO DESK | |
| ABACUS 2006-11 | A2 | 100.00 | 20.00 | 9/18/06 | 9/20/06 | CDO Desk | |
| ABACUS 2006-11 | A2 SR2 | 100.00 | 25.94 | 9/8/06 | 9/20/06 | Aladdin | |
| ABACUS 2006-11 | B | 100.00 | 12.50 | 10/2/06 | 10/30/06 | OPPENHEIMER | |
| ABACUS 2006-11 | B | 100.00 | 19.38 | 9/18/06 | 9/20/06 | Aladdin | |
| ABACUS 2006-11 | C | 100.00 | 18.75 | 9/28/06 | 9/28/06 | NY CDO DESK | |
| ABACUS 2006-11 | C | 100.00 | 18.75 | 9/18/06 | 9/20/06 | Aladdin | |
| ABACUS 2006-11 | D | 100.00 | 10.00 | 12/4/06 | 12/7/06 | NY CDO DESK | |
| ABACUS 2006-11 | D | 100.00 | 10.00 | 9/18/06 | 9/20/06 | Aladdin | |
| ABACUS 2006-12 | A1 | 99.86 | 15.00 | 5/9/06 | 5/12/06 | ACA MGMT LL | |
| ABACUS 2006-12 | A1 | 99.89 | 40.00 | 4/25/06 | 4/27/06 | CHURCH TAVERN | |
| ABACUS 2006-12 | A1 | 99.89 | 20.00 | 4/25/06 | 4/27/06 | DEUTSCHE AM | |
| ABACUS 2006-12 | A1 | 99.89 | 10.00 | 4/25/06 | 4/27/06 | PRINCETON Advisory | |
| ABACUS 2006-12 | A1 | 99.89 | 10.00 | 4/25/06 | 4/27/06 | VANDERBILT | |
| ABACUS 2006-12 | A2 | 100.00 | 14.90 | 4/10/06 | 4/27/06 | Trust Company of the West | |
| ABACUS 2006-12 | A2 | 100.00 | 30.00 | 4/10/06 | 4/27/06 | Trust Company of the West | |
| ABACUS 2006-12 | B | 100.00 | 10.10 | 4/5/06 | 4/27/06 | Davis Square VII (TCW) | |
| ABACUS 2006-12 | B | 100.00 | 10.00 | 4/5/06 | 4/27/06 | Trust Company of the West | |
| ABACUS 2006-12 | C | 100.00 | 12.00 | 4/5/06 | 4/27/06 | Davis Square VII (TCW) | |
| ABACUS 2006-12 | C | 100.00 | 25.50 | 4/5/06 | 4/27/06 | Trust Company of the West | |
| ABACUS 2006-12 | D | 100.00 | 8.75 | 4/5/06 | 4/27/06 | Trust Company of the West | |
| ABACUS 2006-13 | A | 100.00 | 159.00 | 8/9/06 | 9/7/06 | RABOBANK | |
| ABACUS 2006-13 | B | 100.00 | 11.72 | 8/9/06 | 9/7/06 | ALTIUS III WAREHOUSE | |
| ABACUS 2006-13 | B | 100.00 | 27.00 | 8/9/06 | 9/7/06 | CREDIT SUIS/ | |
| ABACUS 2006-13 | B | 100.00 | 6.00 | 8/9/06 | 9/7/06 | DELAWARE | |
| ABACUS 2006-13 | C | 100.00 | 5.83 | 8/9/06 | 9/7/06 | ALTIUS III WAREHOUSE | |
| ABACUS 2006-13 | C | 100.00 | 5.00 | 8/9/06 | 9/7/06 | DELAWARE | |
| ABACUS 2006-13 | D | 100.00 | 2.00 | 8/9/06 | 9/7/06 | ALTIUS III WAREHOUSE | |
| ABACUS 2006-13 | D | 100.00 | 5.83 | 8/9/06 | 9/7/06 | DECLARATION | |
| ABACUS 2006-13 | D | 100.00 | 4.00 | 8/9/06 | 9/7/06 | DELAWARE | |
| ABACUS 2006-13 | E | 100.00 | 7.93 | 8/9/06 | 9/7/06 | ALTIUS III WAREHOUSE | |
| ABACUS 2006-13 | E | 100.00 | 4.00 | 8/9/06 | 9/7/06 | PRINCETON Advisory | |
| ABACUS 2006-13 | F | 100.00 | 3.93 | 8/9/06 | 9/7/06 | CATAMOUNT | |
| ABACUS 2006-13 | F | 100.00 | 7.00 | 8/9/06 | 9/7/06 | DEUTSCHE BANK | |
| ABACUS 2006-13 | F | 100.00 | 1.00 | 8/9/06 | 9/7/06 | PRINCETON Advisory | |
| ABACUS 2006-13 | G | 100.00 | 2.95 | 8/9/06 | 9/7/06 | ALTIUS III WAREHOUSE | |
| ABACUS 2006-13 | G | 100.00 | 4.00 | 8/9/06 | 9/7/06 | CATAMOUNT | |
| ABACUS 2006-13 | G | 100.00 | 1.00 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-13 | H | 100.00 | 3.93 | 8/9/06 | 9/7/06 | CATAMOUNT | |
| ABACUS 2006-13 | H | 100.00 | 4.00 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-13 | H | 100.00 | 4.00 | 8/9/06 | 9/7/06 | WAREHOUSE | |
| ABACUS 2006-13 | J | 100.00 | 4.84 | 8/9/06 | 9/7/06 | CATAMOUNT | |
| ABACUS 2006-13 | J | 100.00 | 5.00 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-13 | K | 100.00 | 5.00 | 8/9/06 | 9/7/06 | CATAMOUNT | |
| ABACUS 2006-13 | K | 100.00 | 2.94 | 8/9/06 | 9/7/06 | DECLARATION | |
| ABACUS 2006-13 | K | 100.00 | 11.00 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-13 | L | 100.00 | 9.94 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-13 | M | 100.00 | 7.95 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-13 | N | 100.00 | 5.96 | 8/9/06 | 9/7/06 | UBS GLOBAL (UK) | |
| ABACUS 2006-14 | A2 | 100.00 | 20.00 | 9/27/06 | 10/19/06 | ALADDIN CAPITAL | |
| ABACUS 2006-14 | B | 100.00 | 20.00 | 9/27/06 | 10/19/06 | ALADDIN | |
| ABACUS 2006-14 | C | 100.00 | 20.00 | 9/27/06 | 10/19/06 | ALADDIN | |
| ABACUS 2006-15 | B SR2 | 100.00 | 6.00 | 9/20/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | C SR2 | 100.00 | 2.85 | 9/20/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | D SR2 | 100.00 | 2.85 | 9/20/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | A2 | 100.00 | 10.00 | 9/20/06 | 10/11/06 | Davis Square VII (TCW) | |
| ABACUS 2006-15 | A2 | 100.00 | 60.00 | 10/25/06 | 10/30/06 | IKB DEUTSCH | |
| ABACUS 2006-15 | A2 | 100.00 | 10.00 | 9/20/06 | 10/11/06 | Davis Square VII (TCW) | |
| ABACUS 2006-15 | A3 | 100.00 | 20.00 | 9/20/06 | 10/11/06 | Davis Square VII (TCW) | |
| ABACUS 2006-15 | A3 | 100.00 | 18.00 | 9/20/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | A3 | 100.00 | 20.00 | 9/20/06 | 10/11/06 | Davis Square VII (TCW) | |
| ABACUS 2006-15 | A3 | 100.00 | 16.00 | 9/20/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | B | 100.00 | 37.50 | 9/20/06 | 10/11/06 | Trust Company of the West | |

GS MBS 0000004276

Confidential Treatment
Requested by Goldman Sachs

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1542

| Deal Name | Class | Price | Orig Face | Trade Date | Settle Date | Risk Taker | Counterparty |
|---|---|---|---|---|---|---|---|
| ABACUS 2006-15 | B | 100.00 | 6.00 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | B | 100.00 | 37.50 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | C | 100.00 | 20.00 | 9/29/06 | 10/11/06 | Davis Square VII (TCW) | |
| ABACUS 2006-15 | C | 100.00 | 21.15 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | C SR1 | 100.00 | 20.00 | 9/29/06 | 10/11/06 | NY CDO DESK | |
| ABACUS 2006-15 | C SR1 | 100.00 | 21.15 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | C SR2 | 100.00 | 2.85 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | D | 100.00 | 11.15 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | D SR1 | 99.00 | 11.15 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-15 | D SR1 | 100.00 | 3.50 | 12/20/06 | 12/26/06 | Trust Company of the West | |
| ABACUS 2006-15 | D SR2 | 100.00 | 2.85 | 9/29/06 | 10/11/06 | Trust Company of the West | |
| ABACUS 2006-8 | A1 | 100.00 | 20.00 | 4/6/06 | 4/28/06 | BEAR STEARNS Asset Management | |
| ABACUS 2006-8 | A1 | 100.00 | 30.00 | 4/6/06 | 4/28/06 | PRINCETON Advisory | |
| ABACUS 2006-8 | A2 | 100.00 | 23.00 | 4/5/06 | 4/28/06 | CHURCH TAVERN | |
| ABACUS 2006-8 | A2 | 100.00 | 4.00 | 4/6/06 | 4/28/06 | HSK MVS LP | |
| ABACUS 2006-8 | A2 | 100.00 | 8.00 | 4/5/06 | 4/28/06 | PRINCETON Advisory | |
| ABACUS 2006-8 | A3 | 100.00 | 27.50 | 2/17/06 | 3/14/06 | IKB DEUTSCH | |
| ABACUS 2006-8 | B | 100.00 | 20.00 | 2/17/06 | 3/14/06 | IKB DEUTSCH | |
| ABACUS 2006-8 | C | 100.00 | 32.50 | 2/17/06 | 3/14/06 | IKB DEUTSCH | |
| ABACUS 2006-8 | D | 100.00 | 4.00 | 4/6/06 | 4/28/06 | PRINCETON Advisory | |
| ABACUS 2006-9 | A1 | 100.00 | 25.00 | 1/3/07 | 1/29/07 | WACHOVIA SECURITIES | |
| ABACUS 2006-9 | A2 | 100.00 | 43.63 | 7/14/06 | 8/3/06 | IKB DEUTSCH | |
| ABACUS 2006-9 | B | 100.00 | 36.94 | 7/14/06 | 8/3/06 | IKB DEUTSCH | |
| ABACUS 2006-9 | C | 100.00 | 23.44 | 7/14/06 | 8/3/06 | IKB DEUTSCH | |
| ABACUS 2006-HGS1 | A1 | 100.00 | 99.00 | 11/3/06 | 11/30/06 | BEAR STEARNS Asset Management | |
| ABACUS 2006-HGS1 | A2 | 100.00 | 94.50 | 11/3/06 | 11/30/06 | BEAR STEARNS Asset Management | |
| ABACUS 2006-HGS1 | AMSS | 99.73 | 67.50 | 11/7/06 | 11/30/06 | BEAR STEARNS Asset Management | |
| ABACUS 2006-HGS1 | AMSS | 99.25 | 67.50 | 2/2/07 | 2/7/07 | BEAR STEARNS Asset Management | |
| ABACUS 2006-HGS1 | B | 100.00 | 20.25 | 11/3/06 | 11/30/06 | BEAR STEARNS Asset Management | |
| ABACUS 2006-HGS1 | B | 100.00 | 10.00 | 11/3/06 | 11/30/06 | CREDIT SUISSE | |
| ABACUS 2006-HGS1 | B | 100.00 | 5.00 | 11/3/06 | 12/6/06 | SECURITY BENEFIT LIFE | |
| ABACUS 2006-HGS1 | C | 100.00 | 10.00 | 11/3/06 | 11/30/06 | SECURITY BENEFIT LIFE | |
| ABACUS 2006-HGS1 | C | 100.00 | 6.00 | 3/22/07 | 3/27/07 | Timberwolf I, Ltd. | |
| ABACUS 2006-HGS1 | D | 100.00 | 6.00 | 3/22/07 | 3/27/07 | Timberwolf I, Ltd. | |
| ABACUS 2006-HGS1 | E | 100.00 | 15.00 | 11/7/06 | 11/30/06 | BEAR STEARNS Asset Management | |
| ABACUS 2006-HGS1 | F | 98.59 | 5.40 | 11/3/06 | 11/30/06 | BEAR STEARNS Asset Management | |
| ABACUS 2007-AC1 | A1 | 100.00 | 50.00 | 4/19/07 | 4/26/07 | IKB DEUTSCH | |
| ABACUS 2007-AC1 | A2 | 100.00 | 42.00 | 4/13/07 | 4/26/07 | ACA MGMT LL | |
| ABACUS 2007-AC1 | A2 | 100.00 | 100.00 | 4/12/07 | 4/26/07 | IKB DEUTSCH | |
| Aldus III Funding, Ltd. | A1A | 100.00 | 10.00 | 9/8/2006 | 9/28/2006 | African Development Bank | |
| Aldus III Funding, Ltd. | A1A | 100.00 | 10.00 | 3/19/2007 | 3/29/2007 | Anderson Default Swap Collateral | |
| Aldus III Funding, Ltd. | A1A | 100.00 | 110.00 | 9/8/2006 | 9/28/2006 | Barclays Global | |
| Aldus III Funding, Ltd. | A1A | 100.00 | 25.00 | 9/8/2006 | 9/29/2006 | Evergreen | |
| Aldus III Funding, Ltd. | A1A | 100.00 | 15.00 | 9/8/2006 | 9/28/2006 | MBIA Capital | |
| Aldus III Funding, Ltd. | A1A | 100.00 | 60.00 | 9/8/2006 | 9/29/2006 | Metropolitan West | |
| Aldus III Funding, Ltd. | A1B-1B | 100.00 | 499.95 | 9/8/2006 | 9/28/2006 | CIBC, XL, GS Funding Group | |
| Aldus III Funding, Ltd. | A1B-1F | 100.00 | 499.93 | 9/8/2006 | 9/28/2006 | CIBC, XL, GS Funding Group | |
| Aldus III Funding, Ltd. | A1B-2 | Unfunded - 0.08% | 300.00 | 9/8/2006 | 9/28/2006 | AIOI Insurance | |
| Aldus III Funding, Ltd. | A1B-3 | 100.00 | 250.00 | 9/8/2006 | 9/28/2006 | National Australia Bank | |
| Aldus III Funding, Ltd. | A1B-V | 100.00 | 0.10 | 9/8/2006 | 9/28/2006 | CIBC, XL, GS Funding Group | |
| Aldus III Funding, Ltd. | A2 | 100.00 | 20.00 | 9/8/06 | 9/28/06 | ARAB BANKING CORP. | |
| Aldus III Funding, Ltd. | A2 | 100.00 | 15.00 | 9/11/06 | 9/28/06 | LB Sass | |
| Aldus III Funding, Ltd. | A2 | 100.00 | 10.00 | 9/8/06 | 9/28/06 | NORTHERN ROCK | |
| Aldus III Funding, Ltd. | A2 | 100.00 | 45.00 | 9/8/06 | 9/28/06 | TPG-AXON CA | |
| Aldus III Funding, Ltd. | B | 100.00 | 12.50 | 9/8/06 | 9/28/06 | DILLON READ | |
| Aldus III Funding, Ltd. | B | 100.00 | 20.00 | 9/8/06 | 9/28/06 | DYNAMIC CREDIT PARTNERS | |
| Aldus III Funding, Ltd. | B | 100.00 | 5.00 | 9/8/06 | 9/28/06 | ERSTE BANK | |
| Aldus III Funding, Ltd. | B | 100.00 | 12.50 | 9/8/06 | 9/28/06 | MERRILL LYNCH / NR's COO | |
| Aldus III Funding, Ltd. | B | 100.00 | 10.00 | 9/8/06 | 9/28/06 | NORTHERN ROCK | |
| Aldus III Funding, Ltd. | B | 100.00 | 28.00 | 9/8/06 | 9/28/06 | ROYAL BANK of Canada (UK) | |
| Aldus III Funding, Ltd. | C | 100.00 | 12.00 | 9/8/06 | 9/28/06 | AOZORA BANK | |
| Aldus III Funding, Ltd. | C | 100.00 | 5.00 | 9/8/06 | 9/28/06 | DYNAMIC CREDIT PARTNERS | |
| Aldus III Funding, Ltd. | C | 100.00 | 4.90 | 9/8/06 | 9/28/06 | EVERGREEN | |
| Aldus III Funding, Ltd. | C | 100.00 | 2.00 | 9/8/06 | 9/28/06 | NORTHERN ROCK | |
| Aldus III Funding, Ltd. | D | 100.00 | 5.00 | 9/8/06 | 9/28/06 | Fort Denison Funding (Basis) | |
| Aldus III Funding, Ltd. | D | 100.00 | 5.00 | 9/8/06 | 9/28/06 | Merrill Lynch (Gateway Funding: Basis) | |
| Aldus III Funding, Ltd. | D | 100.00 | 4.00 | 9/8/06 | 9/29/06 | NORTHERN ROCK | |
| Aldus III Funding, Ltd. | D | 100.00 | 5.00 | 9/8/06 | 9/28/06 | RETAINED | |
| Aldus III Funding, Ltd. | Income Notes | 100.00 | 3.00 | 11/17/06 | 11/27/06 | Mariner | |
| Aldus III Funding, Ltd. | Income Notes | 91.00 | 5.00 | 9/29/06 | 9/28/06 | Mizuho | |
| Aldus III Funding, Ltd. | Income Notes | 100.00 | 2.00 | 9/8/06 | 9/28/06 | RETAINED | |
| Aldus III Funding, Ltd. | S | 100.07 | 17.50 | 8/9/2007 | 8/13/2007 | MBIA Capital | |
| Aldus IV Funding, Ltd. | A1B | 100.00 | 644.85 | 5/9/07 | 5/31/07 | CIBC, XL, GS Funding Group | |
| Aldus IV Funding, Ltd. | A1F | 100.00 | 644.85 | 5/9/07 | 5/31/07 | CIBC, XL, GS Funding Group | |
| Aldus IV Funding, Ltd. | A1V | 100.00 | 0.30 | 5/9/07 | 5/31/07 | CIBC, XL, GS Funding Group | |
| Aldus IV Funding, Ltd. | A2A | 100.00 | 50.00 | 5/15/07 | 5/31/07 | ARAB BANKING CORP. | |
| Aldus IV Funding, Ltd. | A2B | 100.00 | 12.50 | 5/15/07 | 5/31/07 | AXON CREDIT | |
| Aldus IV Funding, Ltd. | A2B | 99.77 | 30.00 | 5/16/07 | 5/31/07 | CHINA CONSTRUCTION BANK | |
| Aldus IV Funding, Ltd. | A2B | 100.00 | 12.50 | 5/15/07 | 5/31/07 | INTESA SANP | |
| Aldus IV Funding, Ltd. | B | 98.41 | 38.00 | 8/4/07 | 8/7/07 | AOZORA BANK | |
| Aldus IV Funding, Ltd. | B | 100.00 | 20.00 | 5/18/07 | 5/31/07 | CHINA CONSTRUCTION BANK | |
| Aldus IV Funding, Ltd. | B | 100.00 | 10.00 | 5/5/07 | 5/12/07 | FIRST COMMERCIAL BANK | |
| Aldus IV Funding, Ltd. | C | 92.88 | 11.63 | 8/4/07 | 8/7/07 | AOZORA BANK | |
| Aldus IV Funding, Ltd. | C | 97.13 | 3.00 | 5/15/07 | 5/31/07 | BT FUNDS MD | |
| Aldus IV Funding, Ltd. | C | 97.13 | 4.88 | 5/15/07 | 5/31/07 | GENERAL MOTORS PENSION | |
| Aldus IV Funding, Ltd. | D | 88.94 | 5.10 | 5/15/07 | 5/31/07 | ALADDIN CAPITAL | |
| Aldus IV Funding, Ltd. | D | 100.00 | 3.90 | 5/15/07 | 5/31/07 | RETAINED | |
| Aldus IV Funding, Ltd. | D | 100.00 | 3.00 | 5/15/07 | 5/31/07 | YAMATO LIFE | |
| Aldus IV Funding, Ltd. | Income Notes | 90.00 | 2.75 | 5/15/07 | 5/31/07 | ALADDIN CAPITAL | |
| Aldus IV Funding, Ltd. | Income Notes | 96.33 | 2.75 | 5/15/07 | 5/31/07 | RETAINED | |
| Aldus IV Funding, Ltd. | Income Notes | 100.00 | 2.00 | 5/16/07 | 5/31/07 | YAMATO LIFE | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 75.50 | 5.20 | 10/10/07 | 10/15/07 | CAPITAL INTERNATIONAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 50.00 | 10.26 | 11/7/07 | 11/15/07 | CAPITAL INTERNATIONAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 72.50 | 5.13 | 9/7/07 | 9/14/07 | EIGER CAPITAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 72.50 | 0.84 | 9/10/07 | 9/14/07 | EIGER CAPITAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 72.50 | 1.54 | 9/12/07 | 9/18/07 | EIGER CAPITAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 72.50 | 2.54 | 9/24/07 | 10/1/07 | EIGER CAPITAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 50.00 | 13.74 | 11/7/07 | 11/15/07 | MAGNA ASSET | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1A | 100.00 | 90.88 | 3/12/07 | 3/20/07 | RETAINED | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1B | 97.39 | 2.00 | 4/3/07 | 4/9/07 | BENEFICIAL LIFE | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A1B | 100.00 | 51.00 | 3/12/07 | 3/20/07 | RETAINED | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A2 | 98.54 | 15.00 | 3/22/07 | 3/23/07 | MONEYGRAM | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A2 | 96.23 | 5.00 | 3/21/07 | 3/28/07 | PIMCO - USA | |
| Anderson Mezzanine Funding 2007-1, Ltd. | A2 | 97.24 | 10.50 | 3/26/07 | 3/29/07 | PRINCETON Advisory | |
| Anderson Mezzanine Funding 2007-1, Ltd. | B | 95.50 | 5.00 | 3/20/07 | 3/23/07 | MONEYGRAM | |
| Anderson Mezzanine Funding 2007-1, Ltd. | B | 100.00 | 37.70 | 3/12/07 | 3/20/07 | RETAINED | |
| Anderson Mezzanine Funding 2007-1, Ltd. | C | 92.38 | 10.00 | 3/21/07 | 3/28/07 | GREYWOLF CAPITAL | |
| Anderson Mezzanine Funding 2007-1, Ltd. | C | 100.00 | 9.78 | 3/12/07 | 3/20/07 | RETAINED | |
| Anderson Mezzanine Funding 2007-1, Ltd. | D | 108.21 | 11.09 | 3/12/07 | 3/20/07 | GSCP (NJ) | |
| Anderson Mezzanine Funding 2007-1, Ltd. | Income Notes | 100.00 | 29.94 | 3/12/07 | 3/20/07 | RETAINED | |
| Anderson Mezzanine Funding 2007-1, Ltd. | S | 100.00 | 2.78 | 4/13/07 | 4/18/07 | MBIA CAPITAL | |
| Broadwick Funding, Ltd. | A1A | 100.00 | 50.00 | 4/12/06 | 5/11/06 | Bear Stearns | |
| Broadwick Funding, Ltd. | A1A | 100.00 | 10.00 | 4/12/06 | 5/11/06 | Abu Dhabi Investments | |
| Broadwick Funding, Ltd. | A1A | 100.00 | 37.50 | 4/25/06 | 5/11/06 | RETAINED | |
| Broadwick Funding, Ltd. | A1B | 100.00 | 552.50 | 4/12/06 | 5/11/06 | Paloion Partners | |

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| Deal Name | Class | Price | Orig Face ($) | Trade Date | Settle Date | Risk Taker/Customer |
|---|---|---|---|---|---|---|
| Broadwick Funding, Ltd. | A2 | 100.00 | 20.00 | 4/12/06 | 5/11/06 | Bear Stearns |
| Broadwick Funding, Ltd. | A2 | 100.00 | 60.00 | 4/12/06 | 5/11/06 | UBS Principal Investments |
| Broadwick Funding, Ltd. | A2 | 100.00 | 5.00 | 4/12/06 | 5/11/06 | Standish Mellon |
| Broadwick Funding, Ltd. | A2 | 100.00 | 25.00 | 4/12/06 | 5/11/06 | Deutsche Bank |
| Broadwick Funding, Ltd. | A2 | 100.00 | 5.00 | 4/12/06 | 5/11/06 | Church Tavern |
| Broadwick Funding, Ltd. | B | 100.00 | 65.00 | 4/12/06 | 5/11/06 | UBS Principal Investments |
| Broadwick Funding, Ltd. | B | 100.00 | 10.00 | 4/12/06 | 5/11/06 | Church Tavern |
| Broadwick Funding, Ltd. | B | 100.00 | 17.00 | 4/12/06 | 5/11/06 | UBS Principal Investments |
| Broadwick Funding, Ltd. | B | 100.00 | 5.00 | 4/12/06 | 5/11/06 | Vanderbilt |
| Broadwick Funding, Ltd. | B | 100.00 | 5.00 | 4/12/06 | 5/12/06 | Standish Mellon |
| Broadwick Funding, Ltd. | B | 100.00 | 10.00 | 4/12/06 | 5/11/06 | Merrill Lynch |
| Broadwick Funding, Ltd. | C | 100.00 | 7.50 | 4/12/06 | 5/11/06 | Deutsche Bank for Winchester |
| Broadwick Funding, Ltd. | C | 100.00 | 23.00 | 4/12/06 | 5/11/06 | KBC Financial |
| Broadwick Funding, Ltd. | C | 100.00 | 7.50 | 4/12/06 | 5/11/06 | Deutsche Bank for Wharton |
| Broadwick Funding, Ltd. | D | 100.00 | 5.00 | 4/12/06 | 5/11/06 | GSCP (NJ) |
| Broadwick Funding, Ltd. | D | 100.00 | 5.00 | 4/12/06 | 5/11/06 | Ixis |
| Broadwick Funding, Ltd. | D | 100.00 | 8.00 | 4/12/06 | 5/11/06 | Deutsche Bank |
| Broadwick Funding, Ltd. | D | 100.00 | 11.00 | 4/12/06 | 5/11/06 | Bear Stearns |
| Broadwick Funding, Ltd. | D | 100.00 | 1.00 | 4/12/06 | 5/11/06 | Banca Global |
| Broadwick Funding, Ltd. | D | 100.00 | 2.00 | 4/12/06 | 5/11/06 | KGI Alliance |
| Broadwick Funding, Ltd. | D | 100.00 | 5.00 | 4/12/06 | 5/11/06 | Fort Denison CDO - warehouse first |
| Broadwick Funding, Ltd. | D | 100.00 | 3.00 | 4/20/06 | 5/11/06 | Bank Sinopec |
| Broadwick Funding, Ltd. | D | 100.50 | 2.00 | 5/8/06 | 5/11/06 | Deutsche Bank |
| Broadwick Funding, Ltd. | E | 100.00 | 50.00 | 4/12/06 | 5/11/06 | Paloron Partners |
| Broadwick Funding, Ltd. | S | 100.00 | 15.00 | 4/12/06 | 5/11/06 | Paloron Partners |
| Camber 7 plc | A1 | 100.00 | 365.00 | 2/16/07 | 2/28/07 | DIBC (ACA Credit) |
| Camber 7 plc | A1 | 100.00 | 120.00 | 1/25/07 | 2/28/07 | RABOBANK |
| Camber 7 plc | A2 | 100.00 | 50.00 | 1/25/07 | 2/28/07 | AXON CREDIT |
| Camber 7 plc | A2 | 100.00 | 5.00 | 1/25/07 | 2/28/07 | BABSON CAPITAL |
| Camber 7 plc | A2 | 100.00 | 20.00 | 1/25/07 | 2/28/07 | RABOBANK |
| Camber 7 plc | A2 | 100.00 | 25.00 | 1/25/07 | 2/28/07 | UBS AG |
| Camber 7 plc | A2 | 100.00 | 7.00 | 1/25/07 | 2/28/07 | BABSON CAPITAL |
| Camber 7 plc | A3 | 99.88 | 30.00 | 1/25/07 | 2/28/07 | BANK OF CHINA |
| Camber 7 plc | A3 | 100.00 | 20.00 | 1/25/07 | 2/28/07 | NEW BOND ST |
| Camber 7 plc | A3 | 100.00 | 15.00 | 1/25/07 | 2/28/07 | SOLENT CAPITAL |
| Camber 7 plc | B | 100.00 | 5.00 | 1/25/07 | 2/28/07 | BANK OF CHINA |
| Camber 7 plc | B | 100.00 | 10.00 | 1/25/07 | 2/28/07 | C-BASS |
| Camber 7 plc | B | 100.00 | 8.00 | 1/25/07 | 2/28/07 | DB ZWIRN |
| Camber 7 plc | B | 100.00 | 16.00 | 1/25/07 | 2/28/07 | FAXTOR SECS |
| Camber 7 plc | B | 100.00 | 6.00 | 1/25/07 | 2/28/07 | ING INV MGM |
| Camber 7 plc | B | 100.00 | 7.50 | 1/25/07 | 2/28/07 | ISCHUS CAPITAL |
| Camber 7 plc | B | 100.00 | 7.00 | 1/25/07 | 2/28/07 | NIR CAPITAL |
| Camber 7 plc | B | 100.00 | 10.00 | 1/25/07 | 2/28/07 | STATE STREET |
| Camber 7 plc | B | 100.00 | 10.00 | 1/25/07 | 2/28/07 | TERWIN CAPITAL |
| Camber 7 plc | B | 100.00 | 7.50 | 1/25/07 | 2/28/07 | WACHOVIA SECURITIES |
| Camber 7 plc | C | 100.00 | 8.00 | 1/25/07 | 2/28/07 | ACA MGMT LL |
| Camber 7 plc | C | 100.00 | 10.00 | 1/25/07 | 2/28/07 | COMMERZBANK |
| Camber 7 plc | C | 100.00 | 10.00 | 1/25/07 | 2/28/07 | DILLON READ |
| Camber 7 plc | C | 100.00 | 10.00 | 1/25/07 | 2/28/07 | E*TRADE |
| Camber 7 plc | C | 100.00 | 3.00 | 1/25/07 | 2/28/07 | GSCP (NJ) |
| Camber 7 plc | C | 100.00 | 4.00 | 1/25/07 | 2/28/07 | INVESTEC BAML |
| Camber 7 plc | C | 100.00 | 21.00 | 1/25/07 | 2/28/07 | RETAINED |
| Camber 7 plc | C | 100.00 | 12.38 | 1/25/07 | 2/28/07 | WACHOVIA SECURITIES |
| Camber 7 plc | D | 100.00 | 10.00 | 1/25/07 | 2/28/07 | ACA MGMT LL |
| Camber 7 plc | D | 100.00 | 3.00 | 1/25/07 | 2/28/07 | CHURCH TAVERN |
| Camber 7 plc | D | 100.00 | 5.00 | 1/25/07 | 2/28/07 | CPM ADVISER |
| Camber 7 plc | D | 100.00 | 4.00 | 1/25/07 | 2/28/07 | GSCP (NJ) |
| Camber 7 plc | D | 98.30 | 7.50 | 1/25/07 | 2/28/07 | IVY ASSET MANAGEMENT |
| Camber 7 plc | D | 100.00 | 2.95 | 1/25/07 | 2/28/07 | SENECA CAPITAL |
| Camber 7 plc | D | 100.00 | 10.00 | 1/25/07 | 2/28/07 | WACHOVIA SECURITIES |
| Camber 7 plc | D | 100.00 | 3.00 | 1/25/07 | 2/28/07 | WASHINGTON SQUARE |
| Camber 7 plc | E | 97.88 | 2.00 | 1/25/07 | 2/28/07 | CPM ADVISER |
| Camber 7 plc | E | 54.95 | 1.50 | 5/10/07 | 5/15/07 | MORGAN STANLEY |
| Camber 7 plc | E | 100.00 | 7.65 | 1/29/07 | 2/28/07 | RETAINED |
| Camber 7 plc | Income Notes | 100.00 | 1.35 | 2/26/07 | 2/28/07 | CITIBANK (Cambridge Place) |
| Camber 7 plc | Income Notes | 48.00 | 13.23 | 5/10/07 | 5/15/07 | MORGAN STANLEY |
| Camber 7 plc | Income Notes | 100.00 | 12.42 | 1/25/07 | 2/28/07 | RETAINED |
| Camber 7 plc | S | 100.00 | 15.50 | 2/5/07 | 2/28/07 | MBIA CAPITAL |
| Davis Square Funding VI, Ltd. | A1LTA | 100.00 | 274.00 | 3/10/06 | 3/30/06 | Societe Generale |
| Davis Square Funding VI, Ltd. | A1LTB | 100.00 | 20.00 | 3/10/06 | 3/30/06 | BMO Financial |
| Davis Square Funding VI, Ltd. | A1LTB | 100.00 | 250.00 | 3/10/06 | 3/30/06 | Banque AIG |
| Davis Square Funding VI, Ltd. | A1LTB | 100.00 | 30.00 | 3/10/06 | 3/30/06 | Lansdesbank - LRI |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 17.00 | 3/10/06 | 3/30/06 | Calamount |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 10.00 | 3/10/06 | 3/30/06 | ABS |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 18.00 | 3/10/06 | 3/30/06 | Ixis |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 18.00 | 3/10/06 | 3/30/06 | Solent |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 5.00 | 3/10/06 | 3/30/06 | Anglo Irish Bank |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 10.00 | 3/10/06 | 3/30/06 | GIB Bahrain |
| Davis Square Funding VI, Ltd. | A2 | 100.00 | 7.00 | 3/10/06 | 3/30/06 | Landesbank - LRI |
| Davis Square Funding VI, Ltd. | B | 100.00 | 4.00 | 3/10/06 | 3/30/06 | Terwin Capital |
| Davis Square Funding VI, Ltd. | B | 100.00 | 5.00 | 3/10/06 | 3/30/06 | ING Investment Management |
| Davis Square Funding VI, Ltd. | B | 100.00 | 4.50 | 3/10/06 | 3/30/06 | Declaration |
| Davis Square Funding VI, Ltd. | B | 100.00 | 20.00 | 3/10/06 | 3/30/06 | Princeton Advisory Group |
| Davis Square Funding VI, Ltd. | B | 100.00 | 8.00 | 3/10/06 | 3/30/06 | PB Capital |
| Davis Square Funding VI, Ltd. | B | 100.00 | 3.00 | 3/10/06 | 3/30/06 | Chorin Group |
| Davis Square Funding VI, Ltd. | B | 100.00 | 5.00 | 3/10/06 | 3/30/06 | Deerfield |
| Davis Square Funding VI, Ltd. | B | 100.00 | 5.00 | 3/10/06 | 3/30/06 | RBS |
| Davis Square Funding VI, Ltd. | B | 100.00 | 15.00 | 3/10/06 | 3/30/06 | UBS Principal Investments |
| Davis Square Funding VI, Ltd. | B | 100.00 | 7.00 | 3/10/06 | 3/30/06 | Vanderbilt |
| Davis Square Funding VI, Ltd. | B | 100.00 | 4.50 | 3/10/06 | 3/30/06 | Solent Capital |
| Davis Square Funding VI, Ltd. | B | 100.00 | 10.00 | 3/10/06 | 3/30/06 | RBC |
| Davis Square Funding VI, Ltd. | B | 100.00 | 4.00 | 3/10/06 | 3/30/06 | Anglo Irish Bank |
| Davis Square Funding VI, Ltd. | S | 100.00 | 10.00 | 3/10/06 | 3/30/06 | RETAINED |
| Davis Square Funding VI, Ltd. | C | 100.00 | 8.00 | 3/10/06 | 3/30/06 | Eurohypo |
| Davis Square Funding VI, Ltd. | C | 100.00 | 15.00 | 3/10/06 | 3/30/06 | UBS Principal Investments |
| Davis Square Funding VI, Ltd. | C | 100.00 | 8.00 | 4/28/06 | 5/2/06 | Haut Bay CDO |
| Davis Square Funding VI, Ltd. | C | 100.00 | 4.00 | 3/10/06 | 3/30/06 | Anglo Irish Bank |
| Davis Square Funding VI, Ltd. | Combo | 100.00 | 18.00 | 3/10/06 | 3/30/06 | Fubon Life |
| Davis Square Funding VI, Ltd. | D | 98.00 | 25.00 | 3/10/06 | 3/30/06 | Sandelman Partners |
| Davis Square Funding VI, Ltd. | E-2 | 100.00 | 2.80 | 3/10/06 | 3/30/06 | RETAINED |
| Davis Square Funding VII, Ltd. | A1A | 99.45 | 620.00 | 5/22/07 | 5/24/07 | BNP PARIBAS |
| Davis Square Funding VII, Ltd. | A1A | 99.78 | 150.00 | 5/18/07 | 5/25/07 | HSBC BANK |
| Davis Square Funding VII, Ltd. | A1A | 99.37 | 800.00 | 5/22/07 | 5/24/07 | SOCIETE GENERALE (FGIC Credit) |
| Davis Square Funding VII, Ltd. | A1B | 100.00 | 50.00 | 11/7/06 | 12/5/06 | BMO Financial |
| Davis Square Funding VII, Ltd. | A2 | 99.01 | 40.00 | 3/5/07 | 3/13/07 | AC CAPITAL |
| Davis Square Funding VII, Ltd. | A2 | 100.00 | 30.00 | 11/27/06 | 12/5/06 | ARAB BANKING CORP. |
| Davis Square Funding VII, Ltd. | A2 | 100.00 | 10.00 | 1/23/07 | 1/26/07 | LANDESBANK |
| Davis Square Funding VII, Ltd. | A2 | 100.00 | 20.00 | 11/3/06 | 12/5/06 | NORTHERN ROCK |
| Davis Square Funding VII, Ltd. | A3 | 99.44 | 4.00 | 2/28/07 | 3/5/07 | DEERFIELD CAPITAL |
| Davis Square Funding VII, Ltd. | A3 | 100.00 | 10.00 | 11/3/06 | 12/5/06 | EIGER CAPITAL |
| Davis Square Funding VII, Ltd. | A3 | 100.00 | 80.00 | 11/3/06 | 12/5/06 | NATIONAL AUSTRALIA BANK |
| Davis Square Funding VII, Ltd. | A3 | 100.00 | 25.00 | 11/3/06 | 12/5/06 | NORTHERN ROCK |
| Davis Square Funding VII, Ltd. | A3 | 100.00 | 5.00 | 11/6/06 | 12/5/06 | REDWOOD TRUST |
| Davis Square Funding VII, Ltd. | A3 | 100.00 | 30.00 | 11/3/06 | 12/5/06 | ROYAL BANK of Canada (UK) |
| Davis Square Funding VII, Ltd. | A3 | 95.39 | 6.00 | 4/24/07 | 4/27/07 | SECURITY BENEFIT LIFE |



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## Footnote Exhibits - Page 2897

| Deal Name | Class | Price % | Orig Face ($ | Trade Date | Settle Date | Risk Taker/ Customer/ A |
|---|---|---|---|---|---|---|
| Davis Square Funding VII, Ltd. | B | 100.00 | 7.00 | 11/3/06 | 12/5/06 | EGER CAPITAL |
| Davis Square Funding VII, Ltd. | B | 100.00 | 9.00 | 11/3/06 | 12/5/06 | FORTIS SECURITIES |
| Davis Square Funding VII, Ltd. | B | 100.00 | 15.00 | 11/3/06 | 12/5/06 | KOCH GLOBAL |
| Davis Square Funding VII, Ltd. | B | 100.00 | 8.00 | 11/3/06 | 12/5/06 | NORTHERN ROCK |
| Davis Square Funding VII, Ltd. | B | 100.00 | 11.00 | 11/3/06 | 12/5/06 | RETAINED |
| Davis Square Funding VII, Ltd. | C | 100.00 | 15.00 | 11/3/06 | 12/5/06 | KOCH GLOBAL |
| Davis Square Funding VII, Ltd. | C | 100.00 | 9.00 | 11/3/06 | 12/5/06 | NORTHERN ROCK |
| Davis Square Funding VII, Ltd. | C | 100.00 | 8.00 | 11/3/06 | 12/5/06 | RETAINED |
| Davis Square Funding VII, Ltd. | C | 100.00 | 9.00 | 11/3/06 | 12/5/06 | ROYAL BANK of Canada (UK) |
| Davis Square Funding VII, Ltd. | Combo Note | 100.00 | 5.00 | 11/28/06 | 12/5/06 | BANK OF PANMOH |
| Davis Square Funding VII, Ltd. | D | 100.00 | 5.00 | 11/3/06 | 12/5/06 | NORTHERN ROCK |
| Davis Square Funding VII, Ltd. | D | 100.00 | 3.00 | 11/6/06 | 12/5/06 | REDWOOD TRUST |
| Davis Square Funding VII, Ltd. | D | 100.00 | 13.00 | 11/3/06 | 12/5/06 | RETAINED |
| Davis Square Funding VII, Ltd. | E | 90.00 | 0.50 | 2/20/07 | 2/23/07 | LOEWS CORP |
| Davis Square Funding VII, Ltd. | E | 100.00 | 4.00 | 11/3/06 | 12/5/06 | Loews Corporation |
| Davis Square Funding VII, Ltd. | E | 100.00 | 4.47 | 11/3/06 | 12/5/06 | RETAINED |
| Davis Square Funding VII, Ltd. | S | 100.00 | 20.00 | 11/3/06 | 12/5/06 | RETAINED |
| Fort Denison Funding, Ltd. | A1 | 99.79 | 225.00 | 1/12/07 | 2/14/07 | CIBC (ACA Credit) |
| Fort Denison Funding, Ltd. | A2A | 100.00 | 60.00 | 1/10/07 | 2/14/07 | UBS AG |
| Fort Denison Funding, Ltd. | A2B | 100.00 | 60.00 | 1/10/07 | 2/14/07 | National Australia Bank |
| Fort Denison Funding, Ltd. | A2B | 100.00 | 15.00 | 1/10/07 | 2/14/07 | PRINCETON Advisory |
| Fort Denison Funding, Ltd. | A2B | 100.00 | 5.00 | 1/10/07 | 2/14/07 | WEISS PECK / Robeco |
| Fort Denison Funding, Ltd. | B | 100.00 | 4.00 | 1/10/07 | 2/14/07 | OPPENHEIMER |
| Fort Denison Funding, Ltd. | B | 100.00 | 10.00 | 2/9/07 | 2/15/07 | OPPENHEIMER |
| Fort Denison Funding, Ltd. | B | 100.00 | 7.00 | 1/10/07 | 2/14/07 | RETAINED |
| Fort Denison Funding, Ltd. | B | 100.00 | 20.00 | 1/10/07 | 2/14/07 | WEISS PECK / Robeco |
| Fort Denison Funding, Ltd. | C Loan | 100.00 | 64.00 | 1/10/07 | 2/14/07 | SMBC (NY) |
| Fort Denison Funding, Ltd. | Income Notes | 100.00 | 18.50 | 1/10/07 | 2/14/07 | Basis Capital |
| Fort Denison Funding, Ltd. | Income Notes | 100.00 | 13.50 | 1/10/07 | 2/14/07 | RETAINED |
| Fort Denison Funding, Ltd. | S | 100.00 | 5.30 | 1/10/07 | 2/14/07 | RETAINED |
| Fortius I Funding, Ltd. | A1 | 100.00 | 300.00 | 2/9/06 | 3/8/06 | Hypo RE (via TRS with Goldman and credit protection from A |
| Fortius I Funding, Ltd. | A2 | 100.00 | 20.00 | 2/9/06 | 3/8/06 | Fortis Investments |
| Fortius I Funding, Ltd. | A2 | 100.00 | 14.00 | 5/15/06 | 5/22/06 | Washovia Securities |
| Fortius I Funding, Ltd. | A2 | 100.00 | 10.00 | 2/9/06 | 3/8/06 | Anglo Irish Bank |
| Fortius I Funding, Ltd. | A2 | 100.00 | 40.00 | 2/9/06 | 3/8/06 | Deutsche Bank |
| Fortius I Funding, Ltd. | B | 100.00 | 6.00 | 2/9/06 | 3/8/06 | Washovia Securities |
| Fortius I Funding, Ltd. | B | 100.00 | 12.00 | 2/9/06 | 3/8/06 | Princeton Advisory Group |
| Fortius I Funding, Ltd. | B | 100.00 | 10.00 | 2/9/06 | 3/8/06 | UBS Principal Investments |
| Fortius I Funding, Ltd. | B | 100.00 | 5.00 | 2/9/06 | 3/8/06 | Fortis Investments |
| Fortius I Funding, Ltd. | S | 100.00 | 14.00 | 2/6/06 | 3/8/06 | Church Tavern |
| Fortius I Funding, Ltd. | B | 100.00 | 10.00 | 2/9/06 | 3/8/06 | Anglo Irish Bank |
| Fortius I Funding, Ltd. | C | 100.00 | 4.00 | 2/9/06 | 3/8/06 | UBS Principal Investments |
| Fortius I Funding, Ltd. | C | 100.00 | 11.00 | 2/9/06 | 3/8/06 | Deutsche Bank |
| Fortius I Funding, Ltd. | C | 100.00 | 18.00 | 2/9/06 | 3/8/06 | Commerzbank |
| Fortius I Funding, Ltd. | D | 97.72 | 8.00 | 3/15/06 | 3/20/06 | CDO Warehouse (then Fort Denison CDO) |
| Fortius I Funding, Ltd. | D | 99.57 | 4.00 | 8/11/06 | 8/18/06 | Halcyon |
| Fortius I Funding, Ltd. | E | 98.84 | 5.00 | 2/9/06 | 3/8/06 | Dynamic Credit Partners |
| Fortius I Funding, Ltd. | S | 100.00 | 11.50 | 7/18/06 | 7/21/06 | Hout Bay CDO - CDS collateral |
| Fortius II Funding, Ltd. | A1 | 99.89 | 325.00 | 12/4/06 | 12/7/06 | CIBC Funding + CIFG Credit |
| Fortius II Funding, Ltd. | A2 | 100.00 | 10.00 | 11/3/06 | 12/7/06 | IXIS FINANCIAL |
| Fortius II Funding, Ltd. | A2 | 97.91 | 15.00 | 2/2/07 | 2/7/07 | MONEYGRAM |
| Fortius II Funding, Ltd. | A2 | 92.88 | 10.00 | 5/23/07 | 5/29/07 | OPPENHEIMER |
| Fortius II Funding, Ltd. | A2 | 100.00 | 15.00 | 11/3/06 | 12/7/06 | RETAINED |
| Fortius II Funding, Ltd. | B | 28.00 | 15.00 | 9/25/07 | 10/1/07 | DYNAMIC CREDIT PARTNERS |
| Fortius II Funding, Ltd. | B | 94.24 | 5.00 | 2/2/07 | 2/7/07 | MONEYGRAM |
| Fortius II Funding, Ltd. | B | 100.00 | 25.00 | 11/3/06 | 12/7/06 | RETAINED |
| Fortius II Funding, Ltd. | C | 100.00 | 10.00 | 11/3/06 | 12/7/06 | CATHAY UNITED |
| Fortius II Funding, Ltd. | C | 100.00 | 3.00 | 11/3/06 | 12/7/06 | UBS GLOBAL |
| Fortius II Funding, Ltd. | Combo Note | 100.00 | 10.00 | 11/3/06 | 12/7/06 | ANGLO IRISH |
| Fortius II Funding, Ltd. | D | 100.00 | 15.00 | 11/3/06 | 12/7/06 | COMMERZBANK |
| Fortius II Funding, Ltd. | D | 100.00 | 3.00 | 12/19/06 | 12/22/06 | Fort Denison Funding (Basis) |
| Fortius II Funding, Ltd. | D | 83.11 | 3.50 | 3/28/07 | 4/4/07 | MARINER BRIDGE |
| Fortius II Funding, Ltd. | D | 100.00 | 4.00 | 11/3/06 | 12/7/06 | Merrill Lynch (Basis CDO- Gateway) |
| Fortius II Funding, Ltd. | E | 100.00 | 1.00 | 11/3/06 | 12/7/06 | DYNAMIC CREDIT PARTNERS |
| Fortius II Funding, Ltd. | E | 100.00 | 1.00 | 11/3/06 | 12/7/06 | Merrill Lynch (Basis CDO- Gateway) |
| Fortius II Funding, Ltd. | E | 100.00 | 1.50 | 11/3/06 | 12/7/06 | Trust Company of the West |
| Fortius II Funding, Ltd. | E | 100.00 | 4.00 | 11/3/06 | 12/7/06 | UBS GLOBAL (UK) |
| Fortius II Funding, Ltd. | Income Notes | 100.00 | 5.00 | 11/3/06 | 12/7/06 | ALADDIN CAPITAL |
| Fortius II Funding, Ltd. | Income Notes | 100.00 | 4.00 | 11/24/06 | 12/7/06 | MARINER BRIDGE |
| Fortius II Funding, Ltd. | Income Notes | 93.00 | 3.00 | 11/3/06 | 12/7/06 | Trust Company of the West |
| Fortius II Funding, Ltd. | Income Notes | 99.00 | 0.28 | 11/3/06 | 12/7/06 | UBS GLOBAL (UK) |
| Fortius II Funding, Ltd. | Income Notes | 99.00 | 4.72 | 11/3/06 | 12/7/06 | UBS GLOBAL (UK) |
| Fortius II Funding, Ltd. | S | 100.00 | 5.14 | 3/16/07 | 3/20/07 | Anderson Delauil Swap Collateral |
| Fortius II Funding, Ltd. | S | 100.00 | 7.57 | 3/22/07 | 3/27/07 | Delaus Swap Collateral - GS CDO |
| GSC ABS Funding 2006-3g, Ltd. | A1A | 100.00 | 35.00 | 12/7/06 | 1/18/07 | CHEYNE CAPITAL |
| GSC ABS Funding 2006-3g, Ltd. | A1B | 99.07 | 32.00 | 3/9/07 | 3/14/07 | AC CAPITAL |
| GSC ABS Funding 2006-3g, Ltd. | A1B | 100.00 | 100.00 | 12/7/06 | 1/25/07 | NATIONAL AUSTRALIA BANK |
| GSC ABS Funding 2006-3g, Ltd. | A1B | 99.85 | 50.00 | 1/24/07 | 1/25/07 | NATIONAL AUSTRALIA BANK |
| GSC ABS Funding 2006-3g, Ltd. | A1B | 99.60 | 10.00 | 1/26/07 | 1/31/07 | NORDEA BANK |
| GSC ABS Funding 2006-3g, Ltd. | A1LTe | 95.00 | 1085.00 | 8/7/07 | 8/10/07 | Morgan Stanley |
| GSC ABS Funding 2006-3g, Ltd. | A2 | 33.33 | 3.00 | 10/5/07 | 10/15/07 | CAPITAL INTERNATIONAL |
| GSC ABS Funding 2006-3g, Ltd. | A2 | 33.13 | 7.00 | 10/5/07 | 10/15/07 | CAPITAL INTERNATIONAL |
| GSC ABS Funding 2006-3g, Ltd. | A2 | 100.00 | 104.00 | 12/8/06 | 1/18/07 | SMBC |
| GSC ABS Funding 2006-3g, Ltd. | B | 100.00 | 25.00 | 12/8/06 | 1/18/07 | AOZORA BANK |
| GSC ABS Funding 2006-3g, Ltd. | B | 100.00 | 31.00 | 12/7/06 | 1/18/07 | ROYAL BANK of Canada (UK) |
| GSC ABS Funding 2006-3g, Ltd. | B | 100.00 | 40.00 | 12/7/06 | 1/18/07 | SOLENT CAPITAL |
| GSC ABS Funding 2006-3g, Ltd. | C | 100.00 | 24.50 | 12/7/06 | 1/18/07 | RETAINED |
| GSC ABS Funding 2006-3g, Ltd. | C | 98.88 | 3.00 | 1/26/07 | 1/31/07 | SOLENT CAPITAL |
| GSC ABS Funding 2006-3g, Ltd. | C | 98.04 | 10.00 | 1/8/07 | 1/18/07 | Trust Company of the West |
| GSC ABS Funding 2006-3g, Ltd. | C | 98.04 | 3.00 | 2/7/07 | 2/13/07 | Trust Company of the West |
| GSC ABS Funding 2006-3g, Ltd. | C | 84.79 | 7.00 | 4/12/07 | 4/16/07 | WELLS FARGO |
| GSC ABS Funding 2006-3g, Ltd. | C | 85.50 | 2.00 | 5/9/07 | 5/14/07 | WESTLB |
| GSC ABS Funding 2006-3g, Ltd. | D | 100.00 | 16.40 | 12/7/06 | 1/18/07 | RETAINED |
| GSC ABS Funding 2006-3g, Ltd. | D | 100.00 | 1.00 | 12/7/06 | 1/18/07 | Trust Company of the West |
| GSC ABS Funding 2006-3g, Ltd. | D | 99.12 | 5.00 | 12/11/06 | 1/18/07 | VANDERBILT |
| GSC ABS Funding 2006-3g, Ltd. | Income Notes | 97.00 | 4.00 | 12/7/06 | 1/18/07 | GSCP (NJ) |
| GSC ABS Funding 2006-3g, Ltd. | Income Notes | 97.00 | 7.00 | 12/7/06 | 1/18/07 | LOEWS CORP |
| GSC ABS Funding 2006-3g, Ltd. | Income Notes | 97.00 | 5.00 | 12/7/06 | 1/18/07 | RETAINED |
| Hout Bay 2006-1 Ltd. | A1 | 100.00 | 800.00 | 5/1/06 | 5/2/06 | Rabobank (via TRS with Goldman and credit protection from |
| Hout Bay 2006-1 Ltd. | A1 | 100.00 | 475.00 | 5/1/06 | 5/2/06 | GS Funding Group / GS Long Credit Risk |
| Hout Bay 2006-1 Ltd. | A2 | 100.00 | 10.00 | 3/30/06 | 5/2/06 | RBS |
| Hout Bay 2006-1 Ltd. | A2 | 100.00 | 10.00 | 3/30/06 | 5/2/06 | Oppenheimer |
| Hout Bay 2006-1 Ltd. | A2 | 100.00 | 22.50 | 3/30/06 | 5/2/06 | Solent Capital |
| Hout Bay 2006-1 Ltd. | A2 | 100.00 | 15.00 | 5/8/06 | 5/15/06 | Bank Hoess |
| Hout Bay 2006-1 Ltd. | A2 | 99.93 | 40.00 | 5/15/06 | 5/23/06 | Vertical Capital |
| Hout Bay 2006-1 Ltd. | A2 | 99.95 | 20.00 | 5/24/06 | 5/25/06 | Highland Capital |
| Hout Bay 2006-1 Ltd. | A2 | 100.00 | 5.00 | 5/31/06 | 6/5/06 | Oppenheimer |
| Hout Bay 2006-1 Ltd. | A2 | 100.00 | 4.50 | 6/21/06 | 6/26/06 | Deerfield |
| Hout Bay 2006-1 Ltd. | A2 | 97.75 | 5.00 | 5/29/07 | 6/1/07 | Deerfield |
| Hout Bay 2006-1 Ltd. | A2 | 97.82 | 15.00 | 5/30/07 | 6/4/07 | Vector Capital |
| Hout Bay 2006-1 Ltd. | B | 100.00 | 25.00 | 3/30/06 | 5/2/06 | Solent Capital |
| Hout Bay 2006-1 Ltd. | B | 100.00 | 5.00 | 3/30/06 | 5/2/06 | Oppenheimer |
| Hout Bay 2006-1 Ltd. | B | 100.00 | 7.00 | 3/30/06 | 5/2/06 | Merryl Lynch |
| Hout Bay 2006-1 Ltd. | B | 100.00 | 7.00 | 3/30/06 | 5/2/06 | CALYON - PA |
| Hout Bay 2006-1 Ltd. | B | 100.00 | 6.00 | 3/30/06 | 5/2/06 | Deerfield |

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GS MBS 0000004279

| Deal Name | Class | Price | Orig Face | Trade Date | Settle Date | Risk Taker/ Customer |
|---|---|---|---|---|---|---|
| Haus Bay 2006-1 Ltd. | C | 99.78 | 21.00 | 3/30/06 | 5/2/06 | UBS Principal Investments |
| Haus Bay 2006-1 Ltd. | D | 100.00 | 10.00 | 3/30/06 | 5/2/06 | UBS Principal Investments |
| Haus Bay 2006-1 Ltd. | D | 100.00 | 5.00 | 3/30/06 | 5/2/06 | Fort Denison CDO |
| Haus Bay 2006-1 Ltd. | D | 100.00 | 2.00 | 3/30/06 | 5/2/06 | RETAINED |
| Haus Bay 2006-1 Ltd. | E | 100.00 | 4.00 | 3/30/06 | 5/2/06 | Dynamic Credit Partners |
| Haus Bay 2006-1 Ltd. | Sub | 100.00 | 3.00 | 3/30/06 | 5/2/06 | Investec |
| Haus Bay 2006-1 Ltd. | Sub | 100.00 | 3.00 | 3/30/06 | 5/2/06 | RETAINED |
| Hudson High Grade Funding 2006-1, Ltd. | A1 | 100.00 | 1275.00 | 9/29/05 | 11/1/06 | UBS |
| Hudson High Grade Funding 2006-1, Ltd. | A2 | 99.95 | 88.75 | 10/5/05 | 11/1/06 | Brightwater |
| Hudson High Grade Funding 2006-1, Ltd. | A2 | 100.00 | 10.00 | 9/29/05 | 11/1/06 | Citigroup for ING |
| Hudson High Grade Funding 2006-1, Ltd. | A2 | 100.00 | 5.00 | 9/29/05 | 11/1/06 | Dynamic Credit Partners |
| Hudson High Grade Funding 2006-1, Ltd. | A2 | 100.00 | 10.00 | 9/29/05 | 11/1/06 | ING Capital |
| Hudson High Grade Funding 2006-1, Ltd. | A2 | 100.00 | 10.00 | 9/29/05 | 11/1/06 | Trust Company of the West |
| Hudson High Grade Funding 2006-1, Ltd. | B | 100.00 | 10.00 | 9/29/05 | 11/1/06 | CHINA MINSHIN |
| Hudson High Grade Funding 2006-1, Ltd. | B | 100.00 | 10.00 | 9/29/05 | 11/1/06 | Citigroup for ING |
| Hudson High Grade Funding 2006-1, Ltd. | B | 100.00 | 15.75 | 9/29/05 | 11/1/06 | OPPENHEIMER |
| Hudson High Grade Funding 2006-1, Ltd. | B | 100.00 | 10.00 | 9/29/05 | 11/1/06 | Trust Company of the West |
| Hudson High Grade Funding 2006-1, Ltd. | B | 100.00 | 15.00 | 9/29/05 | 11/1/06 | VANDERBILT |
| Hudson High Grade Funding 2006-1, Ltd. | C | 100.00 | 5.00 | 9/29/05 | 11/1/06 | Citigroup for ING |
| Hudson High Grade Funding 2006-1, Ltd. | C | 100.00 | 8.00 | 9/29/05 | 11/1/06 | Davis Square VII (TCW) |
| Hudson High Grade Funding 2006-1, Ltd. | C | 100.00 | 7.25 | 9/29/05 | 11/1/06 | DILLON READ |
| Hudson High Grade Funding 2006-1, Ltd. | D | 100.00 | 5.00 | 9/29/05 | 11/1/06 | Fort Denison Funding (Basis) |
| Hudson High Grade Funding 2006-1, Ltd. | D | 100.00 | 5.00 | 9/29/05 | 11/1/06 | Merrill Lynch (Basis CDO- Gateway) |
| Hudson High Grade Funding 2006-1, Ltd. | D | 100.00 | 2.75 | 9/29/05 | 11/1/06 | RETAINED |
| Hudson High Grade Funding 2006-1, Ltd. | Income Notes | 100.00 | 1.00 | 10/12/05 | 11/1/06 | Ascent Holdings (Taiwan PWM) |
| Hudson High Grade Funding 2006-1, Ltd. | Income Notes | 84.00 | 3.00 | 10/12/05 | 11/1/06 | Clinton Group |
| Hudson High Grade Funding 2006-1, Ltd. | Income Notes | 100.00 | 2.50 | 10/12/05 | 11/1/06 | RETAINED |
| Hudson High Grade Funding 2006-1, Ltd. | S | 100.00 | 3.79 | 3/16/07 | 3/30/07 | Default Swap Collateral - GS CDO |
| Hudson High Grade Funding 2006-1, Ltd. | S | 100.00 | 1.06 | 11/6/06 | 11/9/06 | Haus Bay Default Swap Collateral |
| Hudson High Grade Funding 2006-1, Ltd. | S | 100.00 | 0.70 | 11/29/06 | 12/4/06 | Haus Bay Default Swap Collateral |
| Hudson High Grade Funding 2006-1, Ltd. | S | 100.00 | 6.10 | 9/29/06 | 11/1/06 | MBIA Capital |
| Hudson Mezzanine Funding 2006-1, Ltd. | AB | 100.00 | 10.00 | 10/25/06 | 12/5/06 | CHURCH TAVERN |
| Hudson Mezzanine Funding 2006-1, Ltd. | AB | 100.00 | 10.00 | 10/25/06 | 12/5/06 | CITIGROUP ALTERNATIVE INVESTMENTS |
| Hudson Mezzanine Funding 2006-1, Ltd. | AB | 100.00 | 80.00 | 10/25/06 | 12/5/06 | National Australia Bank |
| Hudson Mezzanine Funding 2006-1, Ltd. | AB | 100.00 | 15.00 | 10/25/06 | 12/5/06 | PRINCETON Advisory |
| Hudson Mezzanine Funding 2006-1, Ltd. | AB | 100.00 | 4.00 | 10/25/06 | 12/5/06 | REDWOOD TRUST |
| Hudson Mezzanine Funding 2006-1, Ltd. | AF | 100.00 | 55.00 | 11/13/06 | 12/5/06 | GSC 06-3g Default Swap Collateral |
| Hudson Mezzanine Funding 2006-1, Ltd. | AF | 100.00 | 55.00 | 10/25/06 | 12/5/06 | UBS AG |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 40.00 | 10/25/06 | 12/5/06 | CHURCH TAVERN |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 15.00 | 10/25/06 | 12/5/06 | FAXTON SECS |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 20.00 | 10/25/06 | 12/5/06 | KOCH GLOBAL |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 40.00 | 10/25/06 | 12/5/06 | PRINCETON Advisory |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 66.00 | 10/25/06 | 12/5/06 | RETAINED |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 10.00 | 10/25/06 | 12/8/06 | SECURITY BENEFIT LIFE |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 5.00 | 10/25/06 | 12/5/06 | SOLENT CAPITAL |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 10.00 | 10/25/06 | 12/5/06 | Trust Company of the West |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 99.42 | 14.00 | 1/1 1/07 | 1/17/07 | Trust Company of the West |
| Hudson Mezzanine Funding 2006-1, Ltd. | B | 100.00 | 10.00 | 10/25/06 | 12/5/06 | VANDERBILT |
| Hudson Mezzanine Funding 2006-1, Ltd. | C | 97.56 | 15.00 | 12/19/06 | 12/22/06 | COMMERZBANK |
| Hudson Mezzanine Funding 2006-1, Ltd. | C | 93.90 | 8.00 | 2/14/07 | 2/20/07 | DILLON READ |
| Hudson Mezzanine Funding 2006-1, Ltd. | C | 99.77 | 15.00 | 10/25/06 | 12/5/06 | GSC 06-3g |
| Hudson Mezzanine Funding 2006-1, Ltd. | C | 99.77 | 7.50 | 10/25/06 | 12/5/06 | PRINCETON Advisory |
| Hudson Mezzanine Funding 2006-1, Ltd. | C | 100.00 | 124.50 | 10/25/06 | 12/5/06 | RETAINED |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 99.04 | 5.00 | 10/25/06 | 12/5/06 | FORTIS BANK |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 10.00 | 5.00 | 9/4/07 | 9/11/07 | GREYWOLF CAPITAL |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 99.04 | 7.00 | 11/9/06 | 12/5/06 | GSCP (NJ) |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 99.04 | 3.00 | 10/30/06 | 12/5/06 | GSCP (NJ) |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 99.04 | 4.00 | 10/25/06 | 12/5/06 | IXIS FINANCE |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 83.23 | 3.00 | 3/28/07 | 4/4/07 | MARINER BRIDGE |
| Hudson Mezzanine Funding 2006-1, Ltd. | D | 100.00 | 55.00 | 10/25/06 | 12/5/06 | RETAINED |
| Hudson Mezzanine Funding 2006-1, Ltd. | E | 98.50 | 13.00 | 10/25/06 | 12/5/06 | DYNAMIC CREDIT PARTNERS |
| Hudson Mezzanine Funding 2006-1, Ltd. | E | 100.00 | 11.00 | 10/25/06 | 12/5/06 | RETAINED |
| Hudson Mezzanine Funding 2006-1, Ltd. | E | 100.00 | 2.00 | 10/25/06 | 12/5/06 | Trust Company of the West |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 95.00 | 8.00 | 12/5/06 | 12/7/06 | Bank Loan Trading Desk |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 80.00 | 5.00 | 10/25/06 | 12/5/06 | BEAR STEARNS Asset Management |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 95.00 | 1.00 | 1/3/07 | 1/4/07 | COLONIAL |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 81.00 | 3.50 | 4/16/07 | 4/19/07 | DILLON READ |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 85.00 | 10.00 | 10/25/06 | 12/5/06 | GREYWOLF CAPITAL |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 95.00 | 5.00 | 10/26/06 | 12/5/06 | MARINER SEC |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 80.31 | 30.00 | 12/8/06 | 12/8/06 | SALOMON SMITH BARNEY (BSAM Orig Trade) |
| Hudson Mezzanine Funding 2006-1, Ltd. | Income Notes | 93.00 | 2.00 | 10/25/06 | 12/5/06 | Trust Company of the West |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 1.20 | 12/29/06 | 1/4/07 | Default Swap Collateral - GS CDO |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 1.85 | 12/29/06 | 1/4/07 | Default Swap Collateral - GS CDO |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 0.32 | 12/15/06 | 12/20/06 | Haus Bay Default Swap Collateral |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 0.03 | 1/16/07 | 1/19/07 | Haus Bay Default Swap Collateral |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 1.00 | 1/30/07 | 2/2/07 | Haus Bay Default Swap Collateral |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 0.37 | 2/15/07 | 2/21/07 | Haus Bay Default Swap Collateral |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 0.84 | 12/15/06 | 12/20/06 | HUDSON HG DEF SWAP COLL |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 30.00 | 10/25/06 | 12/5/06 | MBIA Capital |
| Hudson Mezzanine Funding 2006-1, Ltd. | S | 100.00 | 1.33 | 10/25/06 | 12/5/06 | RETAINED |
| Hudson Mezzanine Funding 2006-1, Ltd. | Sr. Swap | 0.20% | 1200.00 | 12/5/06 | 12/5/06 | Morgan Stanley Prop |
| Hudson Mezzanine Funding 2006-2, Ltd. | A1 | 98.51 | 125.00 | 2/2 1/07 | 2/26/07 | RABOBANK |
| Hudson Mezzanine Funding 2006-2, Ltd. | A1 | 100.00 | 115.00 | 12/21/06 | 2/8/07 | RETAINED |
| Hudson Mezzanine Funding 2006-2, Ltd. | A2 | 100.00 | 26.00 | 12/21/06 | 2/8/07 | CHURCH TAVERN |
| Hudson Mezzanine Funding 2006-2, Ltd. | A2 | 100.00 | 20.00 | 12/21/06 | 2/8/07 | RABOBANK |
| Hudson Mezzanine Funding 2006-2, Ltd. | B | 99.92 | 11.50 | 12/21/06 | 2/8/07 | CHURCH TAVERN |
| Hudson Mezzanine Funding 2006-2, Ltd. | B | 99.92 | 20.00 | 12/21/06 | 2/8/07 | ING INV MGM |
| Hudson Mezzanine Funding 2006-2, Ltd. | B | 99.92 | 24.50 | 12/21/06 | 2/8/07 | RETAINED |
| Hudson Mezzanine Funding 2006-2, Ltd. | C | 100.00 | 12.00 | 12/21/06 | 2/8/07 | DILLON READ |
| Hudson Mezzanine Funding 2006-2, Ltd. | C | 100.00 | 2.00 | 12/21/06 | 2/8/07 | DIVERSEPORT |
| Hudson Mezzanine Funding 2006-2, Ltd. | C | 100.00 | 6.00 | 12/21/06 | 2/8/07 | RETAINED |
| Hudson Mezzanine Funding 2006-2, Ltd. | D | 96.21 | 4.78 | 2/13/07 | 2/14/07 | Fort Denison Funding (Basis) |
| Hudson Mezzanine Funding 2006-2, Ltd. | D | 100.00 | 13.21 | 12/21/06 | 2/8/07 | RETAINED |
| Hudson Mezzanine Funding 2006-2, Ltd. | E | 96.16 | 2.00 | 12/21/06 | 2/8/07 | III OFFSHORE |
| Hudson Mezzanine Funding 2006-2, Ltd. | E | 100.00 | 2.00 | 12/21/06 | 2/8/07 | RETAINED |
| Hudson Mezzanine Funding 2006-2, Ltd. | Income Notes | 100.00 | 3.00 | 1/24/07 | 2/8/07 | COLONIAL |
| Hudson Mezzanine Funding 2006-2, Ltd. | Income Notes | 98.00 | 8.00 | 12/21/06 | 2/8/07 | III OFFSHORE |
| Hudson Mezzanine Funding 2006-2, Ltd. | Income Notes | 100.00 | 2.50 | 12/22/06 | 2/8/07 | PROPHET CAP |
| Hudson Mezzanine Funding 2006-2, Ltd. | Income Notes | 100.00 | 2.50 | 12/22/06 | 2/8/07 | RETAINED |
| Hudson Mezzanine Funding 2006-2, Ltd. | S | 100.00 | 3.50 | 3/16/07 | 3/20/07 | Anderson Default Swap Collateral |
| Hudson Mezzanine Funding 2006-2, Ltd. | S | 100.00 | 4.30 | 3/22/07 | 3/27/07 | Default Swap Collateral - GS CDO |
| Lochsong, Ltd. | A | 100.00 | 11.00 | 9/7/06 | 10/4/06 | KOCH GLOBAL |
| Lochsong, Ltd. | A | 100.00 | 2.00 | 9/7/06 | 10/4/06 | PRINCETON Advisory |
| Lochsong, Ltd. | A | 100.00 | 5.00 | 9/7/06 | 10/4/06 | RETAINED |
| Lochsong, Ltd. | B | 100.00 | 10.00 | 9/7/06 | 10/4/06 | DECLARATION |
| Lochsong, Ltd. | B | 100.00 | 15.00 | 9/8/06 | 10/4/06 | INVESTEC |
| Lochsong, Ltd. | B | 99.78 | 10.00 | 1/18/07 | 1/25/07 | JP MORGAN |
| Lochsong, Ltd. | B | 100.00 | 10.00 | 9/7/06 | 10/4/06 | KOCH GLOBAL |

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| Deal/CDO/CLO | Class | Price | Orig. Face | Trade Date | Settle Date | CS Rank | Taken/Customer/PC/CDO |
|---|---|---|---|---|---|---|---|
| Lochsong, Ltd. | B | 100.00 | 5.00 | 9/7/06 | 10/4/06 | | PRINCETON Advisory |
| Lochsong, Ltd. | B | 100.00 | 15.00 | 9/7/06 | 10/4/06 | | RETAINED |
| Lochsong, Ltd. | B | 100.00 | 13.00 | 9/7/06 | 10/4/06 | | VANDERBILT |
| Lochsong, Ltd. | C | 100.00 | 12.00 | 9/7/06 | 10/4/06 | | GREYWOLF/ TIMBERWOLF |
| Lochsong, Ltd. | C | 100.00 | 12.00 | 9/7/06 | 10/4/06 | | VANDERBILT |
| Lochsong, Ltd. | D | 100.00 | 5.00 | 9/7/06 | 10/4/06 | | Fort Denison Funding (Basis) |
| Lochsong, Ltd. | D | 100.00 | 5.00 | 9/7/06 | 10/4/06 | | Merrill Lynch (Basis CDO- Gateway) |
| Lochsong, Ltd. | D | 100.00 | 14.00 | 9/7/06 | 10/4/06 | | RETAINED |
| Lochsong, Ltd. | E | 100.00 | 4.50 | 9/7/06 | 10/4/06 | | MARINER SEC |
| Lochsong, Ltd. | F | 100.00 | 12.00 | 9/7/06 | 10/4/06 | | Deutsche Bank (Wincap) |
| Lochsong, Ltd. | F | 100.00 | 12.00 | 9/7/06 | 10/4/06 | | RETAINED |
| Lochsong, Ltd. | S | 100.00 | 12.10 | 9/7/06 | 10/4/06 | | MBIA Capital |
| Lochsong, Ltd. | Senior Swap | 0.18% | 1032.00 | 10/4/06 | 10/4/06 | | Deutsche Bank AG, London Branch |
| Point Pleasant Funding 2007-1, Ltd. | A1 | 100.00 | 127.47 | 4/11/07 | 4/18/07 | | DILLON READ |
| Point Pleasant Funding 2007-1, Ltd. | A1 | 100.00 | 107.47 | 4/10/07 | 4/18/07 | | RETAINED |
| Point Pleasant Funding 2007-1, Ltd. | A1 | 90.70 | 20.00 | 5/18/07 | 5/26/07 | | TOKYO STAR |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 100.00 | 85.00 | 4/11/07 | 4/18/07 | | DILLON READ |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 25.00 | 1.00 | 8/21/07 | 8/24/07 | | IBTS FINANC |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 27.50 | 1.00 | 9/20/07 | 9/27/07 | | IBTS FINANC |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 20.00 | 0.50 | 10/29/07 | 11/5/07 | | IBTS FINANC |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 91.30 | 20.00 | 4/24/07 | 4/27/07 | | MONEYGRAM |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 91.00 | 40.00 | 5/24/07 | 5/24/07 | | PARAMAX CAPITAL |
| Point Pleasant Funding 2007-1, Ltd. | A2 | 100.00 | 32.50 | 4/10/07 | 4/18/07 | | RETAINED |
| Point Pleasant Funding 2007-1, Ltd. | B | 100.00 | 50.00 | 4/11/07 | 4/18/07 | | DILLON READ |
| Point Pleasant Funding 2007-1, Ltd. | B | 100.00 | 50.00 | 4/10/07 | 4/18/07 | | RETAINED |
| Point Pleasant Funding 2007-1, Ltd. | C | 100.00 | 14.00 | 4/11/07 | 4/18/07 | | DILLON READ |
| Point Pleasant Funding 2007-1, Ltd. | C | 97.57 | 7.80 | 4/10/07 | 4/18/07 | | PLENUM ASSET |
| Point Pleasant Funding 2007-1, Ltd. | C | 29.00 | 2.00 | 7/23/07 | 7/26/07 | | PLENUM ASSET |
| Point Pleasant Funding 2007-1, Ltd. | C | 100.00 | 4.20 | 4/10/07 | 4/18/07 | | RETAINED |
| Point Pleasant Funding 2007-1, Ltd. | D | 81.72 | 15.00 | 4/19/07 | 4/24/07 | | Basis Capital |
| Point Pleasant Funding 2007-1, Ltd. | D | 100.00 | 16.00 | 4/11/07 | 4/18/07 | | DILLON READ |
| Point Pleasant Funding 2007-1, Ltd. | D | 88.39 | 11.00 | 4/10/07 | 4/18/07 | | MARINER BRIDGE |
| Point Pleasant Funding 2007-1, Ltd. | Income Notes | 100.00 | 10.09 | 4/11/07 | 4/18/07 | | DILLON READ |
| Point Pleasant Funding 2007-1, Ltd. | Income Notes | 100.00 | 10.09 | 4/11/07 | 4/18/07 | | RETAINED |
| Point Pleasant Funding 2007-1, Ltd. | S | 100.00 | 8.00 | 4/10/07 | 4/18/07 | | RETAINED |
| Point Pleasant Funding 2007-1, Ltd. | Sr. Swap | 0.20% | 403.46 | 4/18/07 | 4/18/07 | | NATIXIS |
| Timberwolf I, Ltd. | A1A | 99.45 | 50.00 | 3/13/07 | 3/27/07 | | MBIA CAPITAL |
| Timberwolf I, Ltd. | A1A | 99.47 | 50.00 | 5/2/07 | 5/7/07 | | RABOBANK |
| Timberwolf I, Ltd. | A1B | 100.00 | 200.00 | 3/13/07 | 3/27/07 | | BEAR STEARNS Asset Management |
| Timberwolf I, Ltd. | A1C | 99.71 | 100.00 | 3/13/07 | 3/27/07 | | BEAR STEARNS Asset Management |
| Timberwolf I, Ltd. | A1D | 100.00 | 90.70 | 3/13/07 | 3/27/07 | | BEAR STEARNS Asset Management |
| Timberwolf I, Ltd. | A2 | 94.00 | 20.00 | 6/11/07 | 6/14/07 | | CARLYLE |
| Timberwolf I, Ltd. | A2 | 94.50 | 56.00 | 6/11/07 | 6/14/07 | | HUNGKUK LIFE |
| Timberwolf I, Ltd. | A2 | 97.79 | 20.00 | 4/23/07 | 4/26/07 | | MONEYGRAM |
| Timberwolf I, Ltd. | A2 | 97.00 | 40.00 | 5/24/07 | 5/24/07 | | PARAMAX CAPITAL |
| Timberwolf I, Ltd. | A2 | 100.00 | 149.00 | 3/13/07 | 3/27/07 | | RETAINED |
| Timberwolf I, Ltd. | A2 | 83.90 | 20.00 | 5/30/07 | 6/4/07 | | TOKYO STAR |
| Timberwolf I, Ltd. | B | 78.25 | 8.80 | 7/5/07 | 7/12/07 | | BANK HAPOAL |
| Timberwolf I, Ltd. | B | 78.25 | 1.70 | 7/11/07 | 7/12/07 | | BANK HAPOAL |
| Timberwolf I, Ltd. | B | 100.00 | 98.50 | 3/13/07 | 3/27/07 | | RETAINED |
| Timberwolf I, Ltd. | C | 93.15 | 20.00 | 4/4/07 | 4/11/07 | | GREYWOLF CAPITAL |
| Timberwolf I, Ltd. | C | 72.50 | 16.00 | 3/28/07 | 4/2/07 | | POLYGON INV |
| Timberwolf I, Ltd. | D | 92.41 | 30.00 | 3/13/07 | 3/27/07 | | GREYWOLF CAPITAL |
| Timberwolf I, Ltd. | Income Notes | 100.00 | 11.25 | 3/13/07 | 3/27/07 | | GREYWOLF CAPITAL |
| Timberwolf I, Ltd. | Income Notes | 70.00 | 10.75 | 5/24/07 | 5/30/07 | | GREYWOLF CAPITAL |
| Timberwolf I, Ltd. | S1 | 100.00 | 9.00 | 3/22/07 | 3/27/07 | | RETAINED |
| Timberwolf I, Ltd. | S2 | 100.00 | 8.30 | 3/22/07 | 3/27/07 | | RETAINED |
| West Coast Funding I, Ltd. | A1A | 100.00 | 1187.95 | 7/25/06 | 7/26/06 | | GS Funding Group / AIG Credit Protection Provider |
| West Coast Funding I, Ltd. | A1B | 100.00 | 1187.95 | 7/25/06 | 7/26/06 | | Rabobank / AIG Credit Protection Provider |
| West Coast Funding I, Ltd. | A1V | 100.00 | 0.10 | 7/25/06 | 7/26/06 | | GS Funding Group / AIG Credit Protection Provider |
| West Coast Funding I, Ltd. | A2 | 100.00 | 81.00 | 6/30/06 | 7/26/06 | | Stanfield |
| West Coast Funding I, Ltd. | A3 | 100.00 | 30.00 | 6/30/06 | 7/26/06 | | Paramax |
| West Coast Funding I, Ltd. | A3 | 100.00 | 16.00 | 2/2/07 | 2/9/07 | | Deutsche Postbank |
| West Coast Funding I, Ltd. | A3 | 100.00 | 10.00 | 7/3/06 | 7/26/06 | | Landesbank - LRI |
| West Coast Funding I, Ltd. | A3 | 100.00 | 25.00 | 6/30/06 | 7/26/06 | | CNCE |
| West Coast Funding I, Ltd. | B | 100.00 | 19.50 | 2/2/07 | 2/9/07 | | Deutsche Postbank |
| West Coast Funding I, Ltd. | B | 100.00 | 2.00 | 6/30/06 | 7/26/06 | | Moneygram |
| West Coast Funding I, Ltd. | B | 100.00 | 7.00 | 6/30/06 | 7/26/06 | | Vanderbilt |
| West Coast Funding I, Ltd. | B | 100.00 | 10.00 | 1/19/07 | 1/24/07 | | Koch Global |
| West Coast Funding I, Ltd. | C | 100.00 | 10.00 | 6/30/06 | 7/26/06 | | Hudson High Grade |
| West Coast Funding I, Ltd. | C | 100.00 | 22.75 | 6/30/06 | 7/26/06 | | UBS Principal Investments |
| West Coast Funding I, Ltd. | C | 100.00 | 4.00 | 6/30/06 | 7/26/06 | | Moneygram |
| West Coast Funding I, Ltd. | C | 100.00 | 7.00 | 6/30/06 | 7/26/06 | | Vanderbilt |
| West Coast Funding I, Ltd. | C | 100.00 | 7.00 | 6/30/06 | 7/26/06 | | Elger Capital |
| West Coast Funding I, Ltd. | C | 100.00 | 5.00 | 6/30/06 | 7/26/06 | | E Sun Bank |
| West Coast Funding I, Ltd. | C | 100.00 | 5.00 | 6/30/06 | 7/26/06 | | RETAINED |
| West Coast Funding I, Ltd. | Combo | 100.00 | 10.00 | 7/3/06 | 7/26/06 | | Calyay United |
| West Coast Funding I, Ltd. | D | 100.00 | 5.25 | 6/30/06 | 7/26/06 | | Sandelman Partners |
| West Coast Funding I, Ltd. | D | 100.00 | 10.00 | 6/30/06 | 7/26/06 | | OCBC |
| West Coast Funding I, Ltd. | D | 100.00 | 5.00 | 7/3/06 | 7/26/06 | | Merrill Lynch - Basis CDO |
| West Coast Funding I, Ltd. | D | 100.00 | 3.00 | 7/3/06 | 7/26/06 | | Grand Cathay Securities |
| West Coast Funding I, Ltd. | D | 100.00 | 4.90 | 8/18/06 | 8/22/06 | | Fort Denison CDO |
| West Coast Funding I, Ltd. | E | 100.00 | 0.50 | 6/30/06 | 7/26/06 | | TCW |
| West Coast Funding I, Ltd. | E | 100.00 | 0.50 | 6/30/06 | 7/26/06 | | TCW |
| West Coast Funding I, Ltd. | E | 100.00 | 8.00 | 6/30/06 | 7/26/06 | | Basis Capital |
| West Coast Funding I, Ltd. | E | 100.00 | 4.50 | 6/30/06 | 7/26/06 | | RETAINED |

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TRADE DETAILS:

| Deal | Class | Price | Orig Face (mm) | Trade Date | Settle Date | Risk Taker/ Customer |
|---|---|---|---|---|---|---|
| ABAC06-11 NR | A-1 | CDS- 54bps | -41.25 | 9/18/07 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABAC06-11 NR | A-2 | CDS- 82bps | -22.97 | 9/18/07 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABAC06-11 NR | B | CDS- 120bps | -10.63 | 9/26/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABAC06-11 NR | C | CDS- 230bps | -5.25 | 9/26/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABAC06-11 NR | D | CDS- 405bps | -5.94 | 9/26/06 | 9/26/06 | MAGNETAR CNS MF LTD |
| ABAC06-11 NR | A-1 | CDS- 54bps | -41.25 | 9/18/07 | 9/26/06 | DEUTSCHE AG LONDON |
| ABAC06-11 NR | A-2 | CDS- 82bps | -22.97 | 9/18/07 | 9/26/06 | DEUTSCHE AG LONDON |
| ABAC06-11 NR | B | CDS- 120bps | -10.63 | 9/26/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABAC06-11 NR | C | CDS- 230bps | -5.25 | 9/26/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABAC06-11 NR | D | CDS- 405bps | -5.94 | 9/26/06 | 9/26/06 | DEUTSCHE AG LONDON |
| ABAC06-14 NR | A-2 | CDS- 70bps | -36.68 | 10/10/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABAC06-14 NR | B | CDS- 105bps | -36.68 | 10/10/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABAC06-14 NR | C | CDS- 200bps | -25.16 | 10/13/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABAC06-14 NR | D | CDS- 400bps | -15.72 | 10/13/06 | 10/13/06 | MAGNETAR CNS MF LTD |
| ABAC06-15 V2 | SS | CDS- 22bps | 315.00 | 11/17/06 | 11/17/06 | CIBC - London |
| ABAC06-HGS2 | SS | CDS- 27bps | 450.00 | 11/3/07 | 11/3/06 | CIBC - London |
| ABAC06-INDX2 | SS | CDS- 22bps | -660.00 | 9/27/06 | 10/4/06 | PAULSON CRED OPP MST |
| ABAC06-INDX2 | SS | CDS- 21.5bps | 660.00 | 10/2/06 | 10/3/06 | CIBC - London (GSI, London, Canadian Imperial Bank ofCommerce - London) |
| ABAC07-AC1 | A1 | CDS- 118bps | -50.00 | 4/10/07 | 4/26/07 | PAULSON CRED OPP MST |
| ABAC07-AC1 | A2 | CDS- 141bps | -142.00 | 5/31/07 | 4/26/07 | PAULSON CRED OPP MST |
| ABAC07-AC1 | SS | CDS- 85bps | -1000.00 | 5/31/07 | 5/31/07 | PAULSON CRED OPP MST |
| ABAC07-AC1 v2 | SS | CDS- 67bps | 909.09 | 5/31/07 | 5/31/07 | ABN LDN |
| ABACUS06-8 FL | F | CDS- 2050bps | 4.50 | 2/7/06 | 2/16/06 | QVT FUND, LP |
| ABACUS06-8 FL | F | CDS- 2050bps | 0.45 | 7/2/07 | 2/16/06 | QUINTESSENCE FUND LP |
| ABACUS06-8 SS | SS | CDS- 29bps | 199.64 | 11/17/06 | 11/28/06 | Morgan Stanley- Prop |

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66051.644

**From:** Sparks, Daniel L
**Sent:** Tuesday, October 17, 2006 10:48 PM
**To:** Montag, Tom
**Subject:** Re: 3 things

Stacy and tom c co-ran it (stacy more irp and tom more struct.prod) - there was some tension between the 2. When tom was moved there was some concern as stacy had not been involved in the past. She has really done well.

Josh should be the one on the bubble for us and he has had a rough couple as months. But he has handled it very well and is a key person for our franchise. I don't think those 2 months should confuse his value to the firm. He will make us a bunch of money. I may be able to manage through it if he does not make it, but he is so focused on it, he is well known to hedge funds and competitors, and I'd rather not take the risk.

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Tue Oct 17 22:28:05 2006
Subject: Re: 3 things

Thanks

Yours is a critical business for the future and we want the top guys engaged and satisfued so let's make sure we do that. Thought some room in there so let's see what u can do. Who had jovb before stacy and what is she up to

Josh slipped a bit with the abx position etc. Is that inappropriate

Tom

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom; Sherwood, Michael S
Sent: Wed Oct 18 10:09:48 2006
Subject: 3 things

1. Comp today - I understand that the department increase is not consitent with that of other departments in relation to revenue growth. I also got the point that we were probably increasing some of our mid-level people by more than necessary and I'm adjusting that. The things I am struggling with are that the structured products business is growing and up a fair amount (should be mid-20s), and that when we went through our more senior people, there seemed to be general agreement that the numbers were appropriate. However, when we knock $X million off, that group will be the ones to absorb most of the burden. We'll do our best with your guidance.

2. Josh for EMD - he is an extraordinary commercial talent and a key franchise driver. Josh has reported to me for just this year, but I have been very impressed with his maturity, teamwork and leadership - the areas of question in the past. He is a great trading talent, product innovator and he is driving our US property derivatives. I thought he cross-ruffed around 41, and I know there are other considerations. But he is a guy worth considering adding another spot for.

3. Stacy - she has recently taken over managing the sales group for structured products and I just wanted you to know that she is doing a very good job.



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**From:** Ruzika, Richard
**Sent:** Monday, February 05, 2007 12:00 PM
**To:** Cohn, Gary
**Subject:** RE: Are you living Morgatages?

Yes -- keep in mind it is just two months -- You asked me to be patient until Jon was moved to the bank before stepping in. In some respects this is trickier than if we were just beginning to build the business from scratch. The business is unfortunately being overshadowed by our ABX position and our sub prime exposure, so it feels bad right now. You know and I know this position was allowed to get too big - for the liquidity in the market, our infrastructure, and the ability of our traders. That statement would be the same even if we had gotten the market direction correct -- although the vultures wouldn't be circling. You also know that we probably would have gotten the position correct had I been involved a year ago -- I probably would have gotten short to protect our warehouse and general hedge against the business given our outlook in the space. None of that matters now --we are where we are so I am sure you only care about what am I doing to get the business contained and then in position to grow.

In a nutshell:

First and foremost I am supporting Dan and his guys. There is a long way to go with all of them, they aren't and weren't equipped to handle the market. I am going to get them there or upgrade them -- we are going to hire to help Dan.

We are building out a risk platform -- Margaret Holen was my strat -- now she will be moved to fill Jay Dweck leaving. Weinstein will come over but there will be an obvious transition period.

I have a working model of the risk program which we are using for our sub prime risk -- the first that they've had.

I am moving CLOs to Credit.

Senderra -- Brad Bradley -- we will build out our origination platform with this group and will do so as prices continue to fall.

I could have answered your question with a simple Yes -- there's more to list but you get the picture... I also am leveraging Tom and his experience in this space. Sat with him Friday night to take him through the platform and game plan. -- I don't want to be short -- I want to neutralize the risk and shed our basis risk.

**From:** Cohn, Gary (EO 85B30)
**Sent:** Monday, February 05, 2007 8:22 AM
**To:** Ruzika, Richard
**Subject:** Are you living Morgatages?



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**From:** Montag, Tom
**Sent:** Thursday, December 07, 2006 10:10 PM
**To:** Viniar, David
**Subject:** RE:

**x-gs-classification:** Internal-GS

on with sparks now--makes me mad because they should have kept doing it ugh

**From:** Viniar, David
**Sent:** Thursday, December 07, 2006 9:42 PM
**To:** Montag, Tom
**Subject:** RE:

I agree. Sparks is now doing a good job of communicating on position.

**From:** Montag, Tom
**Sent:** Thursday, December 07, 2006 9:30 PM
**To:** Viniar, David
**Subject:**

on ABX having numerous conversations--i dont think we should panic out but we certainly didnt do good job of keeping pressure on
anything you want or need



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66051.647

**From:** Montag, Tom
**Sent:** Thursday, August 23, 2007 3:53 PM
**To:** Sparks, Daniel L
**Subject:** RE: Current Outstanding Notional in SN ames

so if I make you sell a whopping 800 out of 3 billion which is less than 30% how can anyone complain--the position is huge and outsized

**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
**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



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66051.648

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 |



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66051.649

**From:** Silva, Ralph
**Sent:** Tuesday, November 13, 2007 7:30 PM
**To:** Broderick, Craig; Smith, Sarah; Beshel, Liz; Berry, Robert; Lee, Brian-J (FI Controllers); Holloway, Mark W
**Cc:** Josselyn, Kenneth
**Subject:** Trilateral Commission Document

**Attachments:** Tri-Lateral Combined Comments 11 13 2007.doc

I am attaching bullet points for tomorrow's meeting, incorporating comments from each of you. I won't attempt to collect additional input or distribute additional drafts. If you'd like to amend your points, please do so in the document and carry your own copy to tomorrow's meeting. Please note below the remaining holes in our script, together with my suggestions on addressing them.

Page 3, A. 2., the second bullet - Brian, please note we've assigned this one to you, with bullets provided by Sarah

Page 8, #6, second bullet(How will your business strategy or model change as a result of this experience or because of other business concerns you see going forward?) - we have no answer in the script, but could Sarah or Craig reiterate that we won't be making big changes?

P. 17 - 18 D1-5 - Craig, you'll be covering all credit questions except as noted

P. 20 - #2, bullets 2-3 - ABCP backstops, and capital & earnings volatility - Liz, for continuity, are you comfortable taking these 2?

P. 21, # 5 - re: granularity of risk - Craig & Robert, can you comment on this one?

P. 21, #6 - accounting and disclosures - Sarah and Brian to comment.

Tri-Lateral
ombined Comments

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## General Questions for Firms

This note outlines a preliminary exploration of the strengths and weaknesses of financial institution risk management practices revealed by the recent market turmoil. It is too early to draw definitive conclusions about banks' and investment banks' risk management practices, as the sufficiency of their liquidity and capital buffers can be judged only after the current episode has run its course. Nonetheless, it is not too soon for firms and supervisors to begin thinking about issues that may warrant exploration in the coming months. The broad questions we wish to address can be framed as the following:

1. **In senior management's opinion, what worked well, what did not work well in terms of the firm's overall risk management during the recent period?**

2. **What changes are firms making to their processes or practices as a result?**

3. **How well did stress tests and limits perform as measures and mitigators of risk, respectively? Did internal processes estimate the nature and scale of any losses appropriately?**

4. **How effective were internal reporting mechanisms in identifying and highlighting key drivers of risk and losses?**

5. **How effective were hedging strategies in responding to rapidly changing conditions? To what extent did the firm's planning contemplate both the scale and speed at which liquidity conditions deteriorated?**

6. **How effective were firms in identifying both direct and indirect exposures (whether or not involving contractual obligations) to other sources of risk and potential concentrations of risk, including exposures to structured investment vehicles, alternative investments, or mutual funds, among others?**

The discussions with firms will cover five areas of interest:

A. **Senior Management Oversight**
B. **Liquidity Risk Management**
C. **Market Risk Management**
D. **Credit Risk Management**
E. **Economic and Regulatory Capital and Related Issues**

While the questions below are organized by risk category for practical reasons, supervisors expect firms to manage risks in an integrated manner across businesses and risk dimensions. As such, we intend to form observations about risk management practices, including the quality of stress testing and scenario analysis, on a corporate-wide basis. The supervisors will share among the participating Agencies their understanding of firms' risk managing practices. Each of the Agencies will be reminded that information shared during these discussions will be treated as confidential supervisory information.

Introductory Comments – SARAH/CRAIG

1 On balance, GS' risk management policies and procedures have worked well throughout the year, and, in particular, over the past several months: **a** we had more than adequate funding, **b** our risk models served as effective means of identifying and quantifying exposures and **c** our price verification procedures helped us identify issues early so we could act accordingly.

2 The recent turbulent markets have caused us to re-think some of our methods for quantifying exposures – however, none of the changes represents a material deviation from current practice. Today we'll discuss some of those changes.

3 We first observed disturbing trends in the performance of sub prime debt in late December, early January and began marking down positions at that time. As a result, we became concerned about our long exposure and acted quickly in a number of ways, including putting hedges in place. We followed these trends closely and continued to mark down sub prime positions throughout 2007. As it turned out this time period represented a narrow window of opportunity to create effective hedges and as a result we were able to maintain a short throughout the year.

4 The press and others have discussed an anticipated Q4 write-down for GS. Our remaining long sub prime exposure totals $695 million, inclusive of whole loans and CDO positions. However, we're net short – as we have been throughout 2007. Accordingly, we have nothing to write down.

5 We supplemented our risk reporting packages as necessary and discussed our mortgage book at every Risk Committee meeting throughout the year. We've made several presentations to the Board regarding mortgage exposures and will make another tomorrow.

6 In summary, the process by which we mark all our positions to market on a daily basis – and the process for an independent verification of those prices – are quite simply the key to our risk management processes.



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## Senior Management Oversight

### 1. Risk Appetite

- Did the effects of recent market turbulence on your key measures of risk and performance (e.g., profit/loss, firm-wide liquidity levels, capital buffers, etc.) fall within the Board's and senior management's stated policies for risk? Please describe any material differences with previously existing policy, limits, etc.

**CBroderick**
- with some exceptions, general answer is that we did not end up with positions that were greater than our mgmt / board thought appropriate
- in risk terms, we managed positions very actively such that we took down multiple positions as they got larger;
- not to say we didn't have limit excesses (Robert to discuss, also CSW); but sr mgmt participated actively in all of the significant exposure management including decisions on when / how to reduce positions, and in the case of lending the actual approval of transactions

**LBeshel**
Yes, they did. With respect to Treasury:
- GCE remained above MLO and above our GCE target of $55-60bn. MLO assumptions broadly held up. We were able to raise liquidity through efficiency projects rather than drain the GCE
- Cash capital ratio generally remained above 1.0x. It dipped below in September, but we issued $10bn of LTD in October to bring it back up
- CSE Tier 1 capital ratio remained at or above our minimum targeted level
- Quarter-end EDL ratios were at or below maximum target levels
- Share repurchases were adjusted to maintain target equity capital ratios

**RBerry**
To discuss history of VaR and CSW

### 2. Communication with Board/Senior Executives

- At what point were senior executives or the Board of Directors made aware of specifics surrounding the impact that the market disruption may have on the firm's business? What led to the decision to communicate the relevant issues to Directors or senior executives?

**RBerry**
There is constant communication from the revenue side and the control side of the firm with the 30th floor. In addition David/Jerry co-chair FWRC and Lloyd/Gary regularly attend.

**CBroderick**
- Sept '06 Risk presentation (including special topics on Leveraged Finance, Derivatives Prime Brokerage and Systemic Risk
- March '07Subprime Mortgage Business presentation
- Sept '07 Residential Mortgage presentation



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- What special sessions, if any, were held with the Board of Directors/senior executives, or what reports were shared, to ensure that they understood the specifics related to valuation issues, conduits, structured investment vehicles, leveraged lending, etc.?

**BLee**
- Quarterly PV presentations to the Board
- Weekly Risk Committee Meetings, attended by DViniar and GCohn, and often LBlankfein
- Recent meetings with Lloyd & Gary re: pricing

- What role, if any, did the Board/senior executives play in re-assessing the firm's risk appetite and strategy?

**RBerry**
Limits are set by FWRC. Decisions regarding e.g. short positions in mortgages taken by business units but with full knowledge of the 30th floor.

**C Broderick**
FWCC approves each significant financing transaction



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**3. Senior management reporting and analysis**

- Did senior management reporting systems provide accurate and timely insight into material changes in the firm's risk profile? What *ad hoc* reporting, if any, was prepared to supplement standard reporting packages?

  **RBerry**
  Key risk measures are computed on a daily basis – including day-on-day and other time comparisons - and communicated to most senior management. Measures are themselves highly responsive (volatilities and correlations are re-estimated weekly, credit risk is linked to traded spreads).

  Changes are often made to the risk packages in response to senior management/FWRC interest as businesses and markets change (e.g. breakout of Acquisition Commitments from Mortgages, addition of Insurance as a Industry risk in JTD report, breakout of Index vs. Stock in Equity Topsheet, refined Loan Commitment pages).

  Ad hoc analysis is done on a daily basis generally in response to business unit managers – examples during this period included more granular breakout of CSW by credit quality, marginal contributions to VaR and hedge analysis in Mortgages, credit and Equities.

  MRMA produces a Quarterly Risk Review where a conscious effort is made to include new and topical analysis alongside mile-stoned changes in standard measures.

  The 2007 Q3 report included breakout of changes in VaR due to position changes and due to market changes (Static VaR), examination of change in convexity position of Equities Division (Top Sheet), update of basis risk in Mortgages (CSW) and curve positions in Credit, concentration in Financials/Energy in Emerging Markets, and Maya position in Commodities.

- How timely was senior management made aware of the implications of the rapidly changing market environment on the firm's own exposures? Was senior management accurately informed of the scale of exposures?

  **RBerry**
  Communication is constant.
  Management participated in many of the important decisions

- At what point and how did senior management become aware of valuation uncertainties, if any? For example, did external or internal auditors raise issues regarding the valuation of certain positions? How did senior management reach decisions on valuations that affected results? What role did senior management play in overseeing the valuation process and ensuring that it was appropriate?

  **BLee**
  - Senior management heightened their focus on the mortgage department and its inventory during the first quarter of 2007 when the non investment grade ABX index began showing volatility as hedge funds began utilizing it to express bearish views on the US housing market. Concerns were further exacerbated by declines in home price appreciation and pricing pressure on subprime mortgages.



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- This focus resulted in periodic meetings with senior management including; the CFO, divisional risk heads, division heads, desk management and controllers.

- We use fair value to measure our financial instruments, which is fundamental to our risk management process and financial statements. It is essential for us to understand the value of what we hold so that we can manage the associated risk. Due to reduced liquidity, determining fair value is more challenging; however, we still look to the significant amount of available evidence and extrapolate as appropriate. If there is a question on price transparency, senior management may require traders to execute trades to substantiate their valuations. We also back test marks against actual trades to ensure accuracy.

**4. Conflicts of interest**

o Did the firewalls between the firm's operations with access to public versus private information lead to any challenges in gathering and interpreting information to understand market events or their implications for key customers or counterparties? If so, how were these addressed?

**CBroderick**

- Managing this is always a challenge; however these issues were fully addressable w/o non-public, counterpart-specific discussions
- Where firewalls really affected us were on our hedging decisions; this meant for example that we generally hedge bank loans via indicies, and derivatives via NCLs

**5. Immediate responses**

o Please describe the decisions that senior management undertook (and their timing) once it became aware of the significance of the market disruptions. Examples might include seeking specific analyses of the situation through customized stress tests, etc.; changing the firm's limits; altering management reporting or other MIS processes; altering management structure; etc.

**LBeshel**

— Raised long-term debt at beginning of year to stay ahead of growth in cash capital requirements. Also raised new unsecured debt during the strained period when possible
— As a general policy, we term out secured funding for less liquid assets in a *normal environment* to mitigate rollover risk in a crisis. As the market began to get more challenging, we termed out even more secured funding and raised new secured funding when possible
— Addressed a variety of internal funding efficiency issues to boost liquidity and create a report to track progress
— Created a new "days to zero" liquidity report
— Cut back share repurchases to preserve cash and capital in the early period of uncertainty
— Increased focus on maximizing distributions of excess capital from subsidiaries
— Partnered with businesses to come up with structured funding solutions for bank loans



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— Maintained a heightened dialogue with businesses to ensure that business selection decisions appropriately incorporated the scarcity of funding



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**BLee**
**First quarter 2007:**
Shut down residential mortgage warehouses
Increased protection for disaster scenarios via RMBS and CDO CDS
Increased long correlation position
Continued vigilant EPD identification and workout
Reduced loan positions through securitization and sale

**Second quarter 2007:**
Terminated CDO warehouses
Took significant mark to market losses on long mortgage and CDO positions
Further shorted synthetic CDOs and RMBS
Actively manage counterparties for disputed margin calls or payment failures

**Third quarter 2007 through current:**
Actively managed risk exposure to hedge funds
Begin covering of short mortgage positions
Opportunistically look to buy assets
Increased hedging of leveraged loan commitments
Focus on generating additional liquidity sources

**RBerry**
Heightened dialogue at all levels, and between revenue and control.
[Limit History]
Global Alpha onto firmwide systems?

**CBroderick**
- Heightened dialogue at all levels, and between revenue and control.
- Overall: tightened credit terms with counterparts including revised limits, strengthened stress tests; specific hedge fund close out scenario analysis conducted & reviewed at Risk Committee
- Increased focus on collateral calls and position marks
- Leveraged Finance: increased hedging, strengthened stress tests, revised credit approval terms; additional focus on distribution

- Were any changes made in management or senior staff during this period?

**RBerry**
The mortgage business was moved into the Credit World
Marc Spilker, Jon Sobel into GSAM

- Did you encounter any material operational challenges (e.g., back office processing, etc.) during this period that affected your ability to assess exposures, analyze, or manage exposures or your ability to complete increased trading or processing volumes? If so, how did you address those challenges?

**RBerry**
There was one day when SecDB coincidently broke down CRAIG to comment on collateral impact



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**CBroderick**
- Several situations where systems' capacities were stretched resulting in late processing / credit info / collateral calls
- But in each case the delays were short (within same day) and work-arounds for collateral were arranged (prioritized, manual calculations) so that we were not put at risk
- We are focusing now on significantly upgrading our system capacity to handle much larger trading volumes

o To what extent were your decisions motivated by concerns about reputation in the market place?

**LBeshel**
- Decided to scale back CP balances (flat Q/Q) given that Bear Stearns got credit for reducing its balances
- Decided to allow funding trades with conduits to roll off so as not to be perceived as causing any conduits to go under
- Decided not to participate in M-LEC (partly because we don't really see the benefit)
- Decided not to access the Fed discount window jointly with MS/MER to finance CP inventory
- Decided to invest in GEO?

**RBerry**
We continued to do client business? i.e., we preserved, not hoarded, liquidity and risk capital.

**CBroderick**
- Very focused on reputational issues; tried hard to be a good corporate citizen, maintaining financing and derivatives lines in the vast majority of cases; being scrupulous about our marks; keeping our regulators posted on issues

**6. Lessons learned/changes as a result**

o What changes have been, or will be, made in your risk management structure or processes as a result of this experience?

**RBerry**
It is too premature to make far-reaching changes (if any). Our risk management structure and processes generally performed well and as designed.
GSAM
MRMA above the wall?

**CBroderick**
- We constantly tweak our risk organization, processes and procedures and this will continue. We brought out a new alert system for troubled counterparts. We upgraded our reporting template. We will continue to make these changes, but in general things worked well and no radical changes are required



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- How will your business strategy or model change as a result of this experience or because of other business concerns you see going forward?

**CBroderick**

- No fundamental changes – we are generally ok with results
- We will be opportunistic as we always are, and may find selective investments attractive (eg the Litton mortgage servicing platform from CBass)
- Other changes may be imposed on us from the market, eg the asset backed CP market; or by a need to be prudent risk managers, eg reviewing our underwriting practices for monoline insurance cos

## B. Liquidity Risk Management

### 1. Liquidity Planning/Stress Testing

- By what process does your institution assess the appropriate level of excess liquidity reserves to maintain? What are the key factors that drive these decisions?

**LBeshel**

- GCE target is decided by Global Treasurer with input from senior Treasury personnel, Funding Desk, and Finance Committee
- Factors that drive the decision include:
  - MLO model
  - Market color provided by Funding Desk
  - Known one-off funding gains/drains
  - Subjective assessment of condition of GS in relation to the crisis

- How effective were the types of scenarios employed in liquidity stress tests and contingency funding plans in helping you prepare for the recent financial market liquidity strains? Did the scenarios reflect the potential for general market disruptions as well as firm-specific scenarios?

**LBeshel**

- We manage to a general market disruption in which GS is specifically affected. Recent strains were not nearly as severe as what we manage to
- Treasury has participated in one-off scenario exercises, including a sub-prime meltdown, hedge fund failure, and pandemic outbreak
- Scenario planning can only take you so far. More important in a crisis is to have good communication lines both internally (Treasury, Funding Desk, businesses) and externally (creditors, rating agencies) and robust reporting.

- How appropriate were the assumptions incorporated into contingency funding plans and stress tests? How well did market events vis-à-vis off-balance sheet exposures, securitization, funding concentrations, cross-currency exposures, and general market liquidity correlate with those assumptions?

**LBeshel**



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Our scenario planning incorporates more severe stresses than we experienced.

Events that were as or less severe than our assumptions:
— Some loss of secured funding, but in line with expectations
— Difficulty rolling unsecured funding, although LOC usage actually increased
— No material derivatives collateral outflows (MTM or downgrade)
— No increased requirements at exchanges and clearinghouses
— No material withdrawals of free credits in GSI

Events that were more severe than our assumptions:
— Conduit funding less robust than anticipated
— Credit origination commitments posed greater liquidity risk than planned for (we had focused on one month, but crisis lasted longer)
— Possibility of having to provide liquidity support to GSAM funds
— Collateral disputes with derivative counterparts greater than anticipated

- How well did your quantitative measures and limits on its liquidity perform during this period? What impact, positively or negatively, did any limits mandated by regulations have on your actions during this period? What changes, if any, will the firm make to its efforts to measure its overall levels of liquidity?

**LBeshel**
— Measures performed well. GCE remained above MLO, and cash capital ratio remained above 1.0x
— Not aware of any regulatory mandates that affected the firm's actions
— No plans to change how we *measure* liquidity (i.e. definition of GCE or cash capital), but do plan to reassess certain liquidity *risks* as noted below

**2. Securitization and Syndicated Financing**

- How are the risks of timing mismatches between the origination of assets and the subsequent packaging and sale of assets considered in contingency funding plans?

**LBeshel**
— We do not rely on securitization to manage through a liquidity crisis. We assess liquidity assuming we maintain our current inventory levels
— Our liquidity planning incorporates severe draws by clients on warehouse lines we have provided

- Does your liquidity analysis process capture and report the level of committed pipeline credit?

**LBeshel**
— Yes.
— However, we will likely reassess liquidity risk of credit origination commitments in light of our recent experience, as noted below

**3. Support for Conduits/SIVs/SPEs**



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- In what ways did your liquidity risk management reflect the possibility of supporting sponsored investment funds and/or securitization programs, including those that you had no contractual obligation to support?

  **LBeshel**
  — Not applicable

- *A priori*, how well-developed and comprehensive were your ongoing risk measurement and monitoring of these entities?

  **LBeshel**
  — Not applicable

**4. Support for other vehicles such as money market funds**

- In what ways did your liquidity risk management reflect the possibility of supporting other vehicles such as money market funds? What support, if any, did the firm actually provide?

  **LBeshel**
  — Large investment in GEO was an attractive opportunity, not a bail-out
  — We monitored GSAM money market fund but did not need to provide support
  — Liquidity planning did not incorporate the possibility of providing support to GSAM money market fund, but have since added a $2.5bn buffer for this risk in the MLO model

**5. Pricing of Liquidity Commitments**

- What factors were considered in the pricing of contingent liquidity facilities? With the benefit of hindsight, was such pricing appropriate?

  **LBeshel**
  — We have traditionally not charged businesses for GCE, in order to keep the cost – and therefore the control – at management level. We are moving toward charging businesses for the portion of MLO that is pre-funding specifically attributable to a business activity.
  — Except for WS commitments, we currently do not charge for pre-funding for lending commitments. We recognize this is inappropriate and plan to change it in the near future
  — We do control the size of liquidity commitments through our risk management infrastructure(Capital Committee, etc.)



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**6. Legal Entities**

- To what extent were liquidity risk considerations factored into decisions on the booking of business in a particular legal entity, vs. such other considerations as tax, accounting, or regulatory differences? Were restrictions of the full transfer of liquidity capabilities across various parts of the organization appropriately considered?

  **LBeshel**
  - Liquidity risk typically not the driver of deciding where to conduct business. Tax, regulatory, or operational issues are more commonly the driver
  - In whatever entity we conduct business, we put in place a liquidity risk management strategy (MLO models for broker-dealer entities, funding plans in BRICK countries, etc.)
    - We monitor amount of GCE held in GSI and GSJCL above their stand-alone requirements
    - We consider trapped cash capital in our cash capital planning

- What was the impact of actions taken by affiliates on regulated entities?

  **LBeshel**
  - Certain efficiency projects were designed to untrap liquidity in regulated entities (GSI client money deposit to GSoHG, repayment of GSI accrued sub-debt interest)

**7. Risk Measurement and Limits**

- Did internal liquidity metrics, limits, and monitoring systems provide "early warning" that the availability of market liquidity was materially changing from historic norms?

  **LBeshel**
  - Because our funding book has long duration, our experience in this crisis was that we did not immediately see the impact on our funding, but instead saw the impact by watching others' experience in the markets and press.
  - Do not have specific limits or monitoring to identify when market liquidity is drying up – we carefully watch trends and activity in the markets broadly (look for appetite for collateral types, pricing changes, maturity changes, etc.)
  - Primary means of identification is communication between Treasury and the Funding Desk, external funding counterparties and GS senior sales/trading and control personnel, Committee meetings, and the CFO's view

- During the period of stress, did you capture and aggregate exposures with sufficient granularity (i.e., risk factor, product type, counterparty type) for liquidity risk management purposes?

  **LBeshel**
  - Yes, we break down the causes of contingent liquidity outflows (unsecured funding rollover, secured funding rollover, buyback risk, derivative outflows, etc.)



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- Was the MIS provided to senior management sufficient and comprehensive?

**LBeshel**
Yes. Reporting provided to senior management included:
— Funding Snapshot
— Liquidity Dashboard
— Finance Committee packet
— Weekly funding summary

**8. Management of Liquidity Events**

- How were contingency funding plans and stress tests utilized during market events?

**LBeshel**
— Recent market events were not so severe as to require putting in motion the Liquidity Crisis Plan
— However we did consult our plan as we created a menu of various alternatives to generate liquidity outside of the funding markets.

- Was there an effective communication infrastructure to measure, monitor and control your liquidity positions (for all material legal entities, jurisdictions, foreign branches and subsidiaries)?

**LBeshel**
Yes.
— Frequent calls between Global Treasurer, senior Treasury personnel, Funding Desk
— Effective use of email distributions for sharing of information, such as steps being taken to boost liquidity, credit origination pipeline, etc.
— Robust liquidity reporting

- Did senior management intercede to allocate/ration liquidity?

**LBeshel**
Yes.
— Maintained heightened dialogue with businesses to ensure that business selection decisions appropriately incorporated the scarcity of funding
— Capital Committee vigilant about approving new commitments

**9. Lessons Learned**

- Do you plan to make changes to liquidity risk management or contingency funding plans as a result of the recent market turmoil?

**LBeshel**
Yes, we plan to:
— Continue to fortify our already-strong funding position by funding wherever/whenever possible, paying up for term and continuing to diversify our distribution, particularly for lower-grade collateral
— Reassess liquidity risk of credit origination commitments and other contractual commitments
— Incorporate possibility of providing liquidity support to GSAM funds in our planning (have already added $2.5bn as a buffer)



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- What are the implications of recent events on the future composition of your pools of liquidity resources?

**LBeshel**
No impact.
— GCE will continue to be composed of securities of the highest quality.
— Will continue to not use committed credit facilities as a source of backup liquidity

## C. Market Risk Management

### 1. Value-at-risk

- What was the incidence of VaR and limit breaches during this period? What was done to bring exposures under limits and was it effective?

**RBerry**
[Get history]
Exposures were managed responsibly by the business units within agreed limits.

Highs were set in Mortgages, Credit Products, Credit Origination, EPG and GSP. Benign P&L allowed for a disciplined but measured response.

Shorts in Mortgages and Credit Products tended to hedge long market exposure in Credit Origination and Equities. As a result "diversification" reach a high of 63%.

- Did valuation issues impact VaR calculations?

**RBerry**
To the extent that mark downs reduce positions size (which reduces risk) and conversely to the extent that wider spreads provoke higher volatilities, valuation impacts VaR in our models.

- Have you made any changes to your risk management program/VaR models as a result of these back-test exceptions?

**RBerry**
No specific changes.
- Our models already are highly reactive to changes in volatility – we use a 20%/month decay.
- We examine all backtesting exceptions at the 95% and 99% 1-day level for "red flags" – P&L driven by missing positions or risk factors – none apparent.
- There was considerable work done around mortgages to validate distributional assumptions as prices plunged – in general return volatility remained proportionality to spreads.
- Certain assets were re-mapped as data became available [e.g. as we shorted single-name A Mortgage CDS we did not have time series history; instead these were initially mapped to ABX BBB index scaled by spread – this is ongoing and routine]



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- How significant would the difference be between VaR measured using the benign historical period vs. the data we have now?

  **RBerry**
  If we apply Q2 volatilities/correlations to Q3 positions, period end Firmwide VaR would have been 95 vs. 131 (38% higher); Interest Rate Category VaR would have been 55 vs. 109 (98%); Equity Category 66 vs. 102 (54%); Mortgage business 40 vs. 75 (87%); Credit Products 26 vs. 77 (196%).

  As an anecdote, the 2006 Y/E Mortgage business VaR was 14mm and the ABX BBB was 189bp. As at end of August the ABX was 3156bp and the VaR of the 11/24 positions would have been 531mm.

**2. Scenario analysis/Stress tests**

- Were your scenario analyses and stress tests adequate for assessing risk exposure during the recent period?

  **RBerry**
  Yes
  - in particular CSW very granular by business e.g. SPG vs. cash, RMBS vs. CMBS

- How well did business line and corporate-wide stress tests identify the impact of recent market events?

  **RBerry**
  It is impossible to predict exact moves
  - and not everything moves together (for example CMBS to date and Emerging markets), but the exposures are listed and broken out in sufficient granularity to identify impacts.

- What lessons have you learned from recent events about your stress testing techniques?

  **RBerry**
  We already prefer single asset stress tests that do not depend on correlation assumptions between markets. We make no assumptions about liquidity. We breakout impacts to a granular level (we don't rely on a single number – or for that matter a single tool).

  We will further drill down on Basis risk e.g. Country, Industry, Cash, Derivative, Index.



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**3. Risk reporting and aggregation**

- During the period of stress, was the MIS provided to senior management sufficient?

  **RBerry**
  Yes

- Did you capture and aggregate exposures with sufficient granularity (i.e., risk factor, product type, counterparty type) for market risk management purposes?

  **RBerry**
  Yes

**4. Valuation practices**

- What mechanisms did the firm have to assess whether valuation methodologies were accurate/appropriate reflections of market valuations and to identify when, if at all, a breakdown in accuracy was likely to occur?

  **BLee**

- Within Controllers, a dedicated group performs an independent price verification of the mortgage inventory. The team has extensive experience in the valuation of mortgage related products.
- The collaboration with this team and desk management has ensured market movements are reflected in pricing on a timely basis and at times has lead to the remarking of positions.
- The team employs the following primary strategies in their price verification process:
  - Trade comparison: Available trade data are dissected for their parameters which are applied to the cash and derivative positions with similar collateral and/or risk profiles.
  - Fundamental analysis: Various analyses which examine the underlying position characteristics are utilized to derive fair value. Note that these characteristics are corroborated to the market. Examples include discounted cash flow (DCF), option adjusted spread (OAS) or securitization analysis.
  - External price compares: Where available, prices received from third party vendors are attained, validated and utilized.
  - Collateral analysis: Disputes surrounding margin calls of mortgage derivative contracts are closely examined to glean an indication of market levels.
- These marks are reviewed with auditors and regulators on a recurring basis.



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- Was your valuation methodology for particular instruments consistent across the firm?

**BLee**

- We maintain a central Controllers Pricing & Valuation Group (CPVG) which is responsible for the consistent application of fair value across all inventory within the Trading Division through centrally managing the price verification process and opining on determination of fair value.
- Within the mortgage department specifically, as part of our price verification procedures, we focus on consistency across inventory (cash and derivatives), client prices, and repo. In this regard, we are developing reports which will monitor consistency at a cusip and capital structure level.

- To what extent have you had problems valuing structured credit products, loans and loan commitments?

**BLee**

- Although it has been more challenging, due to reduced liquidity, especially surrounding bid versus offer, we identify and fixate on areas and products where transparency exists. We then reverse engineer the parameters witnessed in transparent products so they can be applied to less liquid inventory. Thus there exists meaningful market data to ensure that our determination of fair value is reasonable.

- What changes, if any, do you plan to make in your valuation practices/controls in light of recent turmoil?

**BLee**

As the market has changed, our process has evolved throughout the year and we continue to look for ways to enhance. The following are examples of additions made during the year:

- Worked closely with Markit and Fitch, third party composite vendors for derivative pricing, as they have struggled to keep up with the market moves. Specifically, we have provided recommendations surrounding the cleansing of the prices submitted as well as recommended incorporating durations (as well as spreads) into the information they provide.
- Developed a tool to allow for the review of thousands of ABS CDS positions to ensure consistency and appropriateness of marks as well as identifying outliers for investigation.
- Utilized a creation value analysis whereby the underlying assets comprising a CDO portfolio is valued based upon sector, vintage, and rating and then allocated across the CDO liabilities as appropriate.
- Created models independent of the trading function to value scratch and dent loan inventory.



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**5. Hedging**

- How well did your market risk hedging approaches perform?

  **RBerry**
  See above.

- To what extent is the liquidity of a hedge incorporated into market risk management practices?

  **RBerry**
  We assume unchanged positions through all our stress tests. Most stress events are accompanied by a lack of liquidity.

- How will hedging strategies and techniques related to market risk change in light of the recent turmoil?

  **RBerry**
  Will probably think more about liquidity and crowded trades – and techniques to identify such.

## D. Credit Risk Management Issues CRAIG TO ADDRESS

**1. Accuracy of potential exposure measures and stress testing**

- How did estimates of potential exposure to credit risk / credit-related losses compare to actual levels during the recent period?
- Which kinds of stress testing frameworks (e.g., single risk factor versus complex) proved most reliable in estimating actual or mark-to-market losses? Where stress tests misjudged the size of losses, were the deviations still within an acceptable margin for error?
- To what degree did stress tests accurately anticipate correlations across asset classes?

**2. Risk reporting and aggregation**

- During the period of stress, did you capture and aggregate exposures with sufficient granularity (i.e., risk factor, product type, counterparty type)? For complex instruments, did the aggregation capture underlying risk factors effectively? Was the MIS provided to senior management sufficient for understanding the underlying changes in the market environment?

**3. Hedging, provisioning, and reserving**

- How effective were your credit risk hedging strategies during the recent market volatility?



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- How will hedging strategies and techniques related to credit risk change in light of the recent turmoil?

**4. Counterparty Credit Risk Management**

- Describe the events and circumstances surrounding requests for additional margin during recent events. Were the initial margins set appropriately from the outset? How did they change? What methodologies were used? Were margin calls met in a timely manner?
- Have any classes of counterparties posed particular counterparty risk management issues?
- In your view, what has been the role (if any) of hedge funds in the recent market turmoil?

**5. Syndicated lending**

- What mechanisms did you have for tracking the dimensions of pipelines and was the tracking effective? What were your limits (if any) on pipeline commitments? Did you experience any limit breaches related to your pipeline commitments?
- How much did underwriting standards and associated risk premia change as a result of the long period of relatively benign economic conditions and low market volatility? To what extent did your underwriting standards for loans intended to be distributed differ from those standards used for loans intended to be held?

**6. Subprime lending**

- For originators of subprime mortgages, how have underwriting standards evolved in recent years? How dependent were subprime-related businesses on market liquidity?

**BLee**

- As home price appreciation continued to rise, subprime mortgage lenders aimed to provide affordability products including interest only, forty and fifty year amortizations and negatively amortizing loans.
- Additionally, originators looked to provide financing to previously under represented borrowers including stated income from which various documentation types manifested.
- Unlike the prime mortgage market which is dominated by large banks, the subprime mortgage market was dominated by companies which trafficed exclusively in subprime origination (New Century, Ameriquest, etc.). From a financing perspective, these subprime originators were reliant on liquidity to fund their origination pipeline as well as to purchase their inventory for dispersion in the secondary market.



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- For investors in securities backed by subprime mortgages, how have due diligence and risk assessment practices evolved in recent years? When making investment decisions on subprime-related securities, how dependent were investors on rating agencies?

**BLee**

- Due diligence processes are dynamic in that new findings and ever-changing markets result in constant changes in practice.
- Specifically, prior to acquiring any residential mortgage loans, we will conduct a thorough review of the seller including reviewing select financial information for credit and market risk assessment, undertaking a review of the underwriting standards employed by the mortgage originator, engaging in senior management discussions, conducting an operational review and performing background checks.
- In addition to the review of the seller, we review residential mortgage loans in advance of acquisition. The scope of the due diligence we perform depends on the credit quality of the mortgage loans and our past experience with the loan seller. Due diligence may include: review for adherence to the seller's underwriting and compliance standards, examination of loan documents, verification of recorded liens, review of insurance certificates and requesting independent valuations. We may increase that sample or drop loans from the pool as a result of due diligence findings.
- As the subprime market has continued to deteriorate, we have been more conservative in our due diligence process both in assessing sellers and in reviewing/dropping loans. Additionally we have limited our subprime purchases through conservative bids as well as electing not to bid.
- Investors in subprime related securities, especially higher rated bonds, have historically relied significantly on bond ratings particularly when securities are purchased by structured investing vehicles.
- It is important to note that loan level information is available to investors upon request as well as through tools available in the market including Intex. Assuming the investor is sophisticated enough to parse through loan level information, they would be able to stress assumptions used by the rating agencies. (Although they do not have property addresses and borrower social security numbers.)



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Economic and Regulatory Capital and Related Issues

1. **Internal capital assessments**

   - How did the capital planning process assess the appropriate level of regulatory and economic capital to hold?

     **LBeshel**
     - — We believe CSE regulatory capital requirement is conservative and therefore a reasonable proxy for required economic capital
     - — Projections of required CSE capital always consider the market environment
     - — We enhanced our projections to more accurately capture expected and potential increases in required capital from new credit commitments and drawdowns on existing commitments
     - — We target CSE regulatory capital ratios substantially above the regulatory minimum and expect the cushions we hold would enable us to maintain the necessary levels of regulatory capital in the event of potential losses and/or increases in RWA
     - — During periods of high uncertainty and stress we generally manage to the higher end of the target range

2. **Capital & CDO/CLO businesses**

   - To what degree, in recent years, had risk capital been allocated to the CDO and leveraged-lending/CLO businesses?

     **LBeshel**
     - — We don't limit businesses by allocating risk capital as such
     - — We manage capital usage by imposing limits on balance sheet limit, VaR, credit risk, and certain other factors
     - — For performance measurement, we attribute regulatory capital to businesses

   - Were your liquidity backstop facilities to ABCP programs (SIVs) priced correctly for internal risk management and capital attribution purposes? Did the pricing appropriately reflect the structures' funding strategies?

   - Did your risk management tools (including economic capital models) accurately reflect changes in the actual degree of correlation in losses?

3. **Capital & earnings volatility**

   - Did your stress tests identify the impact on earnings (and if impacted, capital) of the market turmoil? Are you anticipating making any changes in your stress tests as a result?



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**4. Capital planning**

- Did the firm's capital planning process include consideration of potential uncertainties in the valuation of the firm's holdings of, or exposures to, complex financial products (CDOs, etc.)?

  **LBeshel**
  — Our projections of required CSE capital were enhanced to more accurately reflect expected and potential increases in required capital from new credit commitments and drawdowns on existing commitments

- How were potential on-boarding requirements of pipeline exposure, contingent liabilities, etc., incorporated within the capital planning process?

**5. MIS**

- During the period of stress, did you capture and aggregate exposures with sufficient granularity (i.e., risk factor, product type, counterparty type, geographic location) for capital planning purposes? Was the MIS provided to senior management sufficient? What, in particular, were the areas where the MIS reports were found to be deficient?

**6. Accounting & Disclosure**

- Are accounting rules applicable to off-balance sheet vehicles sufficiently transparent? Do they adequately reflect the risks to sponsors of such vehicles and providers of credit and liquidity support?

- Would better disclosure for securitization pools reduce the risk that a deterioration of credit quality in one market segment leads to a general withdrawal of liquidity?



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# FIXED INCOME, CURRENCY AND COMMODITIES INDIVIDUAL REVIEW BOOK

**Reviewee : Salem, Deeb A**

**Title : VP**
**Review Criteria : FICC-Vice President**
**Business Unit : Mortgages**
**Department : SPG Trading**
**Region : Americas**
**Date of Hire : 16-JUL-01**
**Primary Manager : Swenson, Michael J**
**Co - Manager 1 : Lehman, David A**
**Co - Manager 2 : Birnbaum, Josh S**
**Co - Manager 3 :**
**Co - Manager 4 :**
**Mentor :**

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1561

THE PURPOSE OF THIS REVIEW MATERIAL IS FOR PERSONAL DEVELOPMENT. IT IS NOT INTENDED FOR DISCLOSURE OUTSIDE THE FIRM.

Title Description: VP=Vice President/Executive Director; AS=Associate; AN=Analyst; EX=Exempt; NX=Non-Exempt

As you review feedback information, you should be alert to instances in which an individual has received an unusually negative comment or low score on the "Compliance" or "Diversity and Equitable Treatment" questions. Please consider whether the response requires follow-up, including consultation with a more senior manager, a Compliance professional, Employee Relations representative or other individuals.



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**Report Configurations**

1. Peer Group = all employees who share the same title, across the division, as the reviewee and are rated on the same review criteria.
2. All averages in the report do not include ratings from the self evaluation.



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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| Overall Performance | 1. General Trading Acumen:<br>Mike has been a tremendous leader, role model and mentor to me over the past 4 years. I think he has created a machine. As a trader, I am an aggressive risk-taker who has respect for both liquidity and exit strategies of positions. I like to put on big positions that we believe in and have the discipline not to take winning trades off prematurely. My confidence ride a position on for an extended period of time stems from having an ultimate exit strategy to all trades. For example, even before the likelihood of massive amounts of writedowns became a real possibility in sub-prime, and thus a new exit strategy to our short, we understood the leverage in the system and the painful unwind that would be caused by downgrades and severe moves in prices. As a counterbalance, however, I am not afraid to reverse my view and admit when an exit strategy needs to be changed. In May, while we were remained as negative as ever on the fundamentals in sub-prime, the market was trading VERY SHORT, and was susceptible to a squeeze. We began to encourage this squeeze, with plans of getting very short again, after the short squeezed caused capitulation of these shorts. The strategy seemed do-able and brilliant, but once the negative fundamental news kept coming in at a tremendous rate, we stopped waiting for the shorts to capitulate, and instead just reinitiated shorts ourselves immediately. I also respect liquidity tremendously. When the desk needs to add or reduce a position, I focus more on optimizing the likelihood of getting desired size of the trade and less on optimizing the price of each individual trade.<br><br>Another important skill that I possess, but is often neglected by many wall street traders, is that of being able to change gears quickly. Many traders are great at being aggressive and moving markets in their direction. Others are great at being passive and quietly accumulating large positions without the opposition even knowing so. But few have the ability to implement both strategies at different times, depending on your counterparty and market conditions amongst other things. I believe that I have the nature to change gears quickly and take advantage of opportunities in various market environments.<br><br>My nature puts me in the unique position of being able to relate to the other members of the team, Mike and Josh, who are very different personalities. At times my risk appetite swings the pendulum enough to put on the trades we want on in size and keep them on long enough. While other times, I respect the challenge of exiting such large positions, and will leave enough on the table to encourage others to provide us the liquidity we want.<br><br>2. My attitude:<br>In addition to the skills that make me a great trader, I think that my personality also plays a vital role in the desk's success. I am as competitive as Michael Jordan. I don't just want to win - I want to win every time and I want to steamroll the opposition. I have the confidence to remain positive and optimistic through the difficult times, like when the desk was down $100mm to start the year. I take ownership in both the winners and the losers and worry more about providing solutions than dwelling on the past. When Swenny is away I assume the role of the leader of the trading team. And I love that responsibility.<br><br>3. Obviously the most important aspect of my 2007 and my contribution to the firm has been the desk's P&L.<br><br>Mike, Josh, and I were able to learn from our bad long position at the end of 2006 and layout the game plan to put on an enormous directional short. The results of that are obvious. But I think it's more important to take a closer look at some of the subtleties of our positions, which have contributed just as much, if not more to the 2007. These nuances were put on primarily by Edwin and myself.<br><br>a. The Dispersion Trade<br>More than a year ago, Edwin and I realized that dispersion amongst single-name subprime CDS was grossly mispriced. Bad names (tier 4), that the market almost universally disliked traded only 50bps wider than securities that we all agreed were superior |



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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| | in structure and collateral characteristics. That 2 percent difference in expected loss difference did not compensate for the difference in risk of tier 1 and tier 4 securities. But given the 20x levered nature of a CDO, the 50bps difference could mean an extra 10% pre-loss yield to the equity. Thus CDO managers who had pre-sold portions of equity at a certain level were encouraged to sell protection on the tier 4 names and keep the extra $. So for the past year, we bought protection on tier 4 names at every chance possible, caring little about our ïcoversï on BWICs. When we wanted to flatten out the book, we just wrote protection on the tier 1 names. Amazingly we did this for most of the year without a usuable model to value the different single-names. We didnït get every trade right, but through our own understanding of loans and through taking notes on what names the guys with the best models (Ellington, QVT, JP prop, etc.) liked and didnït like our success ratio was very high. We were very aggressive with pricing and only shared risk with smart guys if they gave us insight on other names to short or go long in return. Even when the dispersion widened out from 2pts to 8pts by the end of February when we were doing the Harbinger trades, Edwin and I refused to monetize the trade and instead sold protection on tier 1 and 2 names to flatten the notional of the trading book. The tier basis is now trading at ~30bps. With 3-4bb of notional in this dispersion trade on, we have recognized $750mm of P&L so far on this trade.<br><br>b. Our single-name market share:<br>Having traded over $200bb of notional in SN CDS, GS is the dominant market-maker in single-name CDS. We approximate our market share to be greater than 33%. Even when we were running a flat SN CDS book, we were trading around more CDS than the other market makers. This market share and willingness to trade size proved invaluable in November, December, and January when we decided to make the HUGE directional bet of being long SN CDS protection. We saw flow, and got last looks that nobody else would get. We single-handedly filled more than 50% of the Vertical CDO and many other CDOs that were ramping. If we did not have such presence in the SN CDS market, it is unlikely that we would have achieved the size short that we desired and eventually put on. Weïre up $1.7bb in RMBS SN CDS!<br><br>c. Willingness to put on trades that others donït want to/know where to price<br>The 2 most successful trades in this regard, have been our $700mm long Alt-A protection and our $1-2bb long sub-prime single-A protection. When CDOs wanted to sell Alt-A and single-A protection for diversification purposes, the rest of the street was tentative to provide liquidity because they did not have any hedge funds to take the other side of the trade. We viewed this as a tremendous opportunity to buy cheap out-of-the-money options at a significant discount to fair-value. Our exit strategy was always that if sub-prime fundamentals got bad enough, and they did, that the contagion would have to spread up the capital structure because cum loss vol/uncertainty has to go up thus. And it would have to spread to Alt-A because many of the problems that enticed hedge funds to short sub-prime, like a bubble in the coastal markets, high amounts of investor properties, and low documentation of incomes on mortgage applications, were actually more prevalent in Alt-A than in sub-prime. These trades have been worth close to $400mm so far for the desk (and hopefully more room to move).<br><br>d. CDO CDS trade:<br>This trade has made $900mm so far, which exceeded all of our high expectations for the trade. I had the confidence and desire for the desk to buy A, AA, and AAA CDO CDS protection in size during the fall of 2006 for several reasons: the buyers of risk were other CDOs who wanted good spread for the rating (always a dangerous thing), the rating agencies' correlation assumptions were out of whack with the growing concern in the housing market and the remarkable similarity between the bonds in a CDO, the difficulty that GS itself had in placing such mezzanine liabilities, and the complexity of such securities scared hedge funds from buying the protection themselves. Edwin and I used the same aggressive strategies in purchasing this protection that we used to dominate the RMBS SN CDS market. Our market share was enormous and we did everything we could to print every trade possible. I knew the trade was a good one, when I saw how much Jonathan Egol liked it (again sided with the smartest guy in the market). |
| Unfulfilled Accomplishments | I would like to continue working on my leadership skills and some of the characteristics that are necessary not only to be the |



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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| | world's best trader, but also a culture carrier and leader of the firm. |
| Career Development Plans | I like to think big...My long term goal (but not too long term) is to become my own version of Rich Ruzika. One step towards achieving that is to become a managing director next year. I know that this will take a tremendous amount of hard work on my part. I think that I deserve this and can use the title to expand my contributions to Goldman Sachs. As one of the most talented and important members of the SPG trading team, being an MD would give me added credibility and hopefully access to important counterparties that we want to do large trades with. I would like to map out how we make this happen as I am willing to work as hard as necessary to ensure that I achieve this goal. I think that it involves getting to know a broader array of senior people throughout the firm. We are having a record year in 2007 and I am as responsible for our P&L as anybody. And its important to me that this gets recognized. |
| Other Issues | No Comments Noted. |



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GS-PSI-03179 — GS-PSI-03180

**From:** Case, Benjamin
**Sent:** Friday, July 13, 2007 3:51 PM
**To:** Kang, Connie; Shimonov, Roman
**Cc:** Lehman, David A.
**Subject:** FW: INTERNAL USE ONLY: GS Cashflow/ABACUS CDOs Mentioned in S&P Report on CDO Exposure to Subprime RMBS

**Attachments:** ArticlePDF.pdf

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**From:** Case, Benjamin
**Sent:** Tuesday, July 10, 2007 7:13 PM
**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

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 to the RMBS downgrades and resulting OC haircuts), that will cause additional reduction in payments that will be borne by the equity.

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**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-mtgcdstrat; 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 such exposure. Full report (PDF) attached.



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

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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Goldman Sachs

**Jonathan M. Egol**
Structured Products Trading

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## How Did GS Avoid the Mortgage Crisis?

**Our Response**

Mortgages is an important business for Goldman Sachs. However, it is typically the smallest of five main businesses within FICC and therefore, on a relative basis, it has been a smaller contributor to overall Fixed Income revenues than for many of our peers. We always proactively manage the risk of our businesses, and our mortgage business was no different. We were actively managing our mortgage exposure throughout 2006, and towards the end of the year we became increasingly concerned about the sub-prime market. As a result we took a number of actions at that time and into early 2007 to reduce our risk. In the first quarter of 2007 we stopped our residential mortgage warehousing efforts, shut down our CDO warehouses, aggressively reduced our inventory positions, reduced counterparty exposure and increased our protection for disaster scenarios.

Key to our ability to do this was our extremely robust mark to market philosophy. You simply cannot manage risk effectively if you don't know what positions are worth. An accurate daily marking process makes difficult decisions considerably easier, as you tangibly feel the cost of inaction everyday as the market declines. We have extensive price discovery and valuation resources and don't subscribe to the notion that there are instruments that can't be valued.

So, we knew the value of what we had and managed our risk accordingly. However, one should not be lead to believe that we went through this period unscathed and somehow significantly profited from a "bet" on the downturn in mortgage markets. The actions that I outlined led to significant write-downs in the value of our long mortgage inventory over the course of this year. We mentioned during our second quarter conference call that a weak quarter in Mortgages contributed to lower results in our FICC businesses. A better characterization of the situation is that we effectively avoided greater losses by taking these proactive steps and in fact during the third quarter we were able to make money on mortgages as a result of our net short position. As a consequence, we believe that we are well-positioned to opportunistically participate in the inevitable restructuring of the mortgage market.

Ultimately, our ability to be proactive was a function of our people and our risk management culture. Given the complexity and diversity of risks in our business, we believe that it is critical to provide our teams with the confidence and support necessary to identify and escalate issues as soon as possible and to prioritize the interest of the entire firm over any individual objectives. In addition, we think it is important for senior leadership to be actively engaged in the business flows and decision making process, in times of calm as well as crisis.



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## Quarterly Breakdown of Mortgage P/L

| Business ($USD Billions) | Q1 2007 Loan/ Security P&L | Q1 2007 Derivs P&L | Q1 2007 Other/ UW P&L | Q1 2007 Total | Q2 2007 Loan/ Security P&L | Q2 2007 Derivs P&L | Q2 2007 Other/ UW P&L | Q2 2007 Total | Q3 2007 Loan/ Security P&L | Q3 2007 Derivs P&L | Q3 2007 Other/ UW P&L | Q3 2007 Total | Q4 2007 Loan/ Security P&L | Q4 2007 Derivs P&L | Q4 2007 Other/ UW P&L | Q4 2007 Total | October 26, 2007 FYTD Loan/ Security P&L | October 26, 2007 FYTD Derivs P&L | October 26, 2007 FYTD Other/ UW P&L | October 26, 2007 FYTD Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential Prime | $ 65 | $ (0) | $ - | $ 65 | $ 48 | $ (0) | $ - | $ 48 | $ (262) | $ 33 | $ - | $ (229) | $ (76) | $ (42) | $ - | $(118) | $ (218) | $ (9) | $ - | $ (224) |
| Residential Credit | $ (248) | $ 213 | $ - | $ (36) | $ (239) | $ (60) | $ - | $(299) | $ (641) | $ 358 | $ (27) | $ (311) | $ (193) | $ 63 | $ 26 | $(103) | $ (1,321) | $ 574 | $ (1) | $ (749) |
| Alt-A | (31) | 56 | - | 25 | 10 | (16) | - | (5) | (201) | 111 | (7) | (98) | (99) | (21) | 7 | (113) | (321) | 130 | - | (191) |
| S&D | (51) | 13 | - | (37) | (39) | (11) | - | (50) | (104) | 108 | 16 | 20 | (42) | 13 | (15) | (45) | (236) | 124 | - | (112) |
| Subprime | (167) | 144 | - | (23) | (210) | (34) | - | (244) | (336) | 138 | (36) | (233) | (51) | 71 | 35 | 54 | (764) | 319 | (1) | (446) |
| SPG Trading | $ (60) | $ 359 | $ (1) | $ 298 | $ (103) | $ 646 | $ 9 | $ 452 | $ (724) | $ 2,850 | $ 7 | $ 2,133 | $ (133) | $ 842 | $ (1) | $ 708 | $ (1,019) | $ 4,886 | $ 16 | $ 3,881 |
| ABS Securities | (58) | 290 | - | 232 | (63) | 480 | - | 417 | (646) | 1,918 | 19 | 1,288 | (96) | 479 | (22) | 362 | (863) | 3,165 | (3) | 2,299 |
| CMBS Securities | (1) | 5 | - | 4 | (24) | 22 | - | (2) | (48) | 173 | (11) | 113 | (14) | 156 | 11 | 153 | (87) | 355 | (0) | 267 |
| Correlation | (1) | 64 | (1) | 62 | (16) | 44 | 9 | 37 | (29) | 761 | (0) | 732 | (23) | 206 | 10 | 193 | (69) | 1,076 | 17 | 1,024 |
| CDO/CLO | $ (170) | $ (0) | $ 23 | $(147) | $ (307) | $(175) | $ 29 | $(453) | $ (944) | $ 120 | $ (74) | $ (898) | $ (208) | $ 19 | $ 70 | $(120) | $ (1,829) | $ (37) | $ 48 | $(1,818) |
| Other* | 28 | - | 6 | 33 | 19 | - | 13 | 32 | 1 | - | 41 | 43 | 43 | - | 0 | 43 | 91 | - | 60 | 151 |
| Grand Total | $ (327) | $ 571 | $ 28 | $ 272 | $ (535) | $ 310 | $ 51 | $(174) | $ (2,737) | $ 3,482 | $ (4) | $ 741 | $ (553) | $ 899 | $ 96 | $ 432 | $ (4,163) | $ 5,262 | $ 171 | $ 1,271 |

*Included in Other are gains earned in conjunction with bond U/W (+$70 million) and transfers from AM&SG (+$46 million)

= Redacted by the Permanent Subcommittee on Investigations



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## GS Subprime Mortgage Business

**Subprime Risk: Current Position as of 11/2/07**

| Mortgage Department | | |
|---|---|---|
| ***SUBPRIME*** | ***Current Notional ($Bn)*** | ***Market Value ($Bn)*** |
| Securities (IG) | 2.3 | 1.2 |
| Subs & Residuals | 0.1 | 0.1 |
| Loans | 0.3 | 0.3 |
| Single-Name Synthetic Risk (Net) | 2.7 | 1.8 |
| TABX & Tranched Synthetic Risk (Net) | (3.1) | (0.9) |
| **Net** | **2.3** | **2.4** |
| | | |
| ***ALT-A*** | | |
| Securities (IG) | 4.3 | 3.8 |
| Subs & Residuals | 0.3 | 0.2 |
| Loans | 0.1 | 0.1 |
| Synthetic Risk (net) | (1.7) | (1.3) |
| **Net** | **3.0** | **2.8** |
| | | |
| ***SCRATCH & DENT*** | | |
| Loans | 0.9 | 0.5 |
| | | |
| ***CDOs / TRANCHE RISK*** | | |
| Securities | 2.1 | 0.3 |
| Single-Name Synthetic Risk (Net) | (1.2) | (0.4) |
| Tranched Synthetic Risk (Net) | (5.4) | (3.0) |
| Seasoned Super Senior Shorts | (3.5) | (3.4) |
| **Net** | **(7.9)** | **(6.4)** |



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## Subprime Mortgage Business Comparisons

**MER, C, UBS releases compared with GS Position as of 11/02/07**

| | Merrill Lynch[1] | Goldman Sachs |
|---|---|---|
| Subprime | $5.7Bn US Subprime mortgage related exposure | $2.4Bn US Subprime mortgage related market value |
| CDO/Warehouse | $15.2Bn ABS CDO related exposure | ($6.4Bn) ABS CDO related market value |

| | Citigroup[2] | Goldman Sachs |
|---|---|---|
| Subprime | $11.7Bn US Subprime mortgage related exposure | $2.4Bn US Subprime mortgage related market value |
| CDO | $43Bn exposure to senior CDO tranches | ($5.1Bn) market value of senior CDO tranches |

| | UBS[3] | Goldman Sachs |
|---|---|---|
| Subprime | $16.8Bn Subprime Securities | $1.2Bn Subprime Securities market value |
| CDO | $20.2Bn notional exposure to senior CDO tranches | ($5.1Bn) market value of senior CDO tranches |

[1] *Goldman Sachs Subprime exposure includes our net exposure to subprime loans, bonds, and derivatives while our CDO/Warehouse exposure includes our net exposure to CDO bonds and derivatives. GS does not have any current CDO warehouse exposure. We are interpreting ML's exposure to be net market value and are reporting the same measure for GS.*
[2] *Goldman Sachs Subprime exposure includes our net exposure to subprime loans, bonds, and derivatives while our CDO exposure includes our net exposure to senior CDO bonds and derivatives. We are interpreting Citigroup's exposure to be net market value and are reporting the same measure for GS.*
[3] *Goldman Sachs Subprime exposure includes our net exposure to subprime loans, bonds, and derivatives while our CDO exposure includes our net exposure to senior CDO bonds and derivatives. We are interpreting UBS's Subprime exposure to be net market value and their CDO exposure to be notional and are reporting the same measures for GS.*

4



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**From:** Ruzika, Richard
**Sent:** Friday, May 11, 2007 9:59 PM
**To:** Sparks, Daniel L
**Subject:** Re: You okay?

Get Elisha on it too. He is very good at getting the math right. One thing you don't want is multiple write downs. Whatever it is get it out there in total.
---
Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Sparks, Daniel L
To: Ruzika, Richard
Sent: Fri May 11 19:33:32 2007
Subject: Re: You okay?

Cdo positions and market liquidity and transparency have seized. I posted senior guys that I felt there is a real issue. I'm going to make a change in the responsibility of the business away from ostrem to david lehman (with swenson helping).
We are going to have a very large mark down - multiple hundreds. Not good.

Mullen has been really good - dug in, thoughtful, balanced. I hate that he has to deal with this out of the shoot. We had a meeting today with viniar, don, mcmahon, my team, controllers, gary on the phone to walk through situation. The market has seized up so much that levels are very hard to determine for the complex products - which also are difficult to model for value due to market changes.

That's a long way of saying that I feel the way I probably should right now in light of the situation, but the team and I have our heads in the game.

Thanks for reaching out

----- Original Message -----
From: Ruzika, Richard
To: Sparks, Daniel L
Sent: Fri May 11 18:30:55 2007
Subject: You okay?

Dan. Anything I could do to help?
---
Sent from my BlackBerry Wireless Handheld



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GS MBS-E-019659221

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66051.694

**From:** Burchard, Paul
**Sent:** Monday, May 14, 2007 1:49 PM
**To:** Egol, Jonathan; 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

Here are the asset model results including both A2 and B tranches of Timberwolf, looking at both 1.5x and 2x spread shock scenarios for the CDOs (corresponding to median CDO spreads of 900 and 1200, respectively, for this portfolio). Again, best estimate of correlation is 20-50% range.

| CDO | Spread Shock | Model Price 30% | Model Price 50% | Model Price 70% | Model Price 100% |
|---|---|---|---|---|---|
| TWOLF 2007-1 A2 | 1x | 72 | 72 | 72 | 73 |
| TWOLF 2007-1 A2 | 1.5x | 51 | 54 | 56 | 59 |
| TWOLF 2007-1 A2 | 2x | 37 | 41 | 44 | 48 |
| TWOLF 2007-1 B | 1x | 42 | 49 | 56 | 68 |
| TWOLF 2007-1 B | 1.5x | 28 | 34 | 40 | 52 |
| TWOLF 2007-1 B | 2x | 21 | 25 | 30 | 41 |

Will look at Point Pleasant next.

-----Original Message-----
From: Egol, Jonathan
Sent: Monday, May 14, 2007 8:06 AM
To: Wiesel, Elisha; 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

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.



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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
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^2 risk. It indicates (as the desk is aware) that it is currently cheaper to buy protection against the cdo^2 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^2 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^2, what should be the value of the Timberwolf CDO^2?
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^2 have been marked with correlations in the 30-50% range. Median sector marks for mezzanine CDOs imply a correlation of 22%.



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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^2 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.

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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^2 risk using three distinct frameworks

1) Blended scenario analysis using HPA (Primer)
2) Risk neutral/correlation framework, consistent with our current synthetic ABS CDOs (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^2).

Pls add/comment if there is anything I missed

---

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e-mail: david.lehman@gs.com



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David Lehman
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**From:** Wiesel, Elisha
**Sent:** Wednesday, May 16, 2007 7:50 AM
**To:** Birnbaum, Josh; Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Primer, Jeremy; Turok, Michael
**Cc:** Brafman, Lester R
**Subject:** Re: DRAFT: Modelling approaches for Cash ABS CDO/CDO^2

Thanks Josh. We ended up sending a much tighter version of the "modelling approaches" email up the chain, Gary asked to discuss live but that hasn't happened yet (when I saw him yesterday at another meeting he said he would reach out on this topic when he had time).

Lester also asked me yesterday for a high-level slide on why these positions are generally speaking hard to model (in the context of what sounds like the same big-picture posting up the chain that you're recommending), we'll be drafting something on that today. I think the high-level description of what these positions are/the cdo-squared correlation insensitivity/the indications of interest that we're seeing which you provide below is an excellent start towards explaining where we are.

Do we want to broadcast re-mark numbers, though, at this point on the back of the ABACUS approach -- or hold off until we have vetted numbers for the whole book based on all three approaches? My thinking was that we have a few more days, according to latest understanding from the meeting in NYP/50A on Monday, and so should use them to sharpen as best we can (and incorporate all three approaches). Very open to your thoughts, and those of others on this thread.

----- Original Message -----
From: Birnbaum, Josh
To: Wiesel, Elisha; Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Sent: Wed May 16 00:21:26 2007
Subject: RE: DRAFT: Modelling approaches for Cash ABS CDO/CDO^2

I agree with the path of the multiple approaches, the content so far and the suggestions from the group. I haven't been in all the meetings so I could be off base here but I was wondering if it makes sense to have some brief big picture explanations/statements/conclusions so far (or even a graphical depiction of RMBS -> CDO > CDO^2) for senior folks and controllers who are less familiar with these products.

Maybe some points like:

- A RMBS CDO, ignoring all the bells and whistles, is tranched from RMBS single names, and its fair value, similar to a corporate CDO depends on one's assumption for correlation of losses between the underlying deals. We have some transparency on CDO spreads with X trades occurring per week in single name CDOs. Most trade spots indicate that CDOs tend to trade tight relative to an empirical view of a reasonable range on the correlation of losses between RMBS deals. We are marking our single name CDOs at these trade spots. When we don't have a trade spot on a CDO name, we can reasonably infer a price by applying an implied correlation from other similar CDOs to the underlying RMBS single names for the deal in question. We have good transparency on most RMBS single names as that market trades actively on a daily basis.

- A RMBS CDO^2, is tranched from RMBS CDOs. Analagous to the CDOs, the fundamental value of the CDO^2 will depend on how losses are distributed amongst the CDOs, i.e. how correlated are the CDOs? For our largest CDO^2 positions, conveniently the valuation is relatively CDO deal correlation insensitive and the primary issue is simply the value of the underlying CDOs. We are seeing indications of interest, not firm bids, on 2 of our larger CDO^2 positions in the context of our valuations from the table below (show Paul's



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table for 2 timberwolf bonds, along with "bids").

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From: Wiesel, Elisha
Sent: Monday, May 14, 2007 7:55 AM
To: Burchard, Paul; Lehman, David A.; Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh; Primer, Jeremy; Turok, Michael
Cc: Brafman, Lester R
Subject: DRAFT: Modelling approaches for Cash ABS CDO/CDO^2

Working group --

This is a draft of the email Gary requested at Friday's meeting. We've focused on explaining the modelling approaches we feel we could meaningfully employ over the next 10 days in valuing all of the CDO and CDO-squared positions in the warehouse and retained portfolios, as well as the work remaining to make that happen. Am considering further edits to the table which would describe the model inputs (as separate from market inputs), and how we'd propose stressing them to obtain valuation bounds. Please read and share feedback/suggested edits.

* * *

Gary,

As requested, here are some thoughts on the modelling approaches available to us in SecDb for valuing the CDO and CDO-squared positions in the warehouse and retained portfolios.

No one approach is complete, but it turns out that the approach most recently developed ("blended HPA scenario") is closer to the LEH bottoms-up approach than I'd understood at the time of our meeting on Friday -- what's missing is not a bottoms-up style empirical analysis, but a framework in SecDb for the CDO cash-flow waterfalls, and loan-level data for many of the RMBS. There is no easy way to tackle the former, but we compensate for the latter by using representative collateral pools by vintage. We've also described the risk-neutral model ("asset model") which we currently use in production for our synthetic ABS CDO (ABACUS) transactions. Although this model was built for synthetic deals which have significantly less complexity to their CDO-level cashflows, we do have working experience of the model which will be valuable in calibrating results. Lastly, we also include two "static" methodologies, a simplistic NAV analysis which is driven by market-observed bond prices, as well as the trading/structuring desk's Excel spreadsheets which fully represent the cash-flow properties at both the ABS and CDO levels.

All of the SecDb-based approaches below suffer from not properly assigning value to over-collateralization that builds up over time in the deals. They also all fail to detract value from the likelihood of ratings downgrades and forced liquidation. We don't have any good solutions yet to these two issues. It's also worth noting that all these approaches currently would fail to automatically assign 100% correlation to the overlapping RMBS deals included across multiple CDOs, ie; the (very common) case where CDO #1 and CDO #2 share an RMBS underlier -- we believe we'll be able to fix this in at least one of our approaches.

Our plan over the next few days is to work with Trading to get rough CDS marks for each underlying ABS deal which we can use to drive the first two approaches, while searching for good heuristics towards representative collateral selection for the third approach. We also want to highlight that in working full-bore on these positions, there is a loose end we will not be able to get to by quarter-end. This is a $50M notional PIK swap (derivative) that was recently traded for which we do not have any models, and for which the models discussed below will not help us tackle.

Please let us know if you have any questions, we're happy to convene a group of Strats and Traders to walk you through any questions that you may have.

Elisha



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* * *

Comparison of proposed modelling approaches:

| | asset model NAV analysis | blended HPA scenario | Excel model (desk) |
|---|---|---|---|
| Loss model | asset value NAV based | empirical | bond level CDR |
| Correlation model | gaussian copula | none | HPA copula none |
| Overlap capture (CDO^2) | no | no, for now | no no |
| ABS Cash flow waterfall | simplified | attach/exhaust | full (Intex) full (imported from Intex) |
| CDO cash flow waterall | simplified | attach/exhaust | attach/exhaust full |
| CDO collat within CDOs | yes | yes | no, for now yes |
| Market Inputs | underlier CDS spreads | underlier prices | Implied HPA, loan-level static data ? |
| Dynamism | full simulation | static | simulation with static flows static |
| Collateral representation | homogeneous, assumed | none | vintage representatives none |
| usage by quarter-end | CDO and CDO^2 debt, approximation of equity | | everything Residential component |
| roadblocks for quarter-end | underlier spreads | underlier spreads | heuristics for representative collateral selection Excel does not scale |

Description of proposed modelling approaches:

Asset Model: The asset model for CDOs is a correlation model that drills down two layers of structure to the values of the assets backing the loans underlying the ABS underlying the CDO. Loans default when the asset value becomes zero. The price it computes is an average over a large number of scenarios of correlated asset values, where the correlation between loans in the same ABS is highest, followed by loans in the same market sector but different ABS, followed by two loans in different market sectors. The market inputs to the model are CDS spreads at the ABS level; from these are calculated the initial asset values and the correlation between loans in the same ABS. If there are market observations of CDO spreads, these can be used to calibrate the correlation between loans in different ABS; otherwise, that correlation becomes an exogenous input. The main simplifications made in the model are (1) to use approximations of the cashflow waterfalls at both the ABS and CDO levels, and (2) to treat the loans behind each ABS as homogeneous. This is the model currently used in production for pricing synthetic ABS CDOs and and ABS CDS.

NAV Analysis: A static NAV or market value analysis uses market prices (expressed as a discount to par) to directly imply projected loss amounts on any given underlying bond. We describe the cashflow waterfalls with a static description of the attachment/exhaustion points at every layer of the CDO^2 capital structure. There is no explicit model for the correlation of losses at any layer. By applying the market-implied losses to the static attachment/exhaustion points at each layer of the structure, we can estimate what the losses will be at the top layer of the capital structure. Note that this approach is common in corporate cash CDO's, and a similar framework is being used in discussions with clients. Simplifications: Simplified model for lowest level loss assumptions as implied from the market. Ignores all actual cashflow waterfall features at every layer of the capital structure, including credit enhancement and triggers. Has no notion of how to correlate loss assumptions at any level.

Blended HPA Scenario: One method we use for evaluating CDO structures is called blended scenario analysis. It starts with running static HPA scenarios through an empirical, loan-level model for RMBS underliers, and saving the cash flows. These cash flows are combined using an HPA distribution that is centered on an average HPA implied by RMBS market pricing. Variation of losses across RMBS underliers is captured by the empirical model itself and also by imposing deal-specific loss variation. The risk-neutral volatility of losses can be calibrated to the pricing of relatively liquid correlation trades such as TABX. Implementing deal-specific loss volatility involves a Monte Carlo evaluation of a CDO tranche in which different HPA-based static cash flows are chosen from the stored collection for each RMBS tranche at each iteration. The main advantages of this approach include its realistic RMBS scenario modeling, explicit sector-wide HPA dependency with vintage year differentiation, the absence of any need for marks on all



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underliers, and its relative simplicity. The drawbacks include the need for loan-level data, no of handling of actual CDO cash flow waterfalls, no handling of non-subprime assets (CMBS, CDO, Prime MBS), and the pre-production nature of the software that carries it out.



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**From:** Sparks, Daniel L
**Sent:** Monday, May 14, 2007 4:03 PM
**To:** Montag, Tom
**Cc:** Mullen, Donald
**Subject:** RE:

I think we should take the write-down, but market at much higher levels. I'm a little concerned we are overly negative and ahead of the market, and that we could end up leaving some money on the table - but I'm not saying we shouldn't find and hit some bids.

-----Original Message-----
From: Montag, Tom
Sent: Monday, May 14, 2007 3:44 PM
To: Sparks, Daniel L
Subject: Re:

What do u think. T

----- Original Message -----
From: Sparks, Daniel L
To: Montag, Tom
Sent: Mon May 14 15:36:49 2007
Subject: Re:

In large meeting on marks now - base case from traders is down 382 - some more work to do. Strat needs more time.

In base case, timberwolf aaa's at 65. Fortress looking in low 80's.

In meeting now - sales, controllers, strat, trading (mort and credit)

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L
Sent: Mon May 14 15:27:22 2007
Subject:

Update?

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*Wall Street & The Financial Crisis*
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**From:** Schwartz, Harvey
**Sent:** Friday, May 11, 2007 7:37 PM
**To:** Montag, Tom; Sparks, Daniel L; Mullen, Donald
**Subject:** Re: Lester Called

If transaction is consistent with mtm than no issue...by definition.
---
Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Montag, Tom
To: Schwartz, Harvey; Sparks, Daniel L; Mullen, Donald
Sent: Fri May 11 19:27:33 2007
Subject: Re: Lester Called

Yes. But if we find value from fortress or whomever in size that should provide the value base. No?

Great trip down here btw. Great to see alex in his element-impressive and igor Also hung a bit with assg team Which was good. Pablo will be great with these guys. Don lovw for u to come down some time clients nice guys and lots of interesting-albeit somewhat illusionary-opportunities

----- Original Message -----
From: Schwartz, Harvey
To: Montag, Tom; Sparks, Daniel L; Mullen, Donald
Sent: Fri May 11 19:04:36 2007
Subject: Re: Lester Called

Yes.

But don't think we can trade this with our clients andf then mark them down dramatcially the next day. That is what I was told there was a risk of..but perhaps miscommunicated to me. Needs to be a discussion if that risk exists. Really shouldn't be a big issue or impact our process.

If folks disagree happy to discuss, maturally.
---
Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Montag, Tom
To: Sparks, Daniel L; Schwartz, Harvey; Mullen, Donald
Sent: Fri May 11 19:01:29 2007
Subject: Re: Lester Called

Of course we should but this is how we find value by showing assets and seeing where bid comes. If fortress can value bad debt from [redacted] they can do this. They don't look to us for guidance they pay what they think its worth. Is there a different issue? We will value where the market shows us it is if we find a bid won't we?

----- Original Message -----
From: Sparks, Daniel L
To: Schwartz, Harvey; Mullen, Donald
Cc: Montag, Tom
Sent: Fri May 11 18:47:57 2007
Subject: Re: Lester Called

[redacted] = Redacted by the Permanent Subcommittee on Investigations



Permanent Subcommittee on Investigations
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Sounds fine

----- Original Message -----
From: Schwartz, Harvey
To: Mullen, Donald; Sparks, Daniel L
Cc: Montag, Tom
Sent: Fri May 11 18:16:38 2007
Subject: Re: Lester Called

Don't think we should slow or delay and discussions. However we need to huddle quickly before hitting bids I think.

Is that not an option?
---
Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Mullen, Donald
To: Sparks, Daniel L
Cc: Montag, Tom; Schwartz, Harvey
Sent: Fri May 11 17:46:13 2007
Subject: Re: Lester Called

I doubt they will sell over weekend. And harvey is concerned about the representations we may be making to clients as well as how we will price assets once we sell them to clients. I think we need to sort these things out before we make sales.

----- Original Message -----
From: Sparks, Daniel L
To: Mullen, Donald
Sent: Fri May 11 17:25:33 2007
Subject: FW: Lester Called

There are some people working on Timberwolf - Forterss is continuing to work, Basis sales person feels there is a decent chance (but it will be a week out as they are traveling). Also, Cornac team working on it. If we get strong bids, can't we hit them?

---

From: Lehman, David A.
Sent: Friday, May 11, 2007 4:58 PM
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh
Subject: Lester Called

He wants to us to talk with him or Mullen before we sell any of our retained positions

I posted Ben and Bieber

---

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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[redacted] = Redacted by the Permanent Subcommittee on Investigations

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**Footnote Exhibits - Page 2962**

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**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

**Attachments:** Mortgages V4.ppt

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

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# Mortgage Department

**May 2007**

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## Mortgage 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 positions
    - Desk is specifically concerned about CDO^2 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 about $742mm of Structured Product CDOs. Currently, there is limited liquidity and price transparency in this space.
  - SPG Trading Book
    - Short position of $2.8bn in Structured Product CDOs, of which $2.4bn is in single A or Lower tranches
    - 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.
  - Non-CDO PnL Items



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# Mortgage Department
## Retained Positions

- The desk is most concerned about the CDO^2 positions, comprised of the recent Timberwolf and Point Pleasant transactions.
- The lack of liquidity in this space and the complexity of the product make these extremely difficult to value.

| Tranche | Deal | Moody's | Notional* | Price | Market 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 |
| #1 Mezz AAA | Point Pleasant | Aaa | 127.5 | 94.78% | 120.8 |
| #2 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



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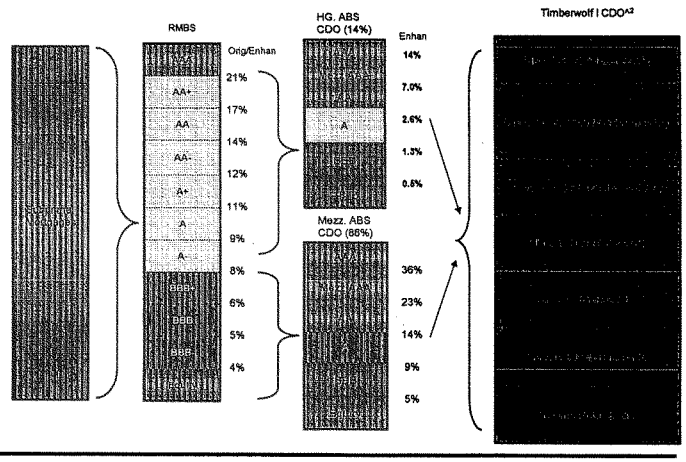
## Mortgage Department

### Timberwolf I CDO^2: 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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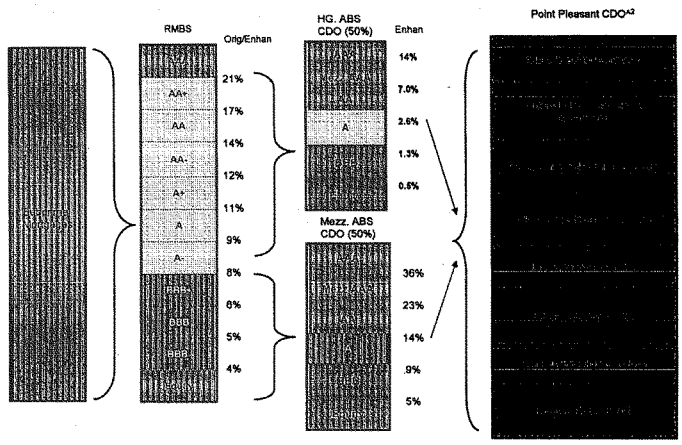
## Mortgage Department

### Point Pleasant CDO^2: 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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# Mortgage Department
## Warehouse Positions

- The desk holds $1.458bn in Warehouse Collateral related to 3 CDO transactions
- Current valuation policy is to mark to viable securitization valuation 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 mark to market is the $742mm Structured Product CDO collateral which has limited price visibility
- Details of the Warehouse Collateral are represented below:

| | | | SPG Trading | | Controllers | |
|---|---|---|---|---|---|---|
| Sector | Market Value | Price | Proposed Writedown | Average Price | Proposed Writedown | Average Price |
| CLO | 69.5 | 100.00% | (2.0) | 97.07% | - | 100.00% |
| CMBS/CRE CDO | 121.8 | 100.00% | (5.3) | 95.65% | (3.0) | 97.54% |
| RMBS - Other | 183.7 | 100.00% | (15.8) | 91.43% | (8.0) | 95.65% |
| RMBS - Subprime | 341.3 | 100.00% | (27.2) | 92.02% | (9.0) | 97.36% |
| SP CDO | 741.8 | 100.00% | (169.6) | 77.14% | (153.0) | 79.37% |
| Less: Warehouse reserves | | | 82.0 | | 82.0 | |
| Less: SMBC Funding facility | | | 12.0 | | | |
| Total | 1,458.1 | | (125.9) | | (91.0) | |

* Market Value and Proposed Mark in MMs



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## Mortgage Department
### 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 ~20pts lower (from $100 to $80)
- As the market for securities in this space has declined, the desk has recognized the following PnL related to CDOs:

| | CDO PnL | | | SPG Trading |
|---|---|---|---|---|
| | CDO Origination/Retained | Warehouse | Total | ABS / Correlation |
| MTD | (25.7) | (21.2) | (46.9) | 14.7 |
| QTD | (172.3) | (155.8) | (328.1) | 196.8 |
| YTD | (226.5) | (231.5) | (458.0) | 262.8 |

* in MMs



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## Mortgage Department
### SPG Trading Valuation Methodology

- CDO^2
  - Use of rough modeling tools/frameworks such as risk neutral pricing and initial 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 - CDO^2
  - 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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## Mortgage Department
### SCT Modeling Procedure

- Step 1: Value RMBS Underliers
  - Pricing feeds taken from 3rd party pricing service (IDC) first and then from SPG trading to backfill
  - IDC pricing vs. SPG Trading were very close in most cases
- Step 2: Run Net Asset Value ("NAV") Analysis and Simulation Analysis on CDO residual position and CDO^2 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 CDO^2 transactions (Point Pleasant and Timberwolf)

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## Mortgage 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 features such as individual callability of blocks of tranches and modified sequential paydown
  - Handles key features of structured product underliers such as RMBS stepdown
- Disadvantages:
  - Designed for synthetic CDOs, does not currently capture some features of cash flow CDO such as oc/ic triggers and ratings downgrade triggers
  - Does not capture rate convexity for rate sensitive mortgage products

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## Mortgage Department
### Controllers Valuation Methodology

- Due to the current lack of liquidity in the CDO squared market, the retained CDO squared inventory is unverified.
- Accordingly, feedback from the ongoing discussions with clients to distribute the retained inventory is essential to determining the appropriate valuation for quarter end.
- Previously, we verified CDO squared inventory to comparable market transactions. Market transactions included data from new underwritings from competitors and/or firm transactions.



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# Mortgage Department
## Alternative Valuations

| | Current Value | SPC Trading A | SPC Trading B | SPC Trading C | Model Approach A | Model Approach B | Comments |
|---|---|---|---|---|---|---|---|
| Retained Positions | 4,261.9 | (129.3) | (216.3) | (303.4) | (543.3) | TBD | TBD |
| *- CDO Debt* | *4,150.3* | *(117.0)* | *(187.3)* | *(257.8)* | *(473.3)* | *TBD* | *TBD* |
| *- CDO Equity* | *111.6* | *(12.3)* | *(29.0)* | *(45.7)* | *(70.0)* | *TBD* | *TBD* |
| Warehouse Collateral | 1,458.1 | (107.2) | (125.9) | (144.6) | N/A | N/A | (91.0) |
| TOTAL (Retained and Warehouse) | 5,720.0 | (236.5) | (342.2) | (448.0) | N/A | N/A | TBD |

* In MMs

| Tranche | Deal | Notional | Mark | SPC Mark Scale A | SPC Mark Scale B | SPC Mark Scale C | Model A | Model B | Notional | Last Sale Price | Trade Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mezz AAA | Timberwolf | 285.0 | 91.34% | 75.00% | 70.00% | 65.00% | 38.19% | 66.00% | 20.0 | 87.79% | 4/23/2007 |
| AA | Timberwolf | 107.0 | 88.72% | 60.00% | 50.00% | 40.00% | 32.92% | 38.00% | | | |
| #1 Mezz AAA | Point Pleasant | 127.5 | 94.78% | 89.00% | 87.00% | 85.00% | 46.88% | 90.00% | | | |
| #2 Mezz AAA | Point Pleasant | 75.0 | 92.24% | 75.00% | 70.00% | 65.00% | 23.62% | 65.00% | 20.0 | 91.30% | 4/24/2007 |
| AA | Point Pleasant | 50.0 | 89.41% | 60.00% | 50.00% | 40.00% | 24.01% | 43.00% | 16.0 | 72.50% | 3/28/2007 |

* Notional in MMs

Note: Model A represents SCT and Model B represents Mortgage Strats



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66051.719

## Mortgage 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 viability of 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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66051.720

## Mortgage Department
### Non-CDO PnL Items

| | SPG Trading Estimate | Controllers Estimate |
|---|---|---|
| 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 |

* Estimate in MMs



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## Appendix

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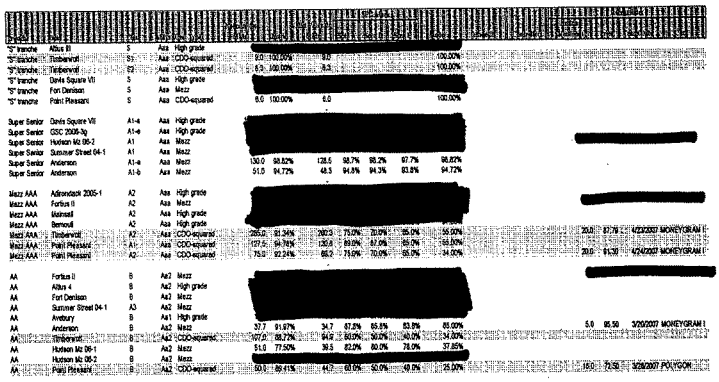
# Mortgage Department

## CDO Debt - Retained Positions



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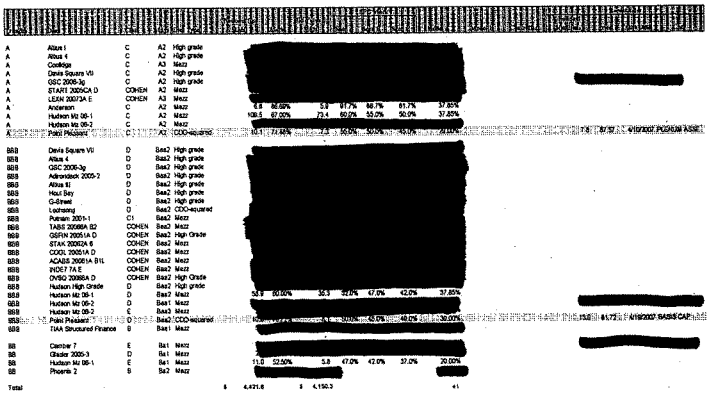
# Mortgage Department

## CDO Debt - Retained Positions (cont)



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# Mortgage Department
## CDO Equity - Retained Positions

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2003-2004 High Grade | Putnam Structured Product 2002-1 | [redacted] | | | | | | | |
| 2002-2004 High Grade | Davis Square Funding I, Ltd | | | | | | | | |
| 2002-2004 High Grade | Sierra Madre Funding, Ltd | | | | | | | | |
| 2002-2004 High Grade | Davis Square Funding III, Ltd | | | | | | | | |
| 2005-2006 High Grade | Altius I Funding, Ltd | | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding V, Ltd. | | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding VI, Ltd | | | | | | | | |
| 2005-2006 High Grade | Hud Sky, Ltd | | | | | | | | |
| 2005-2006 High Grade | Hudson High Grade | | | | | | | | |
| 2005-2006 High Grade | Davis Square VII | | | | | | | | |
| 2005-2006 High Grade | GSC ABS Funding 2006-3g, Ltd. | | | | | | | | |
| 2005-2006 High Grade | West Coast Funding, Ltd. | | | | | | | | |
| 2005-2006 High Grade | Adirondack 2006-1 Funding, Ltd | | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding IV, Ltd. | | | | | | | | |
| 2005-2006 High Grade | G-Street Finance | | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-2 Funding, Ltd | | | | | | | | |
| 2005-2006 High Grade | Altius II Funding, Ltd. | | | | | | | | |
| 2005-2006 High Grade | Altius III Funding, Ltd. | | | | | | | | |
| 2001-2005 Mezz | NYLIM Structured CDO 2001-1, Ltd | | | | | | | | |
| 2001-2005 Mezz | Camber III plc | | | | | | | | |
| 2001-2005 Mezz | Coolridge Funding, Ltd. | | | | | | | | |
| 2001-2005 Mezz | Fortius I Funding, Ltd. | | | | | | | | |
| 2006 Mezz | Fortius II Funding, Ltd. | | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-2, Ltd. | | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-1, Ltd. | 2.0 | 57% | 1.1 | 50.0% | 40.0% | 30.0% | | |
| 2006 Mezz | Camber 7 | | | | | | | 3.5 | 61.00 4/18/2007 DILLON READ |
| 2006 Mezz | Anderson | 22.0 | 91% | 11.9 | 97.5% | 47.0% | 37.0% | | |
| CDO-squared | Lochwing, Ltd. | [redacted] | | | | | | | |
| CDO-squared | Fort Denison | | | | | | | | |
| CDO-squared | Tynedale# | 3.3 | 30% | 2.1 | 65.0% | 50.0% | 40.0% | | |
| CDO-squared | Altius Partners | 14.1 | 39% | 5.8 | 71.0% | 61.0% | 51.0% | | |
| Total | | $ | 170.0 | $ | 111.9 | | | | |
| % of current face | | | | | | | | | |
| Class X | Broadwick | [redacted] | | | | | | | |
| | Davis Square V | | | | | | | | |
| | Davis Square VI | | | | | | | | |
| | Davis Square VII | | | | | | | | |
| | G-Street | | | | | | | | |
| | West Coast | | | | | | | | |

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## Mortgage Department
### 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
  - 12/14/06 - 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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# Mortgage Department
## Distribution

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Fortress | Davilman | Timberwolf I | Mezz AAA | 1 | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B: modeling deal is difficult / Davilman still pushing |
| Fortress | Davilman | Timberwolf I | AA-Rated | 1 | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B: modeling deal is difficult / Davilman still pushing |
| Stark | Gadd | Timberwolf I | Mezz AAA | 1 | Looking on a financed basis - Indicative terms ([redacted]) - concerned about correlation, our level, [redacted] |
| Winchester | Radtke | Point Pleasant 2007-1 | Mezz AAA | 1 | Engaged and looking - has been offered bonds at 450 on A2, 700 on B / [redacted] |
| 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 |
| AIG | Penick | Timberwolf I | Mezz AAA | 3 | [redacted] trying to get answer by GS qtr end. Asked/received additional information today / they are still working / Penick to follow up early next week |
| Fidelity | Martin | Point Pleasant 2007-1 | A-rated | 3 | Looking |
| IS Plenum | Arslan | Point Pleasant 2007-1 | A-Rated | 3 | [redacted] |
| 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 | | | 3 | Checking - Twolf higher delta than Point Pleasant given headline risk wrt Dillon Read - want lookthru analysis on Timberwolf / Strats are working on it / [redacted] |
| UBS Prop | Kelly | Timberwolf or Pt. Pleasant | | 3 | Class |
| DeShaw | cohen | Point Pleasant 2007-1 | Mezz AAA | 3 | Looking - asked for materials and raw data ([redacted] / had call / low delta |
| Elliot | Grinstein | Timberwolf I | Mezz AAA | 3 | [redacted] |
| Polygon | Raazi | Timberwolf I | AA-Rated | 3 | [redacted] |

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# Mortgage Department
## Distribution (cont)

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Carlyle | Ruberti | | | 4 | Will go through lock through analysis - go from there / Strats are working on it |
| DA Capital | Kreitman | | | 4 | Start work @ +800 - 1000dm for mezz AAA |
| Elliot | Grinstein | | | 4 | Focused on anderson Equity |
| | | | | | [redacted] evaluating |
| Harvard | Radtke | Point Pleasant 2007-1 | Mezz AAA | 4 | counter / Radtke to follow up next week |
| Highland | Ruberti | | | 4 | Low Delta - Need lockthru analysis / Strats are working on it |
| | | | | | 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 Breedan | 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 |
| Lehman AM | Gadd | Timberwolf I | Mezz AAA | 4 | Need a lock-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 for their CDO bucket in their own deals / limited room in their |
| Vanderbilt | Gadd | Timberwolf I | | 4 | Bucket - small size if they care |
| Hyperion | Willing | Timberwolf I | | 4 | Looking - [redacted] |
| 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, relocking at analysis from new issue, [redacted] |
| Clinton | Verocchi | 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 | locked at single A's new issue - still need final feedback - low delta |
| | | | | | Checking - [redacted] |
| ML Bank | Willing | | | 4.5 | [redacted] timberwolf more likely than Point Pleasant given headline risk wrt Dillon Read |
| CBASS | Pinkos | | | 5 | Cut - 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 | Cut - too much overlap with Point Pleasant |
| TPG-Axon | Fertel/Phillips | Point Pleasant 2007-1 | Mezz AAA | 5 | Cut - [redacted] |

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# Mortgage Department
## CDO Derivative Positions

| Trade Type | Model Status | Notional Exposure | | | | | Stated P&L |
|---|---|---|---|---|---|---|---|
| | | | Warehouse | | Closed Deals | | |
| | | Net | Long | Short | Long | Short | |
| Collateral Put | Off-Label | 2,674.1 | - | - | 2,674.1 | - | 0.2 |
| Supersenior Total Return Swap | Off-Label | 1,665.0 | - | - | 1,665.0 | - | (1.1) |
| Supersenior Tranched Swap | Fully Approved | (825.0) | - | - | - | 825.0 | (2.4) |
| Mtg Index Product | Fully Approved | (625.0) | - | - | 450.0 | 1,075.0 | (38.7) |
| Interest Rate Swap | Fully Approved | (540.0) | - | 540.0 | - | - | (1.5) |
| Mtg Default Swap | Fully Approved | (398.7) | 611.8 | - | 7,965.7 | 8,976.1 | (31.4) |
| PIK Swap | Not Modeled | 50.0 | - | - | 50.0 | - | 0.0 |
| Equity Total Return Swap | Off-Label | (17.0) | - | - | - | 17.0 | (9.7) |
| CLO Equity Principal Protection | Fully Approved | 13.9 | - | - | 13.9 | - | (0.0) |
| Total Return Swap? | Unknown | - | - | - | 274.7 | 274.7 | 0.4 |
| Mtg Synthetic CDO | Fully Approved | - | - | - | 22.5 | 22.5 | 0.0 |

- Notes:
  - "Long" notional exposure means long bonds (long treasuries in the case of interest rate swaps)
  - "Off-Label" model status means fully approved model being used outside its originally intended scope, and so not capturing some important features of these trades
  - Collateral Put is writing protection against short AAA floaters (used to collateralize funded tranches built off synthetic portfolios)
  - Supersenior Tranched Swap is selling the top 2/3 of one of the two supersenior tranches held in Supersenior Total Return Swap form.



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# Mortgages CDO Origination

## Retained Positions & Warehouse Collateral

May 2007

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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1576

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# Mortgages CDO Origination

## Executive Summary

- Based upon the inability to place the liabilities of the Timberwolf and Point Pleasant CDO^2 transactions, the Mortgage trading desk assessed the current valuation of retained positions and the ability to securitize current CDO^2 warehouse collateral.
- The inability to securitize CDO^2 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) |



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# 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 | 822 | (11) | (26) | (42) |
| High grade | 2,793 | 1 | (3) | (9) |
| Total | 4,053 | (121) | (196) | (273) |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **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 CDO^2 structures ($(159.3)mm – 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.

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# 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:

| | | A | | B | | C | |
|---|---|---|---|---|---|---|---|
| Sector | Market Value($mm) | Write down | Average Price | Write down | Average Price | Write down | Average Price |
| CLO | 70 | (1) | 98% | (2) | 97% | (3) | 96% |
| CMBS/CRE CDO | 122 | (4) | 96% | (5) | 96% | (6) | 95% |
| 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) | |



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## Mortgages CDO Origination
### CDO Origination Risk vs. SPG Trading Risk

- Origination – Long 2.6bn of CDO Risk
  - Our CDO^2 collateral was ramped prior to the market widening and marked to model – average ramp period is 6-9 months
  - Our CDO^2 deals, Timberwolf and Point Pleasant, priced in March with demand only for the super senior tranche
  - The complexity of the CDO^2 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

5



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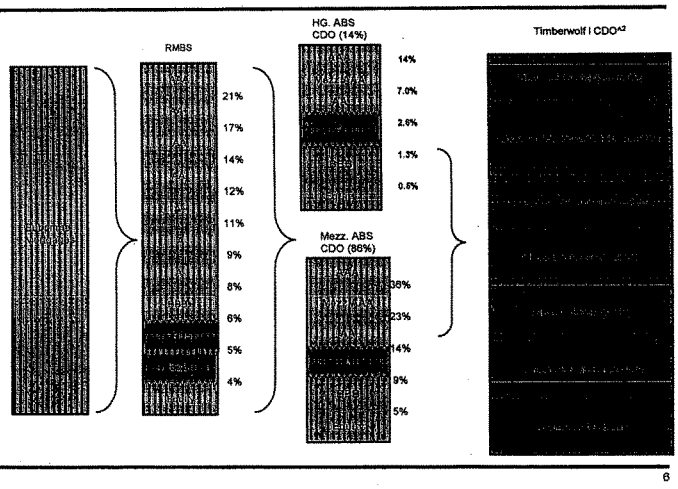
## Mortgages CDO Origination

### Timberwolf I CDO^2: Overview of Capital Structure

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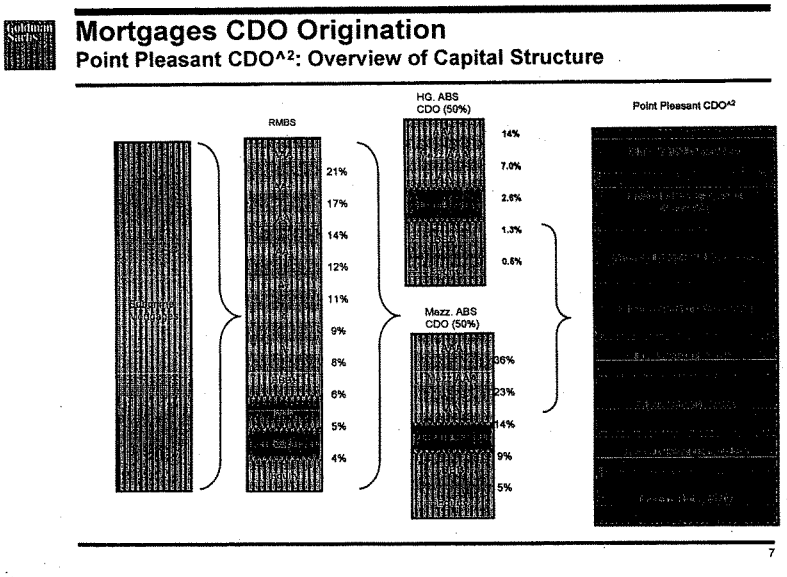


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## Mortgages CDO Origination
### Action Steps – May 11th

- 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



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# Mortgages CDO Origination
## Anticipated Writedowns (in MMs)

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|
| Retained Positions | (117) | (187) | (258) | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Warehouse* | (126) | (126) | (126) | (126) | (126) |
| Total | (243) | (313) | (384) | (126) | (126) |

* Warehouse p&I shown using scenario B level of $126mm



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# Mortgages CDO Origination

## CDO Debt - Retained Positions

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| "S" tranche | Altura III | S | Aaa | High grade | [redacted] | | | | | | | | | |
| "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 | [redacted] | | | | | | | | | |
| "S" tranche | Fort Denison | S | Aaa | Mezz | | | | | | | | | | |
| "S" tranche | Point Pleasant | S | Aaa | CDO-squared | | | | | | | | | | |
| Super Senior | Davis Square VII | A1-a | Aaa | High grade | [redacted] | | | | | | | | | |
| 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 | 130.0 | 88.82% | 128.5 | 88.7% | 88.2% | 87.7% | [redacted] | | | |
| Super Senior | Anderson | A1-b | Aaa | Mezz | 51.0 | 84.72% | 48.3 | 84.8% | 84.3% | 83.8% | | | | |
| Mezz AAA | Adirondack 2005-1 | A2 | Aaa | High grade | [redacted] | | | | | | | | | |
| Mezz AAA | Fortius II | A2 | Aaa | Mezz | | | | | | | | | | |
| Mezz AAA | Mainsail | A2 | Aaa | High grade | | | | | | | | | | |
| Mezz AAA | Bernoudi | A2 | Aaa | High grade | | | | | | | | | | |
| Mezz AAA | Timberwolf | A2 | Aaa | CDO-squared | 286.0 | 81.24% | 262.3 | 75.0% | 70.0% | 65.0% | | 20.0 | 87.75 | 4/23/2007 MONEYGRAM I |
| Mezz AAA | Point Pleasant | A1 | Aaa | CDO-squared | 127.5 | 84.78% | 120.8 | 80.0% | 67.0% | 65.0% | | | | |
| Mezz AAA | Point Pleasant | A2 | Aaa | CDO-squared | 75.0 | 82.24% | 69.2 | 75.0% | 70.0% | 65.0% | | 20.0 | 91.30 | 4/24/2007 MONEYGRAM II |
| AA | Fortius II | B | Aa2 | Mezz | [redacted] | | | | | | | | | |
| AA | Altura 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 | 37.7 | 91.97% | 34.7 | 87.8% | 85.8% | 83.8% | | 5.0 | 95.50 | 3/20/2007 MONEYGRAM I |
| AA | Timberwolf | B | Aa2 | CDO-squared | 107.0 | 80.72% | 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 | 24.5 | 81.75% | 15.1 | 71.0% | 68.0% | 65.0% | | | | |
| AA | Point Pleasant | B | Aa2 | CDO-squared | 50.0 | 89.41% | 44.7 | 60.0% | 50.0% | 40.0% | | | | |

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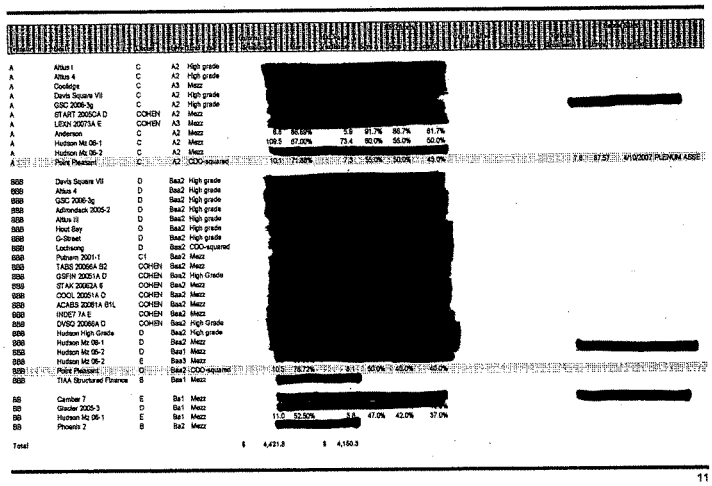
# Mortgages CDO Origination

## CDO Debt - Retained Positions (cont)



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# Mortgages CDO Origination

## CDO Equity - Retained Positions

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2002-2004 High Grade | Putnam Structured Product 2002-1 | [redacted] | | | | | | |
| 2002-2004 High Grade | Davis Square Funding I, Ltd | | | | | | | |
| 2002-2004 High Grade | Sierra Madre Funding, Ltd. | | | | | | | |
| 2002-2004 High Grade | Davis Square Funding III, Ltd | | | | | | | |
| 2005-2006 High Grade | Altius I Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding V, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding VI, Ltd. | | | | | | | |
| 2005-2006 High Grade | Haut Bay, Ltd | | | | | | | |
| 2005-2006 High Grade | Hudson High Grade | | | | | | | |
| 2005-2006 High Grade | Davis Square VII | | | | | | | |
| 2005-2006 High Grade | GSC ABS Funding 2005-3g, Ltd | | | | | | | |
| 2005-2006 High Grade | West Coast Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-1 Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding IV, Ltd. | | | | | | | |
| 2005-2006 High Grade | G-Street Finance | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-2 Funding, Ltd | | | | | | | |
| 2005-2006 High Grade | Altius 4 Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Altius III Funding, Ltd. | | | | | | | |
| 2001-2005 Mezz | NYLIM Stratford CDO 2001-1, Ltd | | | | | | | |
| 2001-2005 Mezz | Camber III plc | | | | | | | |
| 2001-2005 Mezz | Coolidge Funding, Ltd. | | | | | | | |
| 2001-2005 Mezz | Fortius I Funding, Ltd. | | | | | | | |
| 2006 Mezz | Fortius II Funding, Ltd. | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-2, Ltd. | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-1, Ltd. | 2.5 | 57% | 1.4 | 50.0% | 40.0% | 30.0% | |
| 2006 Mezz | Camber 7 | | | | | | | |
| 2006 Mezz | Anderson | 20.9 | 57% | 11.9 | 57.0% | 47.0% | 37.0% | |
| CDO-squared | Lochlong, Ltd. | | | | | | | |
| CDO-squared | Fort Denison | | | | | | | |
| CDO-squared | Timberwolf I | 10.6 | 62% | 6.1 | 60.0% | 50.0% | 45.0% | |
| CDO-squared | Point Pleasant | 50.1 | 58% | 15.6 | 71.0% | 61.0% | 51.0% | |
| Total | | $ 170.0 | | $ 111.6 | | | | |
| % of current face | | | | | | | | |
| Class X | Broadwick | | | | | | | |
| | Davis Square V | | | | | | | |
| | Davis Square VI | | | | | | | |
| | Davis Square VII | | | | | | | |
| | G-Street | | | | | | | |
| | West Coast | | | | | | | |



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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



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## Mortgages CDO Origination
### Additional PnL Items

| | Desk Estimate | Controller Estimate |
|---|---|---|
| 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 |

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## 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 |
|---|---|---|---|---|
| CLO | 70 | (2) | (2) | (2) |
| CMBS/CRE CDO | 122 | (4) | (5) | (6) |
| 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)* |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ***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)* |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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# Mortgages CDO Origination
## Distribution

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Fortress | Davilman | Timberwolf I | Mezz AAA | 1 | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B. modeling deal is difficult / Davilman still pushing |
| Fortress | Davilman | Timberwolf I | AA-Rated | 1 | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B. modeling deal is difficult / Davilman still pushing |
| Stark | Gadd | Timberwolf I | Mezz AAA | 1 | Looking on a financed basis - Indicative terms ([redacted] concerned about correlation, our level, r[redacted] |
| Winchester | Radtke | Point Pleasant 2007-1 | Mezz AAA | 1 | Engaged and looking - has been offered bonds at 450 on A2, 700 on B / [redacted] |
| 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 |
| AIG | Penick | Timberwolf I | Mezz AAA | 3 | re-engaged - trying to get answer by GS qtr end. Asked/received additional information today / they are still working / Penick to follow up early next week |
| Fidelity | Martin | Point Pleasant 2007-1 | A-rated | 3 | Looking |
| IS Plenum | Arslan | Point Pleasant 2007-1 | A-Rated | 3 | [redacted] |
| 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 | | | 3 | Checking - Twolf higher delta than Point Pleasant given headline risk wrt Dillon Read - want lookthru analysis on Timberwolf / Strats are working on it / [redacted] |
| UBS Prop | Kelly | Timberwolf or Pt. Pleasant | | 3 | [redacted] |
| DeShaw | cohen | Point Pleasant 2007-1 | Mezz AAA | 3 | Looking - asked for materials and raw data ([redacted] / had call / low delta |
| Elliot | Grinstein | Timberwolf I | Mezz AAA | 3 | [redacted] |
| Polygon | Raazi | Timberwolf I | AA-Rated | 3 | [redacted] |

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# Mortgages CDO Origination
## Distribution (cont)

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Carlyle | Ruberti | | | 4 | Will go through lock through analysis - go from there / Strats are working on it |
| DA Capital | Kretman | | | 4 | Start work @ +800 - 1000dm for mezz AAA |
| Elliot | Grinstein | | | 4 | [redacted] |
| Harvard | Radtke | Point Pleasant 2007-1 | Mezz AAA | 4 | [redacted] |
| Highland | Ruberti | | | 4 | Low Delta - Need lockthru analysis / Strats are working on it |
| JPM Prop | Verrochi | | | 4 | [redacted] |
| Marathon | Kretman | | | 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 | Grinstein | Point Pleasant 2007-1 | Mezz AAA | 4 | potential - will likely be slower with feedback |
| Lehmen AM | Gadd | Timberwolf I | Mezz AAA | 4 | Need a lock-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 for their CDO bucket in their own deals / limited room in their |
| Vanderbilt | Gadd | Timberwolf I | | 4 | Bucket - small size if they care |
| Hyperion | Willing | Timberwolf I | | 4 | Looking - [redacted] |
| Paramex | Matthias | Point Pleasant 2007-1 | Mezz AAA | 4 | Very Low Delta |
| Paramex | Matthias | Timberwolf I | Mezz AAA | 4 | Very Low Delta |
| Blackrock | Fertel/Phillips | Point Pleasant 2007-1 | | 4.5 | [redacted] |
| Clinton | Verocchi | 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 - if [redacted] |
| ML Bank | Willing | | | 4.5 | [redacted] Timberwolf more likely than Point Pleasant given headline risk wt Dillon Read |
| CBASS | Pinkos | | | 5 | Out - do not buy CDO^2 |
| Ellington | Sue/Blaine | 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 | [redacted] |

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CONFIDENTIAL

**HUDSON MEZZANINE FUNDING 2006-1, LTD.**
**HUDSON MEZZANINE FUNDING 2006-1, CORP.**
**U.S.$37,000,000 Class S Floating Rate Notes Due 2012**
**U.S.$110,000,000 Class A-f Floating Rate Notes Due 2042**
**U.S.$120,000,000 Class A-b Floating Rate Notes Due 2042**
**U.S.$230,000,000 Class B Floating Rate Notes Due 2042**
**U.S.$170,000,000 Class C Deferrable Floating Rate Notes Due 2042**
**U.S.$84,000,000 Class D Deferrable Floating Rate Notes Due 2042**
**U.S.$26,000,000 Class E Deferrable Floating Rate Notes Due 2042**
**U.S.$60,000,000 Income Notes Due 2042**

**Secured primarily by (i) the Collateral and (ii) the Issuer's rights under (a) the Collateral Put Agreement and (b) the Credit Default Swap referencing a portfolio of Residential Mortgage-Backed Securities**

The Secured Notes (as defined herein) and the Income Notes (as defined herein) (collectively, the "Offered Notes") are being offered hereby by Goldman, Sachs & Co. in the United States to qualified institutional buyers (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")), in reliance on Rule 144A under the Securities Act, and, solely in the case of the Income Notes, to accredited investors (as defined in Rule 501(a) under the Securities Act) who have a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act. The Offered Notes are being offered hereby in the United States only to persons that are also "qualified purchasers" for purposes of Section 3(c)(7) under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition, the Offered Notes are being offered hereby by Goldman, Sachs & Co., selling through its agents, outside the United States to non U.S. Persons in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. See "Underwriting."

*See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.*

It is a condition of the issuance of the Notes that the Class S Notes, the Class A-f Notes and the Class A-b Notes be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P" and, together with Moody's, the "Rating Agencies"), that the Class B Notes be issued with a rating of at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2" by Moody's and at least "A" by S&P, that the Class D Notes be issued with a rating of at least "Baa2" by Moody's and at least "BBB" by S&P and that the Class E Notes be issued with a rating of at least "Ba1" by Moody's and at least "BB+" by S&P. It is also a condition of the issuance of the Notes that the Senior Swap be assigned a rating of "Aaa" by Moody's and "AAA" by S&P. The Income Notes will not be rated by either Rating Agency. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "Ratings of the Notes."

Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained or maintained. No application will be made to list the Notes to any other exchange.

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Offered Notes by the Initial Purchaser.

THE PLEDGED ASSETS ARE THE SOLE SOURCE OF PAYMENTS IN RESPECT OF THE NOTES. THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE HOLDERS OF THE NOTES, THE LIQUIDATION AGENT, THE COLLATERAL PUT PROVIDER, THE SENIOR SWAP COUNTERPARTY, THE INITIAL PURCHASER, THE CREDIT PROTECTION BUYER, THE ADMINISTRATOR, THE AGENTS, THE TRUSTEE, THE SHARE TRUSTEE (EACH, AS DEFINED HEREIN) OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND NEITHER OF THE ISSUERS (AS DEFINED HEREIN) WILL BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE OFFERED NOTES ARE BEING OFFERED HEREBY ONLY TO (A) (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND, SOLELY IN THE CASE OF THE INCOME NOTES, ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) THAT HAVE A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND, WHO ARE (2) QUALIFIED PURCHASERS FOR PURPOSES OF SECTION 3(c)(7) UNDER THE INVESTMENT COMPANY ACT AND (B) CERTAIN NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. PURCHASERS AND SUBSEQUENT TRANSFEREES OF THE CLASS E NOTES (OTHER THAN THE REGULATION S CLASS E NOTES) AND THE INCOME NOTES (OTHER THAN THE REGULATIONS S INCOME NOTES) WILL BE REQUIRED TO EXECUTE AND DELIVER A LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS, AND PURCHASERS AND SUBSEQUENT TRANSFEREES OF THE CLASS S NOTES, THE CLASS A NOTES, THE CLASS B NOTES, THE CLASS C NOTES, THE CLASS D NOTES, THE REGULATION S CLASS E NOTES AND THE REGULATION S INCOME NOTES WILL BE DEEMED TO HAVE MADE SUCH REPRESENTATIONS AND AGREEMENTS, AS SET FORTH UNDER "NOTICE TO INVESTORS." THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS."

The Offered Notes are being offered by Goldman, Sachs & Co. (in the case of the Notes offered outside the United States, selling through its selling agent) (the "Initial Purchaser"), subject to the Initial Purchaser's right to reject any order in whole or in part, in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date (as defined herein). It is expected that the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Regulation S Class E Notes and the Regulation S Income Notes will be ready for delivery in book entry form only in New York, New York, on or about December 3, 2006 (the "Closing Date"), through the facilities of DTC and in the case of the Notes sold outside the United States, for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), against payment therefor in immediately available funds. It is expected that the Class E Notes (other than the Regulation S Class E Notes) and the Income Notes (other than the Regulation S Income Notes) will be ready for delivery in definitive form in New York, New York on the Closing Date, against payment therefor in immediately available funds. The Notes sold in reliance on Rule 144A and, solely in the case of the Income Notes, to Accredited Investors, will be issued in minimum denominations of U.S.$250,000 and integral multiples of U.S.$1 in excess thereof. The Notes sold in reliance on Regulation S will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof.

**Goldman, Sachs & Co.**
Offering Circular dated December 3, 2006.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1584

GS MBS-E-021821196

Hudson Mezzanine Funding 2006-1, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), and Hudson Mezzanine Funding 2006-1, Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), will issue U.S. $37,000,000 principal amount of Class S Floating Rate Notes Due 2012 (the "Class S Notes"), U.S.$110,000,000 principal amount of Class A-f Floating Rate Notes Due 2042 (the "Class A-f Notes"), U.S.$120,000,000 principal amount of Class A-b Floating Rate Notes Due 2042 (the "Class A-b Notes" and, together with the Class A-f Notes, the "Class A Notes"), U.S.$230,000,000 principal amount of Class B Floating Rate Notes Due 2042 (the "Class B Notes"), U.S.$170,000,000 principal amount of Class C Deferrable Floating Rate Notes Due 2042 (the "Class C Notes") and U.S.$84,000,000 principal amount of Class D Deferrable Floating Rate Notes Due 2042 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, the Class B Notes and the Class C Notes, the "Co-Issued Notes") and the Issuer will issue U.S.$26,000,000 principal amount of Class E Deferrable Floating Rate Notes Due 2042 (the "Class E Notes" and, together with the Co-Issued Notes, the "Secured Notes") pursuant to an Indenture (the "Indenture") dated on or about December 5, 2006 among the Issuers and The Bank of New York Trust Company, National Association, as trustee and securities intermediary (in such capacity, the "Trustee" and the "Securities Intermediary," respectively).

In addition, the Issuer will issue U.S.$60,000,000 principal amount of Income Notes Due 2042 (the "Income Notes" and, together with the Secured Notes, the "Notes") pursuant to a Fiscal Agency Agreement dated on or about December 5, 2006 (the "Fiscal Agency Agreement") between the Issuer and The Bank of New York Trust Company, National Association, as fiscal agent (in such capacity, the "Fiscal Agent").

It is also anticipated that on the Closing Date the Issuer will enter into a swap transaction with an initial notional amount of U.S.$1,200,000,000 (the "Senior Swap") with Goldman Sachs International (in such capacity, the "Senior Swap Counterparty"). The Senior Swap is not offered hereby.

The net proceeds received from the offering of the Notes will be applied by the Issuer to purchase the initial Collateral Securities (as defined herein) and certain Eligible Investments (as defined herein) selected by the Credit Protection Buyer (as defined herein). The Collateral Securities and Eligible Investments (collectively, the "Collateral"), together with the Delivered Obligations (as defined herein), if any, delivered to the Issuer will secure the Issuer's obligations under a default swap transaction (the "Credit Default Swap") to be entered into on the Closing Date by the Issuer and Goldman Sachs International (in such capacity, the "Credit Protection Buyer") pursuant to which the Issuer (in such capacity, the "Credit Protection Seller") will sell credit protection to the Credit Protection Buyer with respect to a portfolio (the "Reference Portfolio") of Reference Obligations (as defined herein) consisting of Residential Mortgage-Backed Securities (as defined herein). Certain summary information about the Reference Portfolio is set forth in Appendix B to this Offering Circular. The Collateral Securities, the Eligible Investments, the Delivered Obligations, the Issuer's rights under the Liquidation Agency Agreement, the Collateral Put Agreement and the Senior Swap and certain other assets of the Issuer (collectively, the "Pledged Assets") will be pledged under the Indenture to the Trustee, for the benefit of the Secured Parties (as defined herein), as security for, among other obligations, the Issuers' obligations under the Secured Notes and the Senior Swap and to certain service providers. The Income Notes will be unsecured obligations of the Issuer.

Interest will be payable on the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in arrears on the 12th day of each calendar month, or if any such date is not a Business Day (as defined herein), the immediately following Business Day (each date, a "Payment Date") commencing April 12, 2007. The Class S Notes will bear interest at a per annum rate equal to LIBOR (as defined herein) *plus* 0.15% for each Interest Accrual Period (as defined herein). The Class A-f Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.26% for each Interest Accrual Period. The Class A-b Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.50% for each Interest Accrual Period. The Class B Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.62% for each Interest Accrual Period. The Class C Notes will bear interest at a per annum rate equal to LIBOR *plus* 1.60% for each Interest Accrual Period. The Class D Notes will bear interest at a per annum rate equal to LIBOR *plus* 3.75% for each Interest Accrual Period. The Class E Notes will bear interest at a per annum rate equal to LIBOR *plus* 6.75% for each Interest Accrual Period. Payments will be made on the Income Notes on each Payment Date commencing April 12, 2007, to the extent amounts are available therefore, as described herein. The Senior Swap Premium (as defined herein) will be payable by the Issuer on each Payment Date, commencing April 12, 2007, at the rate of 0.20% per annum on the Outstanding Notional Amount of the Senior Swap.



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All payments on the Senior Swap and the Notes will be made from Proceeds available in accordance with the Priority of Payments. On each Payment Date, except as otherwise provided in the Priority of Payments, payments on the Class S Notes will be senior to payments on the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes; payments on the Senior Swap and the Class A Notes will be made *pro rata* and will be senior to payments on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes; payments on the Class B Notes will be senior to payments on the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes; payments on the Class C Notes will be senior to payments on the Class D Notes, the Class E Notes and the Income Notes; payments on the Class D Notes will be senior to payments on the Class E Notes and the Income Notes; and payments on the Class E Notes will be senior to payments on the Income Notes, in each case in accordance with the Priority of Payments as described herein. Certain of the Secured Notes (other than the Class S Notes) are subject to mandatory redemption and the notional amount of the Senior Swap is subject to reduction, in whole or in part, if a Coverage Test is not satisfied on any date of determination which may result in variations to the order of distributions described above and as more fully described in the Priority of Payments.

The Senior Swap is subject to termination and the Notes are subject to redemption, in each case, in whole and not in part, (i) at any time as a result of a Tax Redemption (as defined herein), (ii) on an Auction Payment Date (as defined herein) as a result of a successful Auction (as defined herein) or (iii) as a result of an Optional Redemption (as defined herein) on or after the April 2010 Payment Date. The stated maturity of the Notes (other than the Class S Notes) is the Payment Date in April 2042. The actual final distribution on the Notes (other than the Class S Notes) is expected to occur substantially earlier. The stated maturity of the Class S Notes is the Payment Date in August 2012. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

The Notes (other than the Class E Notes and the Income Notes) sold in reliance on Rule 144A under the Securities Act ("Rule 144A") will be evidenced by one or more global notes (the "Rule 144A Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Rule 144A Global Notes will trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds. Except as described herein, beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Class E Notes and the Income Notes sold in reliance on Rule 144A under the Securities Act and, in the case of the Income Notes only, to Accredited Investors who have a net worth of not less than U.S. $10 million, will be evidenced by one or more Definitive Notes in fully registered form.

The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (collectively, the "Regulation S Notes"; in the case of the Class E Notes, the "Regulation S Class E Notes"; and in the case of the Income Notes, the "Regulation S Income Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"), and takes delivery in the form of an interest in a Rule 144A Global Note, a definitive Class E Note or a definitive Income Note, in an amount equal to at least U.S.$250,000. See "Description of the Notes" and "Underwriting."

*This Offering Circular (the "Offering Circular") is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Offered Notes described herein. The information contained in this Offering Circular has been provided by the Issuers and other sources identified herein. No representation or warranty, express or implied, is made by the Initial Purchaser, the Liquidation Agent, the Credit Protection Buyer, the Senior Swap Counterparty, the Collateral Put Provider, the Trustee, the Note Agents, the Fiscal Agent, or the Income Note Transfer Agent (the Note Agents, the Fiscal Agent and the Income Note Transfer Agent, together, the "Agents") as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchaser, the Trustee, the Liquidation Agent, the Credit Protection Buyer, the Senior Swap Counterparty, the Collateral Put Provider or the Agents. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use*



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*of any information herein for any purpose other than considering an investment in the Offered Notes is prohibited. Each offeree of the Offered Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.*

**THE NOTES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR 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 distribution of this Offering Circular and the offering and sale of the Offered Notes in certain jurisdictions may be restricted by law. The Issuers and the Initial Purchaser require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offering and sales of the Offered Notes, see "Underwriting." This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Offered Notes in any jurisdiction in which such offer or invitation would be unlawful.

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**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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No invitation may be made to the public in the Cayman Islands to subscribe for the Notes.

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**NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND**

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE PERSON TO WHOM IT IS ADDRESSED AND HIS/HER PROFESSIONAL ADVISERS.

In this Offering Circular, references to "U.S. Dollars," "$" and "U.S.$" are to United States dollars.



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The Issuers having made all reasonable inquiries, confirm that the information contained in this Offering Circular is true and correct in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading and, as applicable, take responsibility accordingly.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this Offering Circular.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, A PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF A PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS OFFERING CIRCULAR AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH PROSPECTIVE INVESTORS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

PROSPECTIVE INVESTORS SHOULD READ THIS OFFERING CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO INVEST IN THE SECURITIES AND SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION SET FORTH UNDER THE HEADING "RISK FACTORS." INVESTMENT IN THE SECURITIES IS SPECULATIVE AND INVOLVES SIGNIFICANT RISK. INVESTORS SHOULD UNDERSTAND SUCH RISKS AND HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THEM FOR AN EXTENDED PERIOD OF TIME.



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**NOTICE TO INVESTORS**

*Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.*

Each purchaser who has purchased Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Regulation S Class E Notes and Regulation S Income Notes, will be deemed to have represented and agreed, and each purchaser of Class E Notes (other than the Regulation S Class E Notes) and Income Notes (other than the Regulation S Income Notes) will be required to represent and agree, in each case with respect to such Notes, as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. (a) In the case of Secured Notes sold in reliance on Rule 144A (the "Rule 144A Notes"), the purchaser of such Rule 144A Notes (i) is a qualified institutional buyer (as defined in Rule 144A) (a "Qualified Institutional Buyer"), (ii) is aware that the sale of Secured Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Rule 144A Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than U.S.$250,000 and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

(b) In the case of the Income Notes (other than the Regulation S Income Notes), the purchaser of such Income Notes (i) is a Qualified Institutional Buyer, (ii) is aware that the sale of the Income Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Income Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and, unless otherwise permitted by the Fiscal Agency Agreement is purchasing a principal amount of not less than $250,000 for the purchaser and for each such account and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees; or, if the purchaser is not a Qualified Institutional Buyer, such purchaser (w) is a person who is an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account, (x) is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below, (y) is purchasing a principal amount of not less than $250,000 (unless otherwise permitted by the Fiscal Agency Agreement) and (z) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

2. The purchaser understands that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a Qualified Institutional Buyer and is purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A, (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) solely in the case of the Income Notes, to an Accredited Investor who has a net worth of not less than U.S.$10 million, and, in each case, who shall have satisfied, and in the case of Class E Notes (other than the Regulation S Class E Notes) and Income Notes (other than the Regulation S Income Notes) shall have represented, warranted, covenanted and agreed, or, in all other cases, shall be deemed to have satisfied, and shall be deemed to have represented, warranted, covenanted and agreed that it will continue to comply with, all requirements for transfer of the Notes specified in this Offering Circular, in the case of the Secured Notes, the Indenture, and, in the case of the Income Notes, the Fiscal Agency Agreement, and all other requirements for it to qualify for an exemption from registration under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States. Before any interest in a Rule 144A Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Note Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions described herein. Before any interest in a Class E Note (other than a Regulation S Class E Note) or an Income Note (other than a Regulation S Income Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Issuer, and, in the case of a Class E Note, the Note Transfer Agent, and, in the case of an Income Note, the Income Notes Transfer Agent, with a letter substantially in the form attached to this Offering Circular as Annex A-1 (the "Income Note Purchase and Transfer Letter") or Annex A-2 (the "Class E Note Purchase and Transfer Letter"). The purchaser understands and agrees that any purported transfer of Notes to a



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purchaser that does not comply with the requirements of this paragraph (2) will, in the case of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Regulation S Class E Notes and Regulation S Income Notes, be null and void *ab initio*, and, in the case of the Class E Notes (other than the Regulation S Class E Notes) and the Income Notes (other than the Regulation S Income Notes), not be permitted or registered by (i) in the case of the Class E Notes, the Note Transfer Agent and (ii) in the case of the Income Notes, the Income Notes Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Institutional Buyer or, in the case of the Income Notes, not an Accredited Investor, to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

3. The purchaser of such Notes also understands that neither of the Issuers has been registered under the Investment Company Act. In the case of the Rule 144A Notes and the Income Notes (other than the Regulation S Income Notes) described in paragraph (1) above, the purchaser and each account for which the purchaser is acquiring such Notes is a qualified purchaser for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"). The purchaser is acquiring Notes in a principal amount, in the case of Rule 144A Notes and, in the case of Income Notes sold to Accredited Investors, of not less than U.S.$250,000, or, in the case of Notes sold in reliance on Regulation S ("Regulation S Notes"), of not less than U.S.$100,000, in each case for the purchaser and for each such account. The purchaser (or if the purchaser is acquiring Notes for any account, each such account) is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The purchaser and each such account: (a) was not formed for the specific purpose of investing in the Notes (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser), (b) to the extent the purchaser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (d) is not a broker dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the purchaser agrees with respect to itself and each such account: (i) that it shall not hold such Notes for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and (ii) that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes. The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (3) will, in the case of the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Regulation S Class E Notes and the Regulation S Income Notes, be null and void *ab initio*, and, in the case of the Class E Notes (other than the Regulation S Class E Notes), not be permitted or registered by the Note Transfer Agent and, in the case of the Income Notes (other than the Regulation S Income Notes), not be permitted or registered by the Income Notes Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Purchaser to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

4. (a) With respect to the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that either (i) the purchaser is not and will not be an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a plan as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or other plan's investment in the entity, or another employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA, or Section 4975 of the Code ("Similar Law") or (ii) the purchaser's purchase and holding of a Note does not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any Similar Law) for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph (4)(a) shall be null and void *ab initio*.

(b) With respect to the Class E Notes (other than the Regulation S Class E Notes) and the Income Notes (other than the Regulation S Income Notes) purchased or transferred on or after the Closing Date, the purchaser or transferee must disclose in writing in advance to the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, (i) whether or not it is (A) an "employee benefit plan" as defined in and subject to Title I of ERISA, (B) a "plan" as described in and subject to Section 4975 of the Code, or (C) an entity whose underlying



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assets include "plan assets" within the meaning of ERISA by reason of an employee benefit or other plan's investment in the entity (all such persons and entities described in clauses (A) through (C) being referred to herein as "Benefit Plan Investors"); (ii) if the purchaser is a Benefit Plan Investor (or other employee benefit plan subject to Similar Law), then (x) the purchase and holding of the Class E Notes and/or the Income Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not available or (y) solely in the case of Benefit Plan Investors, the purchase and holding of Income Notes is exempt under an identified Prohibited Transaction Class Exemption or individual exemption, based on the assumption that less than 25% of each of the Outstanding Class E Notes and the Outstanding Income Notes are owned by Benefit Plan Investors; and (iii) whether or not it is the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (a "Controlling Person"). If a purchaser is an insurance company acting on behalf of its general account or another entity deemed to be holding plan assets, it may be required to so indicate, and to identify a maximum percentage of the assets in such general account or entity that may be or become plan assets, in which case the purchaser will be required to make certain further agreements that would apply in the event that such maximum percentage would thereafter be exceeded. The purchaser agrees that, before any interest in a Class E Note (other than a Regulation S Class E Note) or an Income Note (other than a Regulation S Income Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Note Transfer Agent with a Class E Notes Purchase and Transfer Letter or the Income Notes Transfer Agent with an Income Notes Purchase and Transfer Letter, as applicable, stating, among other things, whether the transferee is a Benefit Plan Investor. The purchaser acknowledges and agrees that no purchase or transfer will be permitted, and the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, will not register any such transfer, to the extent that the purchase or transfer would result in Benefit Plan Investors owning 25% or more of the total value of either the Outstanding Class E Notes or the Outstanding Income Notes immediately after such purchase or transfer (determined in accordance with the Indenture or Fiscal Agency Agreement, as applicable). The foregoing procedures are intended to enable the Class E Notes (other than the Regulation S Class E Notes) and the Income Notes (other than the Regulation S Income Notes) to be purchased by or transferred to Benefit Plan Investors at any time, although no assurance can be given that there will not be circumstances in which purchases or transfers of Class E Notes or Income Notes will be required to be restricted in order to comply with the aforementioned 25% limitation. See "ERISA Considerations."

(c) With respect to the Regulation S Class E Notes and the Regulation S Income Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that it is not a Benefit Plan Investor or a Controlling Person. Each purchaser also will be deemed, by its purchase, to have represented and warranted that if it is an employee benefit plan subject to Similar Law, then its purchase and holding of Income Notes do not and will not constitute or result in a violation of any Similar Law for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph 4(c) shall be null and void *ab initio*.

5. The purchaser is not purchasing the Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of its entire investment in the Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of, and request information from, the Issuer.

6. In connection with the purchase of the Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Administrator or the Share Trustee (as defined herein) is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Administrator or the Share Trustee other than in this Offering Circular for such Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Collateral Put Provider, the Credit Protection Buyer, the Senior Swap Counterparty, the Administrator or the Share Trustee has given to the purchaser (directly or indirectly through any other person) any assurance,



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guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Collateral Put Provider, the Credit Protection Buyer, the Senior Swap Counterparty, the Administrator or the Share Trustee; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor.

7. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuers in accordance with the Indenture, the Class S Notes, Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will bear a legend to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE,



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NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT EITHER (I) THE HOLDER IS NOT AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), A PLAN DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY, OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) THE HOLDER'S PURCHASE AND HOLDING OF A NOTE DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH ANOTHER PLAN, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF A NOTE TO A HOLDER THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

8. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuer in accordance with the Indenture, the Regulation S Class E Notes will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES



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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00759 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

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FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

WITH RESPECT TO THE CLASS E NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE NOTE TRANSFER AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE,



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LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF CLASS E NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE TRANSFER AGENT WITH AN CLASS E NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE NOTE TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF CLASS E NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING CLASS E NOTES (OTHER THAN THE CLASS E NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE INDENTURE).

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

9. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuer in accordance with the Indenture, the Class E Notes (other than the Regulation S Class E Notes) will bear a legend to the following effect:



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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00761 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

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THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL NOT BE PERMITTED OR REGISTERED BY THE NOTE TRANSFER AGENT. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. EACH TRANSFEROR OF THE CLASS E NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT, TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A CLASS E NOTE THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL SUCH CLASS E NOTES, OR MAY SELL SUCH CLASS E NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF THE CLASS E NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE CLASS E NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE NOTE TRANSFER AGENT A CLASS E NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

WITH RESPECT TO THE CLASS E NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN



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ADVANCE TO THE NOTE TRANSFER AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF CLASS E NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT, WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE TRANSFER AGENT WITH AN CLASS E NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE NOTE TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF CLASS E NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING CLASS E NOTES (OTHER THAN THE CLASS E NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE INDENTURE).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

10. The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Secured Notes will be treated as indebtedness of the Issuer and the Income Notes will be treated as equity in the Issuer; the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.



Confidential Treatment Requested by Goldman Sachs GS MBS-E-021821209

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11. The purchaser understands that the Issuers, the Trustee, the Initial Purchaser, the Liquidation Agent and their counsel will rely upon the accuracy and truth of the foregoing representations, and the purchaser hereby consents to such reliance.

12. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes sold to non-U.S. Persons in offshore transactions (the "Regulation S Income Notes") will bear a legend to the following effect:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE TERMS AND CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT DECEMBER 5, 2006 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, IN EACH CASE AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO



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SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT), THAT (i) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" AS DESCRIBED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF THE PURCHASER OR TRANSFEREE IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), SUCH PURCHASER OR TRANSFEREE ALSO IS DEEMED TO REPRESENT AND WARRANT THAT ITS PURCHASE AND HOLDING OF THE INCOME NOTES WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF AN INCOME NOTE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

13. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect:



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THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE TERMS AND CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT DECEMBER 5, 2006 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND, IN EACH CASE, IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT



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PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE INCOME NOTES TRANSFER AGENT WITH AN INCOME NOTE PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE TRUSTEE OR INCOME NOTES TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF INCOME NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE FISCAL AGENCY AGREEMENT).



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PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

14. The purchaser is not purchasing the Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan with respect to United States federal income taxes within the meaning of U.S. Treasury Regulation Section 1.881-3(a)(4).

15. The purchaser agrees, in the case of the Secured Notes, to treat the Notes as debt for United States federal, state and local income taxes and, in the case of the Income Notes, to treat such Income Notes as equity for United States federal, state and local income tax purposes.

16. The purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, may require further identification of the purchaser before the purchase application can proceed. The Issuer and the Note Transfer Agent or the Income Notes Transfer Agent shall be held harmless and indemnified by the purchaser against any loss arising from the failure to process the application if such information as has been required from the purchaser has not been provided by the purchaser.

**The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (such Notes, respectively, the "Regulation S Co-Issued Notes"; the "Regulation S Class E Notes"; the "Regulation S Income Notes"; and, collectively, the "Regulation S Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, solely in the case of the Income Notes, that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act (an "Accredited Investor") who has a net worth of not less than $10 million and a Qualified Purchaser, and takes delivery in the form of (i) an interest in a Rule 144A Global Note in an amount at least equal to the minimum denomination applicable to the Rule 144A Notes or (ii) an Income Note in a principal amount at least equal to $250,000. See "Description of the Notes" and "Underwriting."**

The requirements set forth under "Notice to Investors" above apply only to Notes offered in the United States, except for the requirements set forth in Paragraphs (4), (5), (6), (10), (11), (14) and (15) and except that the Regulation S Notes will bear the legends set forth in Paragraphs (7), (8) and (12) under "Notice to Investors" above.

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTIONS ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT". TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT", IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE LIQUIDATION AGENT ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" SECTION. TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE LIQUIDATION AGENT, THE INFORMATION CONTAINED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF



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SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUERS, THE INITIAL PURCHASER, THE LIQUIDATION AGENT, THE SENIOR SWAP COUNTERPARTY, THE CREDIT PROTECTION BUYER, THE COLLATERAL PUT PROVIDER OR THEIR AGENTS SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.



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## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with the resale of the Notes, the Issuers will be required under the Indenture and the Fiscal Agency Agreement, to furnish upon request to a Holder or beneficial owner of a Note and to a prospective investor who is a Qualified Institutional Buyer designated by such Holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) if, at the time of the request neither the Issuer nor the Co-Issuer, as applicable, is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

To the extent the Issuer or the Trustee delivers any annual or other periodic report to the Holders of the Secured Notes, the Issuer or the Trustee will include in such report a reminder that (1) each Holder (other than those Holders who are not U.S. Persons and have purchased their Notes outside the United States pursuant to Regulation S) is required to be (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser, in each case that can make all of the representations in the Indenture applicable to a Holder that is a U.S. Person; (2) the Notes can only be transferred (i) to a transferee that is (a) a Qualified Institutional Buyer and (b) a Qualified Purchaser that can make all of the representations in the Indenture applicable to a Holder who is a U.S. Person or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or 904 under Regulation S; and (3) the Issuers have the right to compel any Holder who does not meet the transfer restrictions set forth in the Indenture to transfer its interest in the Notes to a person designated by the Issuers or sell such interests on behalf of the Holder.

To the extent the Issuer or the Fiscal Agent delivers any annual or periodic reports to the Holders of the Income Notes, the Issuer or the Fiscal Agent, as applicable, will include in such report a reminder that (1) each Holder (other than those Holders who are not U.S. Persons and have purchased their Income Notes outside the United States pursuant to Regulation S) is required to be (a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth of not less than U.S.$10 million and (b) a Qualified Purchaser that can make all of the representations in the Income Notes Purchase and Transfer Letter applicable to a Holder who is a U.S. Person; (2) the Income Notes can only be transferred to a transferee that is (i)(a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth not less than U.S.$10 million and (b) a Qualified Purchaser or (ii) a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 under Regulation S; and (3) the Issuer has the right to compel any Holder who does not meet the transfer restrictions set forth in the Fiscal Agency Agreement to transfer its Income Notes to a person designated by the Issuer or sell such Income Notes on behalf of the Holder.

In addition, notwithstanding the foregoing, any prospective purchaser (and each employee, representative, or other agent of a prospective purchaser) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Offering Circular and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective purchaser relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with the prospective purchaser regarding the transactions contemplated herein.



Confidential Treatment Requested by Goldman Sachs GS MBS-E-021821216

VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 00770 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

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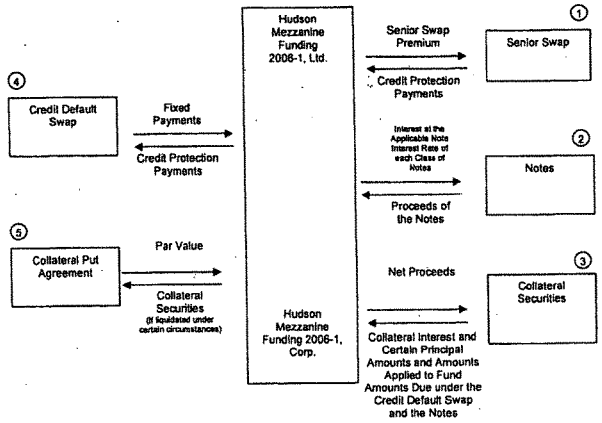
**TRANSACTION OVERVIEW**

*This overview is not complete and is qualified in its entirety by reference to (i) the detailed information appearing elsewhere in this Offering Circular, (ii) the terms and conditions of the Notes and (iii) the provisions of the documents referred to in this Offering Circular.*




(1) On the Closing Date the Issuer and Goldman Sachs International, as the Senior Swap Counterparty, will enter into the Senior Swap whereby (a) the Issuer will pay to the Senior Swap Counterparty the Senior Swap Premium on each Payment Date and (b) if the Balance of the Eligible Investments and the Collateral Securities in the Collateral Account has been reduced to zero, the Senior Swap Counterparty will pay to the Issuer amounts equal to credit protection amounts due to the Credit Protection Buyer under the Credit Default Swap.

(2) On the Closing Date, the Notes will be issued in the Aggregate Outstanding Amount set forth in the "Summary—Notes".

(3) The Issuer will use the net proceeds of the offering of the Notes to purchase the initial Collateral Securities and Eligible Investments selected by the Credit Protection Buyer.

(4) On the Closing Date, the Issuer and Goldman Sachs International, as the Credit Protection Buyer, will enter into the Credit Default Swap whereby the Issuer (a) sells credit protection to the Credit Protection Buyer with respect to a Reference Portfolio of RMBS Securities and (b) receives from the Credit Protection Buyer (i) a Fixed Payment on each Payment Date and (ii) certain Additional Fixed Payments. The Issuer will pay to the Credit Protection Buyer (i) certain Additional Floating Amounts and (ii) following the occurrence of a Credit Event and the satisfaction of the Conditions to Settlement an amount equal to the Physical Settlement Amount. For a description of all payments to be made under the Credit Default Swap, see "The Credit Default Swap—Credit Protection Buyer Payments" and "—Credit Protection Seller Payments".

(5) On the Closing Date, the Issuer and Goldman Sachs International, as the Collateral Put Provider, will enter into the Collateral Put Agreement whereby the Liquidation Agent, on behalf of the Issuer, will have the right to put a Collateral Security or an Eligible Investment (other than Put Excluded Collateral) to the Collateral Put Provider in return for a payment of 100% of the principal amount of such Collateral Security or Eligible Investment, as applicable, if it cannot be liquidated by the Liquidation Agent on behalf of the Issuer for an amount equal to at least 100% of par in connection with the payment by the Issuer to the Credit Protection Buyer of amounts due thereto under the Credit Default Swap.



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## SUMMARY

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. For definitions of certain terms used in this Offering Circular see "Appendix A — Certain Defined Terms" and for the location of the definitions of those and other terms, see "Index of Defined Terms." For a discussion of certain factors to be considered in connection with an investment in the Notes, see "Risk Factors."*

The Notes

**The Issuers** ..... Hudson Mezzanine Funding 2006-1, Ltd. (the "Issuer") is an exempted company incorporated under the laws of the Cayman Islands for the sole purpose of (i) entering into and performing its obligations under, the Credit Default Swap, (ii) acquiring the Collateral Securities and the Eligible Investments, (iii) entering into and performing its obligations under the Senior Swap, the Collateral Put Agreement and the Liquidation Agency Agreement, (iv) co-issuing the Co-Issued Notes, (v) issuing the Class E Notes and Income Notes and (vi) engaging in certain related transactions.

The Issuer will not have any assets other than (i) the Collateral Securities and the Eligible Investments (collectively, the "Collateral"), (ii) the Delivered Obligations, if any, and any principal payments received thereon, if any, delivered to the Issuer, (iii) the Issuer's rights under the Credit Default Swap, the Collateral Put Agreement and the Liquidation Agency Agreement and (iv) certain other assets that will be pledged by the Issuer to the Trustee under the Indenture (the "Pledged Assets"), for the benefit of the Secured Parties, as security for, among other obligations, the Issuers' obligations under the Secured Notes and Senior Swap.

Hudson Mezzanine Funding 2006-1, Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") is a corporation formed under the laws of the State of Delaware for the sole purpose of co-issuing the Secured Notes.

The Co-Issuer will not have any assets (other than U.S.$10 of equity capital) and will not pledge any assets to secure the Secured Notes or the Senior Swap. The Co-Issuer will have no claim against the Issuer in respect of the Pledged Assets or otherwise.

The authorized share capital of the Issuer consists of 250 ordinary shares, par value U.S.$1.00 per share ("Issuer Ordinary Shares"), which have been issued. The Issuer Ordinary Shares and all of the outstanding common equity of the Co-Issuer will be held by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands (the "Administrator") as the trustee pursuant to the terms of a declaration of trust for the benefit of charitable and similar purposes (the "Share Trustee").



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| The Notes | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Class Designation** | **S** | **A-f** | **A-b** | **B** | **C** | **D** | **E** | **Income Notes** |
| **Original Principal Amount** | $37,000,000 | $110,000,000 | $120,000,000 | $230,000,000 | $170,000,000 | $84,000,000 | $26,000,000 | $60,000,000 |
| **Stated Maturity** | August 12, 2012 | April 12, 2042 | | | | | | |
| **Minimum Denomination (Integral Multiples):** | | | | | | | | |
| **Rule 144A** | $250,000 ($1) | $250,000 ($1) | $250,000 ($1) | $250,000 ($1) | $250,000 ($1) | $250,000 ($1) | $250,000 ($1) | $250,000 ($1) |
| **Reg S** | $100,000 ($1) | $100,000 ($1) | $100,000 ($1) | $100,000 ($1) | $100,000 ($1) | $100,000 ($1) | $100,000 ($1) | $100,000 ($1) |
| **Accredited Investors** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | $250,000 ($1) |
| **Applicable Investment Company Act of 1940 Exemption** | 3(c)(7) | | | | | | | |
| **Initial Ratings:** | | | | | | | | |
| **Moody's** | Aaa | Aaa | Aaa | Aa2 | A2 | Baa2 | Ba1 | N/A |
| **S&P** | AAA | AAA | AAA | AA | A | BBB | BB+ | N/A |
| **Deferred Interest** | No | No | No | No | Yes | Yes | Yes | N/A |
| **Pricing Date** | October 25, 2006 | | | | | | | |
| **Closing Date** | December 5, 2006 | | | | | | | |
| **Interest Rate** | 1 Month LIBOR + 0.15% | 1 Month LIBOR + 0.26% | 1 Month LIBOR + 0.50% | 1 Month LIBOR + 0.62% | 1 Month LIBOR + 1.60% | 1 Month LIBOR + 3.75% | 1 Month LIBOR + 6.75% | N/A |
| **Fixed or Floating Rate** | Floating | Floating | Floating | Floating | Floating | Floating | Floating | N/A |
| **Interest Accrual Period[1]** | Floating Period | Floating Period | Floating Period | Floating Period | Floating Period | Floating Period | Floating Period | N/A |
| **Dates of Payment** | (i) the 12th day of each month (or if such day is not a Business Day, the next succeeding Business Day) beginning in April, 2007 and at Stated Maturity (each, a "Scheduled Payment Date") and (ii) any Redemption Date | | | | | | | |
| **First Payment Date** | April 12, 2007 | April 12, 2007 | April 12, 2007 | April 12, 2007 | April 12, 2007 | April 12, 2007 | April 12, 2007 | April 12, 2007 |
| **Record Date** | Business Day prior to the applicable Payment Date (or the 10th Business Day prior to the applicable Payment Date for Notes issued in definitive form) | | | | | | | |
| **Frequency of Payments** | Monthly | Monthly | Monthly | Monthly | Monthly | Monthly | Monthly | Monthly |
| **Day Count** | Actual/360 | Actual/360 | Actual/360 | Actual/360 | Actual/360 | Actual/360 | Actual/360 | N/A |
| **Form of Notes:** | | | | | | | | |
| **Global** | Yes | Yes | Yes | Yes | Yes | Yes | Yes (Reg S only) | Yes (Reg S only) |
| **Certificated** | No | No | No | No | No | No | Yes (other than Reg S) | Yes (other than Reg S) |
| **CUSIPS Rule 144A** | 443860AA9 | 443860AB7 | 443860AC5 | 443860AD3 | 443860AE1 | 443860AF8 | 443860AG6 | 44386PAA4 |
| **CUSIPS Reg S** | G46464AA4 | G46464AB2 | G46464AC0 | G46464AD8 | G46464AE6 | G46464AF3 | G46464AG1 | G4642BAA7 |
| **ISIN Reg S** | USG46464AA44 | USG46464AB27 | USG46464AC00 | USG46464AD82 | USG46464AE65 | USG46464AF31 | USG46464AG14 | USG4642BAA71 |
| **CUSIPS REG D** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 44386PAB2 |
| **Euroclear Common Codes** | 027587160 | 027587313 | 027587429 | 027587534 | 027587000 | 027587140 | 027587239 | 027587301 |
| **Clearing Method:** | | | | | | | | |
| **Rule 144A** | DTC | DTC | DTC | DTC | DTC | DTC | Physical | Physical |
| **Reg S** | EuroClear | EuroClear | EuroClear | EuroClear | EuroClear | EuroClear | EuroClear | Euroclear |

1. "Floating Period" means, with respect to the Secured Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date.



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| **The Indenture** ..... | On the Closing Date, (i) the Issuer and the Co-Issuer will co-issue U.S.$37,000,000 principal amount of Class S Floating Rate Notes Due 2012 (the "Class S Notes"), U.S.$110,000,000 principal amount of Class A-f Floating Rate Notes Due 2042 (the "Class A-f Notes"), U.S.$120,000,000 principal amount of Class A-b Floating Rate Notes Due 2042 (the "Class A-b Notes" and, together with the Class A-f Notes, the "Class A Notes"), U.S.$230,000,000 principal amount of Class B Floating Rate Notes Due 2042 (the "Class B Notes"), U.S.$170,000,000 principal amount of Class C Deferrable Floating Rate Notes Due 2042 (the "Class C Notes") and U.S.$84,000,000 principal amount of Class D Deferrable Floating Rate Notes Due 2042 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, the Class B Notes and the Class C Notes, the "Co-Issued Notes") and (ii) the Issuer will issue U.S.$26,000,000 principal amount of Class E Deferrable Floating Rate Notes Due 2042 (the "Class E Notes" and, together with the Co-Issued Notes, the "Secured Notes") pursuant to an Indenture (the "Indenture") dated on or about December 5, 2006, among the Issuers and The Bank of New York Trust Company, National Association, as trustee and as securities intermediary (in such capacity, the "Trustee" and the "Securities Intermediary", respectively). Under the Indenture, The Bank of New York Trust Company, National Association will also act as principal paying agent for the Notes (the "Principal Note Paying Agent"), as registrar (the "Note Registrar"), as calculation agent (the "Note Calculation Agent"), as transfer agent (the "Note Transfer Agent") and as paying agent for the Notes (the "Note Paying Agent" and, together with the Principal Note Paying Agent, the Note Registrar, the Note Calculation Agent, the Note Transfer Agent and the Irish Paying Agent (if any), the "Note Agents"). |
| **The Fiscal Agency Agreement** ..... | On the Closing Date, the Issuer will also issue U.S.$60,000,000 principal amount of Income Notes Due 2042 (the "Income Notes" and, together with the Secured Notes, the "Notes") pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated on or about the Closing Date between the Issuer and The Bank of New York Trust Company, National Association, as fiscal agent (in such capacity, the "Fiscal Agent"). The Fiscal Agent will initially be appointed as the Income Notes transfer agent (in such capacity, the "Income Notes Transfer Agent" and, together with the Fiscal Agent and the Note Agents, the "Agents") under the Fiscal Agency Agreement. The Note Paying Agent, the Principal Note Paying Agent and any other Note paying agents appointed from time to time under the Indenture are collectively referred to as the "Note Paying Agents." The Note Paying Agents and the Fiscal Paying Agent are collectively referred to as the "Paying Agents." The Note Transfer Agent and the Income Notes Transfer Agent are collectively referred to as the "Transfer Agents." The Indenture, the Senior Swap, the Credit Default Swap, the Liquidation Agency Agreement, the Collateral Put Agreement, the Collateral Administration Agreement, the Administration Agreement and the Fiscal Agency Agreement are collectively referred to as the "Transaction Documents." Only the Secured Notes and the Income Notes (collectively, the "Offered Notes") are offered hereby. |
| **Status of the Notes and Senior Swap**..... | The Co-Issued Notes will be limited recourse obligations of the Issuers and the Senior Swap and the Class E Notes will be limited recourse obligations of the Issuer. The Income Notes will be limited recourse obligations of the |

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| | Issuer, will not be secured obligations of the Issuer and will only be entitled to receive amounts available for payment on any Payment Date after payment of all amounts payable prior thereto under the Priority of Payments and only out of funds legally available therefor. Interest on the Class A-f Notes will be *pro rata* with interest on the Class A-b Notes and with the Senior Swap Premium (as hereinafter defined). Principal on the Class A-f Notes and the Class A-b Notes will be paid either *pro rata* or first to the Class A-f Notes and second to the Class A-b Notes depending on the circumstances as more fully described in the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes; the Senior Swap and the Class A Notes will be paid *pro rata* and the Senior Swap and the Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes; the Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes; the Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes, the Class E Notes and the Income Notes; the Class D Notes will be senior in right of payment on each Payment Date to the Class E Notes and the Income Notes; and the Class E Notes will be senior in right of payments on each Payment Date to the Income Notes, each to the extent provided in the Priority of Payments. Payments on the Income Notes will be paid solely from and to the extent of the available proceeds from distributions on the Pledged Assets after payment of all of the liabilities of the Issuer that rank ahead of the Income Notes pursuant to the Indenture or applicable law. See "Description of the Notes—Status and Security" and "—Priority of Payments." |
| **Security for the Secured Notes** ..... | Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee on behalf of the Holders of the Secured Notes, the Fiscal Agent, the Liquidation Agent, the Senior Swap Counterparty, the Collateral Put Provider and the Credit Protection Buyer (together the "Secured Parties"), to secure the Issuer's obligations under the Secured Notes, the Indenture, the Senior Swap, the Liquidation Agency Agreement, the Collateral Put Agreement and the Credit Default Swap (the "Secured Obligations"), a first priority security interest in the Pledged Assets. The Income Notes will not be secured. |
| **Use of Proceeds** ..... | The net proceeds associated with the offering of the Notes issued on the Closing Date, after the payment of applicable fees and expenses, are expected to equal approximately U.S.$805,000,000. The net proceeds will be used by the Issuer to purchase on the Closing Date the Collateral Securities and Eligible Investments having an aggregate Principal Balance on the Closing Date of approximately U.S.$800,000,000. See "The Collateral Securities" and "Use of Proceeds." |



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| **Interest and Other Payments on the Notes** | The Secured Notes will accrue interest from the Closing Date and such interest will be payable, on the 12th day of each calendar month, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Payment Date") commencing on April 12, 2007. Payments on the Income Notes will be payable in arrears on each Payment Date commencing on April 12, 2007, out of Excess Amounts (as defined below). All payments on the Notes will be made from Proceeds in accordance with the Priority of Payments.<br><br>To the extent interest that is due is not paid on the Class C Notes on any Payment Date ("Class C Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class C Notes, and shall accrue interest at the Class C Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding or the Senior Swap is outstanding, the failure to pay any interest on the Class C Notes on any Payment Date will not be an Event of Default under the Indenture. To the extent interest that is due is not paid on the Class D Notes on any Payment Date ("Class D Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class D Notes, and shall accrue interest at the Class D Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding or the Senior Swap is outstanding, the failure to pay any interest on the Class D Notes on any Payment Date will not be an Event of Default under the Indenture. To the extent interest that is due is not paid on the Class E Notes on any Payment Date ("Class E Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class E Notes, and shall accrue interest at the Class E Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding or the Senior Swap is outstanding, the failure to pay any interest on the Class E Notes on any Payment Date will not be an Event of Default under the Indenture.<br><br>See "Description of the Notes—Interest on the Secured Notes" and "—Priority of Payments."<br><br>The Income Notes will not bear interest based upon any fixed or floating rate. The Fiscal Agent will make payments to the Holders of the Income Notes out of the Proceeds, if any, available pursuant to clause (xxiii) (or pursuant to clause (viii) in the case of the Final Payment Date) under "Description of the Notes—Priority of Payments." Such payments will be made on the Income Notes only after all interest and other payments due on the Secured Notes have been made and all expenses of the Issuers have been paid (with such remaining Proceeds referred to as "Excess Amounts"). See "Risk Factors—Notes—Subordination of the Income Notes; Unsecured Obligations." |
| **Principal Payments** | The Notes (other than the Class S Notes) will mature on the Payment Date in April 2042 (each such date the "Stated Maturity" with respect to such Notes), and the Class S Notes will mature on the Payment Date in August 2012 (the "Stated Maturity" with respect to the Class S Notes), unless redeemed or retired prior thereto. The average life of the Notes (other than |



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the Class S Notes) is expected to be substantially shorter than the number of years from issuance until Stated Maturity for each Class of Notes. See "Description of the Notes—Principal" and "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in May 2007 in an amount equal to the Class S Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, the Class S Notes will be paid in full prior to any distributions to any other Notes. Shifting principal will be payable (pursuant to clause (xiii) of the Priority of Payments) on the Secured Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in April 2007 as described in the Priority of Payments.

As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Status of the Notes" above, the Outstanding Notional Amount of the Senior Swap may be reduced and the Class A Notes may be entitled to receive certain payments of principal while the Class S Notes are outstanding, the Class B Notes may be entitled to receive certain payments of principal while the Class S Notes, the Senior Swap and the Class A Notes are outstanding, the Class C Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Senior Swap and the Class B Notes are outstanding, the Class D Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Senior Swap, the Class B Notes and the Class C Notes are outstanding and the Class E Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are outstanding. In addition, the Income Notes may be entitled to receive certain payments while the Senior Swap and Secured Notes are outstanding. See "Description of the Notes—Priority of Payments."

In addition, to the extent funds are available therefor in accordance with the Priority of Payments, the Senior Swap and certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption on any Payment Date if the Coverage Tests are not satisfied as described herein. See "Description of the Notes—Principal", "—Mandatory Redemption" and "—Priority of Payments."



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| **Tax Redemption** | Subject to certain conditions described herein, the Secured Notes will be redeemed from Liquidation Proceeds, in whole but not in part, on the 90th day (which 90-day period may be extended an additional 90 days, as described under "Description of the Notes—Tax Redemption") following the Issuers becoming aware of the occurrence of a Tax Event, at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the Income Notes or Holders of at least a Majority of any Class of Secured Notes which, as a result of the occurrence of such Tax Event, have not received 100% of the aggregate amount of principal and interest or other amounts due and payable to such Holders (such redemption, a "Tax Redemption"). No such Tax Redemption will occur unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount (which includes the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes). Upon the occurrence of a Tax Redemption, the Income Notes will be simultaneously redeemed. No such Tax Redemption will occur unless all amounts payable to the Senior Swap Counterparty, the Credit Protection Buyer or any assignee of the Credit Protection Buyer (including all Credit Default Swap Termination Payments) will have been paid in full, in each case, on the related redemption date.<br><br>With respect to a Tax Redemption as described above, the Secured Notes will be redeemed at their Secured Note Redemption Prices, respectively, as described herein. The amount distributable as the final payment on the Income Notes following any Tax Redemption will equal the amount of the Liquidation Proceeds remaining after the redemption of the Secured Notes in full together with the payment of all other amounts required to be paid in accordance with the Priority of Payments.<br><br>See "Description of the Notes—Tax Redemption." |
| **Auction** | Sixty (60) days prior to the Payment Date occurring in April of each year (the "Auction Date"), commencing on the April 2015 Payment Date, the Liquidation Agent, on behalf of the Issuer, shall take steps to conduct an auction (the "Auction") of the Credit Default Swap, the Eligible Investments (other than cash), the Delivered Obligations, if any, and the Collateral Securities in accordance with the procedures specified in the Indenture. If the Liquidation Agent receives one or more bids from Eligible Bidders not later than ten (10) Business Days prior to the Auction Date, which, when added to the cash on deposit in the Collateral Account, equal to or exceed the Minimum Bid Amount (which includes the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes), it will sell, assign, terminate or otherwise dispose of the Credit Default Swap, the Eligible Investments (other than cash), the Delivered Obligations, if any, and the Collateral Securities on or before the fifth Business Day prior to such Auction Date. The Notes will be redeemed in whole and the Outstanding Notional Amount of the Senior Swap will be reduced to zero on such Auction Date (any such date, the "Auction Payment Date"). If a successful Auction occurs, the Income Notes will also be redeemed in full. If the highest single bid on the entire portfolio, or the aggregate amount of multiple bids with respect to individual Collateral Securities, Eligible Investments (other than cash) and Delivered Obligations when added with the other Liquidation Proceeds and cash on deposit in the Collateral Account, does not equal or exceed the |



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| | Minimum Bid Amount or if there is a failure at settlement, the Credit Default Swap and the Senior Swap will not be terminated or assigned, the Eligible Investments (other than cash), Collateral Securities and the Delivered Obligations, if any, will not be sold and no redemption of Notes on the related Auction Date will occur. |
| **Optional Redemption** ..... | The Secured Notes may be redeemed by the Issuers from Liquidation Proceeds, in whole but not in part, on any Payment Date on or after the Payment Date occurring in April 2010 (the "Optional Redemption Date"), at the written direction of, or with the written consent of the Holders of at least a Majority of the Income Notes (an "Optional Redemption"). If the Holders of the Income Notes so elect to cause an Optional Redemption of the Secured Notes, the Income Notes will also be redeemed.<br><br>In the event of an Optional Redemption, the Secured Notes will be redeemed at their Secured Note Redemption Prices as described herein.<br><br>No Secured Notes shall be redeemed pursuant to an Optional Redemption and a final payment to the Income Notes shall not be made unless the Aggregate Reference Obligation Notional Amount of the Credit Default Swap and the Outstanding Notional Amount of the Senior Swap will be reduced to zero and the Liquidation Agent furnishes certain assurances that the Total Redemption Amount (which includes the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes) will be available for payment on the related Optional Redemption Date.<br><br>In the event of any redemption of the Secured Notes, the Fiscal Agent will receive for payment to the Holders of the Income Notes the remaining balance, if any, of funds in the Payment Account (net of all expenses of the Issuers after payment of the Secured Note Redemption Prices of the Secured Notes and the payment of all other amounts payable prior to payments to the Fiscal Agent) for payment to the Holders of the Income Notes pursuant to the Priority of Payments (the "Income Note Redemption Price").<br><br>The Income Note Redemption Price may not be less than the then current Income Note Face Amount (or such lesser amount as may be agreed to by the Holders of 100% of the Income Notes).<br><br>See "Description of the Notes–Optional Redemption." |
| **Mandatory Redemption** ..... | On any Payment Date on which any Overcollateralization Test is not satisfied as of the preceding Determination Date the Outstanding Notional Amount of the Senior Swap shall be reduced and certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption in accordance with the Priority of Payments, until the Outstanding Notional Amount of the Senior Swap has been reduced to zero and the applicable Secured Notes have been paid in full (a "Mandatory Redemption"). The Class E Notes are also subject to mandatory redemption in accordance with the Priority of Payments on any Payment Date if the Class E Interest Diversion Test is not satisfied. The Class S |



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| | Notes and the Income Notes are not subject to mandatory redemption as a result of the failure of any Coverage Test. See "Description of the Notes—Principal", "—Mandatory Redemption" and "—Priority of Payments." |
| **Coverage Tests** | The following table identifies the Coverage Tests and the value at which such tests will be satisfied. See "Description of The Notes—Mandatory Redemption". |

| Coverage Test | Ratio at Which Test is Satisfied |
|---|---|
| Senior Overcollateralization Test | equal to or greater than 116.5% |
| Class C Overcollateralization Test | equal to or greater than 106.5% |
| Class D Overcollateralization Test | equal to or greater than 102.4% |

In addition, the Class E Interest Diversion Test will be satisfied if the Class E Overcollateralization Ratio is equal to or greater than 101.4%. On the Closing Date, the Senior Overcollateralization Ratio is expected to be 120.5%, the Class C Overcollateralization Ratio is expected to be 109.3%, the Class D Overcollateralization Ratio is expected to be 104.5% and the Class E Overcollateralization Ratio is expected to be 103.1%.

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| **The Credit Default Swap** | |
| **Documentation** | The Credit Default Swap will be structured as a "pay-as-you-go" credit default swap and will be documented pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the Schedule thereto (the "Master Agreement"), along with a confirmation (the "Master Confirmation") between the Issuer, as Credit Protection Seller, and Goldman Sachs International ("GSI"), as the Credit Protection Buyer, evidencing a transaction with respect to each Reference Obligation in the Reference Portfolio thereunder (each such transaction, a "CDS Transaction"). |
| **Reference Obligation Notional Amount** | Each CDS Transaction is expected to have a specified notional amount (the "Reference Obligation Notional Amount") which represents the dollar amount of the credit exposure which the Issuer is assuming thereunder with respect to the Reference Obligation related to such CDS Transaction. The "Aggregate Reference Obligation Notional Amount" is the sum of the aggregate Reference Obligation Notional Amounts of all CDS Transactions. On the Closing Date, the Issuer expects to enter into CDS Transactions with the Credit Protection Buyer referencing the Reference Obligations described herein and having an Aggregate Reference Obligation Notional Amount of approximately U.S.$2,000,000,000. In |



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| | accordance with the terms of the Credit Default Swap, the Reference Obligation Notional Amount of a CDS Transaction is expected after the Closing Date to be:<br><br>(i) decreased on each day on which a Reference Obligation Principal Payment is made by the relevant Reference Obligation Principal Amortization Amount;<br><br>(ii) decreased on each day on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount;<br><br>(iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount;<br><br>(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<br><br>(v) decreased on each Delivery Date by an amount equal to the relevant Exercise Amount minus the relevant amount determined pursuant to paragraph (b) under the heading "Physical Settlement Amount" in the Master Confirmation; *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.<br><br>Each CDS Transaction will terminate by its terms no later than the scheduled legal final maturity of the related Reference Obligation unless a Credit Event occurs or a Floating Amount becomes due with respect to such CDS Transaction and the physical settlement date is scheduled to occur after such date.<br><br>For a more detailed description of the Credit Default Swap, see "The Credit Default Swap". Copies of the Master Agreement and the Master Confirmation are available to investors from the Trustee. |
| **The Reference Portfolio** ..... | On the Closing Date, the Credit Default Swap will reference 140 Reference Obligations (collectively, the "Reference Portfolio"). See Appendix B to this Offering Circular for certain summary information about the Reference Portfolio.<br><br>The types of Residential Mortgage-Backed Securities that constitute Reference Obligations in the Reference Portfolio will include RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities. |
| **Credit Events** ..... | The following Credit Events (each a "Credit Event") shall apply with |



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| | respect to each Reference Obligation:<br><br>(i) Failure to Pay Principal;<br><br>(ii) Writedown; or<br><br>(iii) Distressed Ratings Downgrade.<br><br>See "The Credit Default Swap—Credit Events." |
| **Conditions to Settlement** | The "Conditions to Settlement" will be satisfied upon delivery to the Credit Protection Seller and the Trustee of a Credit Event Notice and a Notice of Publicly Available Information. |
| **Notifying Party** | The Credit Protection Buyer. |
| **Credit Default Swap Calculation Agent** | GSI will be the calculation agent (in this capacity the "Credit Default Swap Calculation Agent") under the Credit Default Swap. |
| **Settlement Method** | Physical. |
| **Credit Default Swap Early Termination** | The Credit Default Swap may be terminated by the Issuer or by the Credit Protection Buyer (a "Credit Default Swap Early Termination") at the option of the non-defaulting or non-affected party, as applicable, upon the occurrence of an "Event of Default" or "Termination Event" (each, as defined in the Master Agreement). Upon the Trustee having actual knowledge of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Trustee or the Fiscal Agent, as applicable, will as promptly as practicable notify the Noteholders of such event but will only terminate any such agreement on behalf of the Issuer (i) at the direction of a Majority of the Income Notes or (ii) (a) upon the redemption of the Secured Notes in full, (b) if the principal balance of the Secured Notes is reduced to zero or (c) upon the acceleration of the maturity of the Secured Notes pursuant to the terms of the Indenture. The Issuer is required to satisfy the Rating Agency Condition prior to any (i) replacement of the Credit Protection Buyer or (ii) assignment of the Credit Default Swap. In connection with any Noteholder vote to terminate the Credit Default Swap, any Income Notes held by or on behalf of the Credit Protection Buyer or any of its Affiliates will have no voting rights and will be deemed not to be Outstanding in connection with any such vote. |
| **The Collateral Securities** | The Issuer will use the net proceeds from the offering of the Notes to purchase Collateral Securities and Eligible Investments having an initial principal amount as of the Closing Date of approximately U.S.$800,000,000. The Collateral Securities are required to have the characteristics and satisfy the criteria described herein under "The Collateral Securities." |



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| | The Liquidation Agent, on behalf of the Issuer, will obtain the funds to pay Credit Protection Amounts (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap of an amount equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to clause (i)) and the Outstanding Notional Amount of the Senior Swap. |
| | If the Notes become due in connection with an Optional Redemption, Tax Redemption or Auction, (i) the Liquidation Agent, on behalf of the Issuer, will assign or terminate the CDS Transactions and will liquidate all of the Collateral Securities and Eligible Investments in the Collateral Account and all Delivered Obligations in the Delivered Obligations Account and (ii) the Issuer will pay to the Credit Protection Buyer any Credit Default Swap Termination Payments the Issuer is required to pay to the Credit Protection Buyer (if any) in connection with any assignment or termination of the CDS Transactions. Certain amounts will be held back if one or more outstanding Credit Events remain due as of the Redemption Date. |
| | If a CDS Transaction is terminated in connection with the occurrence of an Event of Default or Termination Event (each, as defined in the Master Agreement), the Liquidation Agent, on behalf of the Issuer, will pay to the Credit Protection Buyer any Credit Default Swap Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) owed by the Issuer to the Credit Protection Buyer by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap of an amount equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to clause (i)) and the Outstanding Notional Amount of the Senior Swap. Certain amounts will be held back if one or more outstanding Credit Events exist or Floating Amounts remain due as of any termination date. |
| | If a CDS Transaction terminates on its scheduled termination date without a Credit Event occurring, payments of principal on the Collateral Securities and Eligible Investments in the Collateral Account in an amount equal to the Aggregate Net Adjusted Amortization Amount shall be applied as Proceeds in accordance with the Priority of Payments on the immediately following Payment Date. |
| | See "The Collateral Securities" |
| **Senior Swap**..... | On the Closing Date, the Senior Swap Counterparty will enter into the Senior Swap with the Issuer. GSI will be the initial Senior Swap Counterparty. The Senior Swap will be a limited recourse obligation of the Issuer. |
| | The Senior Swap will provide for the payment by the Issuer of a premium |

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| | (the "Senior Swap Premium") payable on each Payment Date, at the rate of 0.20% per annum on the Outstanding Notional Amount of the Senior Swap. The Senior Swap Premium will accrue during each Interest Accrual Period. To the extent a Floating Amount (other than those related to Interest Shortfalls) or Credit Default Swap Termination Payment becomes due from the Issuer with respect to a CDS Transaction and the Balance of the Collateral Securities and Eligible Investments in the Collateral Account have been reduced to zero, the Senior Swap Counterparty will be required to make a payment (any such payment, a "Senior Swap Funding Payment") to the Issuer to fund such amount in accordance with the Senior Swap in an amount equal to the lesser of the Floating Amount due and the Outstanding Notional Amount (any such amount, a "Senior Swap Funding Amount"). To the extent the Issuer receives Writedown Reimbursement Payment Amounts or Principal Shortfall Reimbursement Payment Amounts after the Senior Swap Counterparty has made a Senior Swap Funding Payment, the Issuer will pay such amounts directly to the Senior Swap Counterparty until all Senior Swap Funding Payments have been reimbursed to the Senior Swap Counterparty.<br><br>At least two Business Days prior to each Payment Date, the Trustee, on behalf of the Issuer, will calculate the amount by which, if any, the Outstanding Notional Amount of the Senior Swap will be reduced on the related Payment Date in connection with the Aggregate Net Amortization Amount as described under "Description of the Notes – Priority of Payments" and on each Payment Date the Outstanding Notional Amount will be reduced by the Senior Swap Reduction Amount, if any, for such Payment Date.<br><br>If an Event of Default or a Termination Event occurs under the Senior Swap, "Market Quotation" and "Second Method" will be applied to determine any related termination or assignment payments; *provided however*, that if the Issuer is the sole Affected Party or the Defaulting Party in respect of such Event of Default or Termination Event, (i) the Issuer will pay to the Senior Swap Counterparty any accrued but unpaid Senior Swap Premium Amounts, (ii) the Senior Swap Counterparty will pay to the Issuer any unpaid Senior Swap Funding Payments and (iii) no other amounts shall be paid by the Issuer. Notwithstanding the foregoing, no termination payments will be payable by the Senior Swap Counterparty or the Issuer in connection with an optional termination of the Senior Swap. Any termination payments paid by the Senior Swap Counterparty to the Issuer will be deposited into the Collateral Account.<br><br>The Issuer's obligations under the Senior Swap will be secured under the Indenture. The Notes (other than the Class S Notes and the Class A Notes) are subordinated to the payment by the Issuer of the Senior Swap Premium. The Senior Swap is not offered hereby. |
| **The Collateral Put Agreement.....** | On or prior to the Closing Date, the Issuer will enter into a put agreement (the "Collateral Put Agreement") with GSI (in such capacity, the "Collateral Put Provider").<br><br>With respect to the Issuer's liquidation of Collateral Securities and Eligible Investments (other than Put Excluded Collateral) in connection with the |

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| | payment by the Issuer of any Credit Protection Amounts to the Credit Protection Buyer, if the Liquidation Agent is unable to obtain at least 100% of par for a Collateral Security or at least 100% of par for Eligible Investments (in each case (i) other than Put Excluded Collateral and (ii) excluding any accrued and unpaid interest), the Liquidation Agent will then, on behalf of the Issuer, exercise the Issuer's rights under the Collateral Put Agreement pursuant to which the Liquidation Agent will deliver such Collateral Securities or Eligible Investments (other than Put Excluded Collateral) to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider of an amount equal to 100% of par for such Collateral Securities or Eligible Investments (plus accrued and unpaid interest).<br><br>See "The Collateral Put Agreement". |
| **Liquidation of Collateral**..... | On or immediately prior to the final maturity date of the Notes or in connection with any Optional Redemption, Auction, Tax Redemption or Event of Default, the Liquidation Agent, on behalf of the Issuer, will (i) assign or terminate or cause to be assigned or terminated CDS Transactions, (ii) liquidate all of the Collateral Securities, Delivered Obligations and Eligible Investments and (iii) demand payment for any termination or assignment payments due to the Issuer. |
| **The Liquidation Agent**..... | Goldman, Sachs & Co. ("GS&Co.") as Liquidation Agent (in such capacity, the "Liquidation Agent") under the Liquidation Agency Agreement dated as of the Closing Date (the "Liquidation Agency Agreement") between GS&Co. and the Issuer will, on behalf of the Issuer, (i) assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer to be Credit Risk Obligations and (b) Delivered Obligations, (ii) sell, assign, terminate or otherwise dispose of the Credit Default Swap, Delivered Obligations, Collateral Securities and Eligible Investments of the Issuer in connection with (a) a redemption of the Notes as a result of an Optional Redemption, a Tax Redemption, an Auction or as otherwise required under the Indenture as described therein and (b) an acceleration of Notes as a result of an Event of Default as required under the Indenture as described therein, (iii) exercise rights of the Issuer under the Collateral Put Agreement and (iv) perform certain other functions, as described herein. The Liquidation Agent will have twelve (12) months to assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations and (b) Delivered Obligations in accordance with the terms of the Liquidation Agency Agreement (such twelve months measured from the date the Liquidation Agent is notified of either (1) such determination by the Collateral Administrator or (2) the receipt of such Delivered Obligation by the Issuer, as applicable). The proceeds of any such sale of Delivered Obligations will be deposited by the Trustee into the Collateral Account and invested in Eligible Investments and Collateral Securities selected at the direction of the Liquidation Agent. In addition, any principal proceeds received on such Delivered Obligations prior to such sale, will be deposited by the Trustee into the Collateral Account. The Liquidation Agent will not have the right, or the obligation, to exercise any |



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| | discretion with respect to the method or the price of any assignment, termination or disposition of a CDS Transaction; the sole obligation of the Liquidation Agent will be to execute such assignment or termination of a CDS Transaction in accordance with the terms of the Liquidation Agency Agreement. Notwithstanding the appointment of the Liquidation Agent, the Liquidation Agent shall have no responsibility for, or liability relating to, the performance of the Issuer or any CDS Transaction, Reference Obligation, Collateral Security or Eligible Investment.<br><br>See "The Liquidation Agency Agreement." |
| **Reports** | A report will be made available to the Holders of the Notes and will provide information on the Reference Portfolio and payments to be made in accordance with the Priority of Payments (each, a "Note Valuation Report") beginning in April, 2007. See "Reports." |
| **The Offering** | The Offered Notes are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S, and in the United States to persons who are Qualified Institutional Buyers purchasing in reliance on the exemption from registration under Rule 144A or, with respect to Income Notes only, Accredited Investors purchasing in transactions exempt from registration under the Securities Act. Each purchaser who is a U.S. Person must also be a Qualified Purchaser. Each Accredited Investor must have a net worth of at least U.S.$10 million. See "Description of the Notes—Form of the Notes," "Underwriting" and "Notice to Investors." |
| **Minimum Denominations** | The Notes will be issued in minimum denominations of U.S.$250,000 (in the case of the Rule 144A Notes and the Income Notes sold to Accredited Investors) and U.S.$100,000 (in the case of the Regulation S Notes) and integral multiples of U.S.$1 in excess thereof for each Class of Notes. |
| **Form of the Notes** | Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more temporary global notes (each, a "Temporary Regulation S Global Note"). Each Temporary Regulation S Global Note will be deposited on the Closing Date with The Bank of New York Trust Company, National Association as custodian for, and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), for the respective accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream and may not be held at any time by a U.S. Person ("U.S. Person") (as such term is defined in Regulation S under the Securities Act).<br><br>Each Class of Rule 144A Notes (other than the Class E Notes and the Income Notes) will be issued in the form of one or more global notes in fully registered form (the "Rule 144A Global Notes" and, together with the Temporary Regulation S Global Notes and the Regulation S Global Notes, the "Global Notes"), deposited with The Bank of New York Trust Company, National Association as custodian for, and registered in the name of Cede & Co. as nominee of, DTC, which will credit the account of |



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| | each of its participants with the principal amount of Notes being purchased by or through such participant. Beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. |
| | The Class E Notes (other than the Regulation S Class E Notes) and the Income Notes (other than the Regulation S Income Notes) will be evidenced by one or more notes in definitive, fully registered form, registered in the name of the owner thereof (each, a "Definitive Note"). |
| | Beneficial interests in the Global Notes and the Definitive Notes may not be transferred except in compliance with the transfer restrictions described herein. See "Description of the Notes—Form of the Notes" and "Notice to Investors." |
| **Governing Law** | The Indenture, the Collateral Administration Agreement, the Senior Swap, the Credit Default Swap, the Notes, the Liquidation Agency Agreement, the Collateral Put Agreement and the Fiscal Agency Agreement will be governed by the laws of the State of New York. |
| **Listing and Trading** | There is currently no market for the Notes and there can be no assurance that such a market will develop. See "Risk Factors—Notes—Limited Liquidity and Restrictions on Transfer." Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained or maintained. |
| **Irish Listing Agent; Irish Paying Agent (if any)** | If application is made to list the Notes on the Irish Stock Exchange, (i) Maples and Calder Listing Services Limited will be the Irish Listing Agent for the Notes (the "Irish Listing Agent") and (ii) Maples Finance Dublin will be the Irish Paying Agent for the Notes (the "Irish Paying Agent"). |
| **Tax Status** | See "Income Tax Considerations." |
| **ERISA Considerations** | See "ERISA Considerations." |



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**RISK FACTORS**

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors:

**Notes**

*Limited Liquidity and Restrictions on Transfer.* There is currently no market for the Notes. Although GS&Co. has advised the Issuers that it intends to make a market in the Offered Notes, GS&Co. is not obligated to do so, and any such market making with respect to the Offered Notes may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of such Notes and consequently a purchaser must be prepared to hold the Notes until the Stated Maturity.

In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Notes will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, and the Issuer has no plans, and is under no obligation, to register the Notes under the Securities Act or any state securities laws or under the laws of any other jurisdiction. The Notes are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Description of the Notes—Form of the Notes" and "Notice to Investors." Such restrictions on the transfer of the Notes may further limit their liquidity. See "Description of the Notes—Form of the Notes." Application may be made for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.

*Limited Recourse Obligations.* The Class A Notes, Class B Notes, Class C Notes and Class D Notes will be limited recourse obligations of the Senior Swap and the Issuers and the Class E Notes will be limited recourse obligations of the Issuer, in each case, payable solely from the Pledged Assets pledged by the Issuer to secure the Secured Notes and the Senior Swap. The Income Notes will be limited recourse obligations of the Issuer and will not be secured by the Pledged Assets securing the Secured Notes and the Senior Swap. None of the Liquidation Agent, the Holders of the Notes, the Initial Purchaser, the Trustee, the Administrator, the Share Trustee, the Agents, the Senior Swap Counterparty, the Collateral Put Provider, the Credit Protection Buyer or any affiliates of any of the foregoing or the Issuers' affiliates or any other person or entity will be obligated to make payments on the Secured Notes, the Senior Swap or the Income Notes. Consequently, the Senior Swap Counterparty and the Holders of the Secured Notes must rely solely on distributions on the Pledged Assets pledged to secure the Senior Swap and the Secured Notes for the payment of principal, interest, premium and other distributions thereon. If distributions on the Pledged Assets are insufficient to make payments in respect of the Senior Swap and the Secured Notes, no other assets (and, in particular, no assets of the Liquidation Agent, the Holders of the Secured Notes, the Holders of the Income Notes, the Initial Purchaser, the Trustee, the Administrator, the Share Trustee, the Agents, the Senior Swap Counterparty, the Collateral Put Provider, the Credit Protection Buyer or any affiliates of any of the foregoing) will be available for payment of the deficiency, and following realization of the Pledged Assets pledged to secure the Senior Swap and the Secured Notes, the obligations of the Issuers to pay such deficiency shall be extinguished and shall not revive.

*Subordination of the Notes.* Payments of principal on the Class S Notes will be senior to reductions of the Outstanding Notional Amount of the Senior Swap and payments of principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and to the distribution of Proceeds to the Holders of the Income Notes on each Payment Date to the extent set forth in the Priority of Payments. Payments of premium on the Senior Swap will be senior to payments of principal on the Secured Notes and senior to the distribution of Proceeds to the Holders of the Income Notes on each Payment Date to the extent set forth in the Priority of Payments. The Outstanding Notional Amount of the Senior Swap will be reduced either *pro rata* with principal payments on the Class A Notes or senior to payments of principal to the Class A Notes as described herein. Payments of principal on the Class A-f Notes and the Class A-b Notes will be paid either *pro rata* or first to the Class A-f Notes and second to the Class A-b Notes depending on the circumstances as more fully described herein. Payments of principal on the Class A Notes due on any Payment Date will be senior to payments of principal of the



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Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and to the distribution of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class B Notes due on any Payment Date will be senior to payments of principal on the Class C Notes, the Class D Notes and the Class E Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class C Notes due on any Payment Date will be senior to payments of principal on the Class D Notes and Class E Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class D Notes due on any Payment Date will be senior to payments of principal on the Class E Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class E Notes due on any Payment Date will be senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date to the extent set forth in the Priority of Payments. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Description of the Notes—Status and Security," the Outstanding Notional Amount of the Senior Swap will be reduced while the Class S Notes are outstanding, the Class A Notes will be entitled to receive certain payments of principal while the Class S Notes and the Senior Swap are outstanding, the Class B Notes will be entitled to receive certain payments of principal while the Class S Notes, the Senior Swap and the Class A Notes are outstanding, the Class C Notes will be entitled to receive certain payments of principal while the Class S Notes, the Senior Swap, the Class A Notes and the Class B Notes are outstanding, the Class D Notes will be entitled to receive certain payments of principal while the Class S Notes, the Senior Swap, the Class A Notes, the Class B Notes and the Class C Notes are outstanding and the Class E Notes will be entitled to receive certain payments of principal while the Class S Notes, the Senior Swap, the Class B Notes, the Class C Notes and the Class D Notes are outstanding and the Class E Notes will be entitled to receive certain payments of principal while the Class S Notes, the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are outstanding. In addition, the Income Notes will be entitled to receive certain payments while the Secured Notes and Senior Swap are outstanding. See "Description of the Notes—Priority of Payments." To the extent that any losses are incurred by the Issuer in respect of any Pledged Assets, such losses will be borne first by Holders of the Income Notes, then by the Holders of the Class E Notes, then, by Holders of the Class D Notes, then, by Holders of the Class C Notes; then, by Holders of the Class B Notes, then, by Holders of the Class A-b Notes, then, by the Holders of the Class A-f Notes and then, by the Senior Swap Counterparty, and finally, by Holders of the Class S Notes.

Payments of interest on the Class S Notes due on any Payment Date will be senior to payments of premium on the Senior Swap and to payments of interest on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class A Notes due on any Payment Date will be senior to payments of interest on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class B Notes due on any Payment Date will be senior to payments of interest on the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class C Notes due on any Payment Date will be senior to payments of interest on the Class D Notes and the Class E Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class D Notes due on any Payment Date will be senior to payments of interest on the Class E Notes and senior to distributions of Proceeds to the Holders of the Income Notes on such Payment Date. Payments of interest on the Class E Notes due on any Payment Date will be senior to the distributions of Proceeds to the Holders of the Income Notes on such Payment Date. See "Description of the Notes."

On any Payment Date on which certain conditions are satisfied and funds are available therefor, the "shifting principal" method in clause (xiii) of the Priority of Payments may permit the Outstanding Notional Amount of the Senior Swap to be reduced and the Holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes and the Senior Swap remain outstanding and may permit distributions of Principal Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while the more senior Notes are outstanding. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Secured Notes.



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*Holders of the Controlling Class may not be able to effect a liquidation of the Pledged Assets in an Event of Default; Holders of other Classes of Notes may be Adversely Affected by Actions of the Controlling Class.* If an Event of Default occurs and is continuing, a Majority of the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture; however, the Majority of the Controlling Class will not be able to direct a sale or liquidation of the Pledged Assets unless, among other things, the Trustee determines (which determination will be based upon a certificate of the Liquidation Agent as to the estimated proceeds) that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the sum of (A) amounts due to the Senior Swap Counterparty, net of all amounts payable to the Issuer by the Senior Swap Counterparty, (B) the principal (including any Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Notes, (C) unpaid Administrative Expenses, (D) all amounts, including Credit Default Swap Termination Payments, due the Credit Protection Buyer or an assignee of a Credit Protection Buyer upon termination or assignment of the Credit Default Swap, net of termination or assignment payments payable to the Issuer by the Credit Protection Buyer or an assignee of a Credit Protection Buyer, (E) all amounts due to the Collateral Put Provider, net of amounts payable to the Issuer by the Collateral Put Provider and (F) all other items in the Priority of Payments ranking prior to payments on the Notes and a Majority of the Controlling Class agrees with such determination. There can be no assurance that proceeds of a sale and liquidation, together with all other available funds, will be sufficient to pay in full such amount. In addition, even if the anticipated proceeds of such sale or liquidation would not be sufficient to pay in full such amount, the Senior Swap Counterparty and/or the requisite Holders of Notes as determined pursuant to the Indenture or the Holders of a Majority of the Controlling Class may direct the sale and liquidation of the Pledged Assets.

Remedies pursued by the Holders of the Class S Notes, the Senior Swap and Class A Notes could be adverse to the interests of the Holders of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes. After the Class S Notes, the Senior Swap and the Class A Notes are no longer outstanding, the Holders of the Class B Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Senior Swap, the Class A Notes, and the Class B Notes are no longer outstanding, the Holders of the Class C Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Senior Swap, the Class A Notes, the Class B Notes and the Class C Notes are no longer outstanding, the Holders of the Class D Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are no longer outstanding, the Holders of the Class E Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. See "Description of the Notes—The Indenture—Events of Default."

*Subordination of the Income Notes; Unsecured Obligations.* The Income Notes are limited recourse obligations of the Issuer and are not secured by the Pledged Assets securing the Secured Notes. As such, the Holders of the Income Notes will rank behind all of the secured creditors and *pari passu* with all unsecured creditors, whether known or unknown, of the Issuer. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Secured Notes, the Senior Swap and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Income Notes as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments. There can be no assurance that, after payment of principal and interest on the Secured Notes and other fees and expenses of the Issuer in accordance with the Priority of Payments, the Issuer will have funds remaining to make payments in respect of the Income Notes. Failure to pay the full principal amount of the Income Notes will in no event constitute an Event of Default. No person or entity other than the Issuer will be required to make any payments on the Income Notes. Except with respect to the obligations of the Issuer to make payments pursuant to the Priority of Payments, the Issuer does not expect to have any creditors. The funds available to be paid to the Fiscal Agent will depend in part on the weighted average of the Note Interest Rates.

Any amounts that are released from the lien of the Indenture for payment to the Holders of the Income Notes in accordance with the Priority of Payments on any Payment Date will not be available to make payments in respect of the Secured Notes or the Senior Swap on any subsequent Payment Date.



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*Leveraged Investment.* The Income Notes represent a leveraged investment in the underlying Pledged Assets. The use of leverage generally magnifies an investor's opportunities for gain and risk of loss. Therefore, changes in the market value of the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the Pledged Assets, which are also subject to credit, liquidity and interest rate risk.

*Supplemental Indentures May Modify the Indenture, and Some Supplemental Indentures Do Not Require Consent of Holders of Notes.* The Indenture provides that the Issuers and the Trustee may enter into supplemental indentures to modify various provisions of the Indenture. The execution of supplemental indentures is subject to various conditions precedent. In certain cases, the consent of the Holders of the Notes is required, but in certain cases, such consent is not required. Furthermore, if no Holder of a Note of a Class responds to notice of a proposed amendment within the prescribed time period, all Notes of such Class may be deemed not to be adversely or materially adversely affected by the proposed supplemental indenture. See "Description of the Notes—The Indenture—Modification of the Indenture."

*Optional Redemption and Tax Redemption of Notes.* Subject to the satisfaction of certain conditions, the Secured Notes may be optionally redeemed and the Senior Swap terminated in whole and not in part (i) on any Payment Date on or after the April 2010 Payment Date at the written direction of, or with the written consent of, Holders of at least a Majority of the Income Notes or (ii) on the date that is 90 days from the date on which the Issuers first become aware of the occurrence of a Tax Event (*provided* that such 90-day period shall be extended by another 90 days if, during the initial 90-day period, the Issuers have notified the Holders of the Notes that the related Issuer expects that it shall have changed its place of residence by the end of the later 90-day period), at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the Income Notes or the Holders of at least a Majority of any Class of Notes, if as a result of an occurrence of a Tax Event, such Class of Notes has not received 100% of the aggregate amount of principal and interest due and payable on such Class of Notes. If an Optional Redemption or Tax Redemption of the Secured Notes occurs, the Income Notes will be redeemed simultaneously.

There can be no assurance that after payment of the redemption prices for the Secured Notes, amounts payable in connection with the termination of the Credit Default Swap and the Senior Swap and all other amounts payable in accordance with the Priority of Payments, any Proceeds will remain to distribute to the Holders of the Income Notes upon redemption. See "Description of the Notes—Optional Redemption" and "—Tax Redemption." An Optional Redemption or Tax Redemption of the Notes could require the Liquidation Agent to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the CDS Transactions, the Eligible Investments or the Delivered Obligations. In addition, the redemption procedures in the Indenture may require the Liquidation Agent to aggregate securities to be sold together in one block transaction, thereby possibly resulting in a lower aggregate realized value for the CDS Transactions, the Eligible Investments or the Delivered Obligations. In any event, there can be no assurance that the market value of the CDS Transactions, the Eligible Investments or the Delivered Obligations will be sufficient for the Holders of the Income Notes to direct an Optional Redemption or, in the case of a Tax Redemption, for the Holders of the affected Class of Secured Notes or Income Notes to direct a Tax Redemption. A decrease in the market value of the CDS Transactions, the Eligible Investments or the Delivered Obligations would adversely affect the proceeds that could be obtained upon a disposition of the CDS Transactions, the Eligible Investments or the Delivered Obligations; consequently, the conditions precedent to the exercise of an Optional Redemption or a Tax Redemption may not be met. The interests of the Holders of the Income Notes in determining whether to elect to effect an Optional Redemption and the interests of the Holders of the affected Class of Secured Notes and the Income Notes with respect to a Tax Redemption may be different from the interests of the Holders of the other Classes of Notes in such respect. The Holders of the Notes also may not be able to invest the proceeds of the redemption of the Notes in one or more investments providing a return equal to or greater than the Holders of the Notes expected to obtain from their investment in the Notes. An Optional Redemption or a Tax Redemption will shorten the average lives of the Notes and the duration of the Notes and may reduce the yield to maturity of the Notes.

*Auction.* There can be no assurance that an Auction of the Pledged Assets on any Auction Date will be successful. The failure of an Auction may lengthen the expected average lives of the Notes and may reduce the yield to maturity of the Notes. In the event of an Auction, Holders of Income Notes may have their Income Notes redeemed without receiving any payments on such Income Notes. In addition, the success of an Auction will shorten the average lives of the Notes and may reduce the yield to maturity of the Notes.



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*Mandatory Redemption of Notes.* If the Senior Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes will be used to reduce the Outstanding Notional Amount of the Senior Swap and to redeem the Class A Notes and the Class B Notes in full in the order described in the Priority of Payments. If the Class C Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class D Notes, the Class E Notes and the Income Notes will be used to reduce the Outstanding Notional Amount of the Senior Swap and to redeem the Class A Notes, the Class B Notes and the Class C Notes in full in the order described in the Priority of Payments. If the Class D Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class E Notes and the Income Notes will be used to reduce the Outstanding Notional Amount of the Senior Swap and to redeem the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes in full in the order described in the Priority of Payments. The foregoing redemptions could result in an elimination, deferral or reduction in the amounts available to make payments to the Holders of the Class C Notes, the Class D Notes, the Class E Notes and payments to Holders of the Income Notes. See "Description of the Notes—Mandatory Redemption". Any such redemptions will shorten the average life of the redeemed Notes, may lower the yield to maturity of the Notes.

*Collateral Accumulation.* In anticipation of the issuance of the Notes, GSI has agreed to "warehouse" up to U.S.$2,000,000,000 aggregate notional amount of CDS Transactions and up to U.S.$800,000,000 aggregate principal amount of Collateral Securities and Eligible Investments, for assumption by the Issuer or resale to the Issuer, as applicable, pursuant to the terms of a forward purchase agreement (the "Forward Purchase Agreement"). No collateral manager or other person acting on behalf of the Issuer has reviewed the prices established pursuant to such Forward Purchase Agreement (nor has there been any third party verification of such prices). All of such notional amount will be represented by one or more CDS Transactions entered into between the Issuer and GSI or an affiliate thereof, wherein the Issuer will be selling credit protection. Pursuant to the terms of the Forward Purchase Agreement, the Issuer will be obligated to assume or purchase, as applicable, the "warehoused" assets, *provided* that with respect to the Collateral Securities, such securities satisfy certain eligibility criteria on the Closing Date, for a formula purchase price designed to reflect the premiums at which such "warehoused" assets were assumed or purchased, as applicable (using, as applicable, the prepayment speed and other assumptions used to set the initial price of each individual asset), as adjusted for any hedging gain or loss and any loss or gain on any "warehoused" asset assigned or sold, as applicable, to a party other than the Issuer during the warehousing period. Consequently, the market values of "warehoused" assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. In addition, if a CDS Transaction, Collateral Security or Eligible Investment becomes ineligible during the warehousing period and is not assumed or purchased, as applicable, by the Issuer on the Closing Date, or if a CDS Transaction, Collateral Security or Eligible Investment is otherwise disposed at the direction of GSI (which disposition may only occur with the consent of GSI's affiliate), the Issuer will bear the loss or receive the gain on the disposition of such CDS Transaction, Collateral Security or Eligible Investment to a third party.

*Disposition of CDS Transactions by the Liquidation Agent Under Certain Circumstances.* Under the Indenture, the Liquidation Agent will be required to assign, terminate or otherwise dispose of, on behalf of the Issuer, all CDS Transactions that reference Reference Obligations that are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to meet the definition of Credit Risk Obligations subject to satisfaction of the conditions described herein. The Liquidation Agent will have twelve (12) months (from the date it is notified of the determination of the Collateral Administrator) to assign, terminate or otherwise dispose of such CDS Transactions. The Liquidation Agent will not have the right, or the obligation, to exercise any discretion with respect to the method or the price of any assignment, termination or disposition of a CDS Transaction that references a Reference Obligation that is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation; the sole obligation of the Liquidation Agent will be to execute the assignment, termination or disposition of such CDS Transaction in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance that the Liquidation Agent will be able to dispose any such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation. Any such sale of a CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation may result in losses by the Issuer, which losses may



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result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. See "— No Collateral Manager."

*Average Lives, Duration and Prepayment Considerations.* The average lives of the Notes (other than the Class S Notes) are expected to be shorter than the number of years until their Stated Maturity. See "Weighted Average Life and Yield Considerations."

The average lives of the Notes will be affected by the financial condition of the obligors on or issuers of the Reference Obligations and the characteristics of the Reference Obligations, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prepayment speed, the occurrence of any early amortization events, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries in respect of any Defaulted Obligations, the frequency of tender or exchange offers for the Reference Obligations and the tenor of any sales of CDS Transactions.

Some or all of the loans underlying the RMBS may be prepaid at any time (although certain of such mortgage loans may have "lockout" periods, defeasance provisions, prepayment penalties or other disincentives to prepayment). Defaults on and liquidations of the loans and other collateral underlying the RMBS may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease. The existence and frequency of such prepayments, optional redemptions, defaults and liquidations will affect the average lives of, and credit support for, the Notes. See "Weighted Average Life and Yield Considerations."

*Projections, Forecasts and Estimates.* Estimates of the weighted average lives of, and returns on, the Notes included herein, together with any other projections, forecasts and estimates provided to prospective purchasers of the Notes, are forward looking statements. Such statements are necessarily speculative in nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any estimated projections, forecasts or estimates will be realized or that the forward looking statements will materialize, and actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of the Reference Obligations, differences in the actual allocation of the Reference Obligations among asset categories from those assumed and mismatches between the timing of accrual and receipt of Proceeds from the Reference Obligations, among others.

None of the Issuer, the Co-Issuer, the Liquidation Agent, the Initial Purchaser or any of their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

*Dependence of the Issuer on the Liquidation Agent.* The Issuer has no employees and is dependent on the employees of the Liquidation Agent to perform its obligations under the Liquidation Agency Agreement in accordance with the terms of the Indenture and the Liquidation Agency Agreement. Consequently, the loss of one or more of the individuals employed by the Liquidation Agent to perform its obligations under the Liquidation Agency Agreement could have an adverse effect, which effect may be material, on the performance of the Issuer.

*Static Transaction.* The Hudson Mezzanine Funding 2006-1, Ltd. transaction is a static collateralized debt obligation transaction. As a result, the CDS Transactions 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 Notes to assign, terminate or dispose of certain CDS Transactions unless Reference Obligations referenced by those CDS Transactions are designated as Credit Risk Obligations and are required to be assigned, terminated or disposed by the Liquidation Agent pursuant to the terms of the Indenture and the Liquidation Agency Agreement. See "The Credit Default Swap—Removal of Reference Obligations from the Reference Portfolio". In addition, circumstances may exist



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under which it is in the best interests of the Issuer or the Holders of the Notes to assign, terminate or otherwise dispose of a CDS Transaction, but (a) pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, does not determine that the Reference Obligation referenced by such CDS Transaction is a Credit Risk Obligation or (b) the Liquidation Agent is not able to assign, terminate or otherwise dispose, on behalf of the Issuer, such CDS Transaction in accordance with the terms of the Liquidation Agency Agreement.

*Substitution of Collateral Securities.* From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a request to substitute one or more BIE Collateral Securities for one or more existing Collateral Securities, in whole or in part. Such substitution will be subject to the affirmative approval of the Holders of a Majority of each Class of Notes and the Senior Swap Counterparty. Any such substitution could (i) adversely affect the Issuer and the Issuer's ability to make payments on the Notes, (ii) affect the weighted average lives of the Notes, (iii) adversely affect the returns on the Notes and (iv) increase the frequency of defaults on the Collateral Securities or reduce the proceeds following the liquidation of any Collateral Securities. On the other hand, it is also possible that a Holder of a Note could propose a substitution which would be beneficial to the Issuer and the Holders of the Notes but such substitution is not permitted because such proposal is not affirmatively approved by the Senior Swap Counterparty and the Holders of a Majority of each Class of Notes.

*No Collateral Manager.* The Issuer has not engaged and will not engage, a collateral manager to select the Pledged Assets (or to verify their prices), to monitor the Pledged Assets on a regular basis or to consult with the Issuer with respect to the Pledged Assets, including the advisability, timing or terms of any disposition thereof. None of the Liquidation Agent or any of their affiliates will provide investment advisory services to or act as an advisor to or an agent for the Issuer or the Holders of the Notes, and they will not have any fiduciary duties to, nor be obligated to consider the interests of the Issuer or the Holders of the Notes. As a result, the Issuer and the Holders of the Notes will not have the benefit of the provisions of the Investment Advisers Act of 1940 which afford certain protections to clients of investment advisors. Furthermore, because there is no collateral manager in the Hudson Mezzanine Funding 2006-1, Ltd. transaction, the Indenture eliminates the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed, or static, collateralized debt obligation transaction customarily has discretion to act on behalf of the Issuer. For example, the Indenture provides, among other things, that (i) where the Issuer, as the beneficial owner of a Collateral Security or Delivered Obligation, or the Trustee, as the registered owner of a Collateral Security, has the right to exercise a vote or consent to (or otherwise approve of) (a) any action, or inaction, pursuant to the terms of such Collateral Security or Delivered Obligation and its related underlying documentation or (b) an offer by the issuer of such Collateral Security or Delivered Obligation or by any other person to purchase or otherwise acquire such Collateral Security or Delivered Obligation or to convert or exchange such Collateral Security or Delivered Obligation for cash or any other consideration, the Trustee, as directed by the applicable holders, acting in its capacity as registered owner of such Collateral Security or Delivered Obligation, shall direct the Issuer's vote be cast in the following manner: (x) if other holders of the class of which such Collateral Security or Delivered Obligation is a part respond to such solicitation for vote or consent, in the same manner as the votes of a plurality of the other voting holders of such class (based on the Principal Balance of such Collateral Security or Delivered Obligation), (y) if no other holders of such class exercise a vote or if there are no other holders of such class, but holders of different classes issued under the same governing instrument respond, in the same manner as the votes of a plurality of the voting holders of all classes issued under the governing instrument pursuant to which such Collateral Security or Delivered Obligation was issued (based on the Principal Balance of all such classes and treated as a single class) or (z) if no holders of any class issued under the same governing instrument respond or if there are no other holders, the Issuer's vote shall be exercised against such action or inaction and (ii) the Issuer will have no discretion with respect to the temporary investment of funds held pending application thereof in accordance with the terms of the Indenture. The inability of the Issuer to exercise discretion in these contexts could adversely affect the Issuer and the Holders of the Notes, and it is impossible to quantify the potential magnitude of this impact. Potential investors in the Notes are urged to (a) review carefully this Offering Circular and the related terms of the Indenture, the Fiscal Agency Agreement and other operative documents and (b) take the inability of the Issuer to exercise discretion into account before investing in any of the Notes.

*Scheduled Maturity of CDS Transactions.* From time to time, the scheduled maturity or termination of one or more CDS Transactions is likely to occur without a Credit Event occurring. Any such maturity or termination of a CDS Transaction will result in a decrease in the Aggregate Reference Obligation Notional Amount and may result



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in a required reduction of the notional amount of the Senior Swap and a redemption of the Notes in accordance with the Priority of Payments. The Issuer anticipates that payments of principal of the Collateral Securities and Eligible Investments in the Collateral Account will be applied to so redeem the Notes, but it is possible that such payments of principal will not be sufficient to permit such redemption.

**The Credit Default Swap and Reference Obligations**

*General.* The following description of the Credit Default Swap and Reference Obligations and the underlying documents and the risks related thereto is general in nature. The attributes and risks related to any individual Reference Obligation may differ in significant and material manners from the general description of the Reference Obligations and the underlying documents and the risks related thereto.

*Nature of Reference Portfolio.* The Reference Portfolio is subject to credit, liquidity, prepayment and interest rate risks. The amount and nature of collateral securing the Senior Swap and the Secured Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Reference Obligations and the Eligible Investments. See "Ratings of the Notes." If any deficiencies exceed such assumed levels, however, payment of the Senior Swap and the Notes could be adversely affected. To the extent that any Reference Obligation referenced by a CDS Transaction is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation and the Liquidation Agent, on behalf of the Issuer, assigns, terminates or otherwise disposes of such Credit Default Swap Disposition Transaction, it is not likely that the proceeds of such assignment, termination or other disposition will be equal to the amounts owing to the Issuer in respect of such CDS Transaction.

The market value of the CDS Transactions and the Reference Obligations generally will fluctuate with, among other things, the financial condition of the related Reference Obligations and obligors on or issuers of the Reference Obligations, the credit quality of the underlying pool of assets in any Reference Obligation, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. None of the Issuer, the Co-Issuer, the Initial Purchaser, the Liquidation Agent, the Collateral Administrator, the Senior Swap Counterparty, the Credit Protection Buyer, the Collateral Put Provider or the Trustee has any liability or obligation to the Holders of Notes as to the amount or value of, or decrease in the value of, the Reference Obligations from time to time, or makes any representation or warranty as to the performance of the Reference Obligations.

If any Reference Obligation referenced by a CDS Transaction is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation, the Liquidation Agent is required, subject to the terms of the Liquidation Agency Agreement, to assign, terminate or otherwise dispose on behalf of the Issuer the affected CDS Transaction. There can be no assurance as to the timing of the Issuer's disposition of the affected CDS Transaction, or as to the rates of recovery on such affected CDS Transaction. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to maturity of the Notes.

*CDS Transactions.* As of the Closing Date, 100% of the CDS Transactions will consist of CDS Transactions the Reference Obligations of which are RMBS Securities.

The economic return on a CDS Transaction depends substantially upon the performance of the related Reference Obligation and partially upon the performance of the collateral posted by the Issuer to secure its obligations to the Credit Protection Buyer on deposit in the Collateral Account. CDS Transactions generally have probability of default, recovery upon default and expected loss characteristics, which are closely correlated to the corresponding Reference Obligation, but may have different maturity dates, coupons, payment dates or other non credit characteristics than the corresponding Reference Obligation. In addition to the credit risks associated with holding the Reference Obligation, with respect to CDS Transactions, the Issuer will usually have a contractual relationship only with the related Credit Protection Buyer, and not with the Reference Obligor of the Reference Obligation. Due to the fact that a CDS Transaction may be illiquid or may not be terminable on demand (or terminable on demand only upon payment of a substantial fee by the Issuer), the Issuer's ability to dispose of a CDS Transaction, if circumstances arise permitting such disposal, may be limited. Any settlement payments and termination payments payable by the Issuer (net of any termination payments owing by the Credit Protection Buyer)



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to the Credit Protection Buyer will reduce the amount available to pay the Holders of the Income Notes, the Secured Notes and the Senior Swap Counterparty in inverse order of seniority. The Issuer generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Issuer will not directly benefit from the collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

Because neither the Credit Protection Buyer nor the Issuer is required to hold any Reference Obligation, the Issuer will not have any right to obtain from either the Credit Protection Buyer or the Reference Obligor information on the Reference Obligations or information regarding any Reference Obligor. The Credit Protection Buyer will have no obligation to keep the Issuer, the Trustee, the Liquidation Agent, the Holders of the Secured Notes or the Holders of the Income Notes informed as to matters arising in relation to any Reference Obligation including whether or not circumstances exist under which there is a possibility of the occurrence of a credit event.

In addition, in the event of the insolvency of the Credit Protection Buyer, the Issuer will be treated as a general creditor of such Credit Protection Buyer, and will not have any claim with respect to the Reference Obligor or the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the Credit Protection Buyer as well as that of the Reference Obligor and the Reference Obligation. As a result, concentrations of CDS Transactions in any one Credit Protection Buyer subject the Notes to an additional degree of risk with respect to defaults by such Credit Protection Buyer. It is expected that Goldman Sachs International, an affiliate of Goldman, Sachs & Co., will act as the sole Credit Protection Buyer with respect to the Credit Default Swap, which creates concentration risk and may create certain conflicts of interest. In addition, neither the Credit Protection Buyer nor its affiliates will be (or will be deemed to be acting as) the agent or trustee of the Issuer, the Holders of the Secured Notes, the Senior Swap Counterparty or the Holders of the Income Notes in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Credit Protection Buyer and/or its affiliates arising under or in connection with their respective holding of any Reference Obligation. The Credit Protection Buyer and its affiliates (i) may deal in any Reference Obligation, (ii) may generally engage in any kind of commercial or investment banking or other business transactions with any issuer of a Reference Obligation, and (iii) may act with respect to transactions described in the preceding clauses (i) and (ii) in the same manner as if the Credit Default Swap and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer, the Holders of the Secured Notes, the Senior Swap Counterparty or the Holders of the Income Notes.

All of the CDS Transactions are expected to be structured as "pay-as-you-go" credit default swaps. The obligation of the Issuer to make payments to the Credit Protection Buyer under the Credit Default Swap creates credit exposure to the related Reference Obligations (as well as to the default risk of the related Credit Protection Buyer). Following the occurrence of a "credit event", the Issuer may be required to pay to the Credit Protection Buyer a "physical settlement payment". In addition, each Credit Default Swap Disposition Transaction may require the Issuer, in its capacity as protection seller, to pay certain "floating amounts" to the Credit Protection Buyer equal to certain principal shortfall amounts, writedown payments and interest shortfalls under the Reference Obligation upon the occurrence thereof. The payment of any such credit protection payments and floating amounts will be funded by the Issuer, or the Liquidation Agent (on behalf of the Issuer), by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap of an amount equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap. Although the Credit Protection Buyer, in its capacity as protection buyer, will be obligated to reimburse all or part of such payments to the Issuer if the writedown payments of the related shortfalls are ultimately paid to Holders of the Reference Obligations or if the related Reference Obligations are written up, the amounts available to the Issuer to make payments in respect of the Secured Notes and Income Notes may be reduced after payment by the Issuer of the relevant payment to the Credit Protection Buyer until the Issuer receives such reimbursement, if any, from the Credit Protection Buyer. Any "floating payments" or credit protection payments payable by the Issuer, may result in a reduction of the notional amount of the Credit Default Swap, and therefore reduce the amounts payable by the Credit Protection Buyer and the amount of interest collections available to pay interest on the Notes. In addition, any "floating payment" or "physical settlement payment" would reduce the Collateral Securities on deposit in the Collateral Account that is available to pay the principal of the Notes and may reduce the interest collections available to pay interest on the Notes.



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Determination of the floating amounts and additional fixed amounts (as described in the Master Confirmation) will depend on the relevant servicer reports being available and on such reports containing adequate information to enable the required calculations to be made. Current private industry investigations of the market practices show that such reports can vary and that not all reports contain adequate information. In addition, access to servicer reports may be limited if such reports are confidential and neither counterparty holds the related Reference Obligation.

In the event a "credit event" occurs under the Credit Default Swap, the Liquidation Agent, on behalf of the Issuer, will obtain funds to pay Credit Protection Amounts (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) owed by the Issuer to the Credit Protection Buyer by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap of an amount equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap. In addition, under certain circumstances upon the occurrence of a "credit event", the Liquidation Agent, on behalf of the Issuer will pay any related Physical Settlement Amount owed by the Issuer to the Credit Protection Buyer in exchange for a Delivered Obligation by (i) applying the Collateral Liquidation Procedure and (ii) if the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap of the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap. Any Delivered Obligation delivered to the Issuer will be sold by the Liquidation Agent, on behalf of the Issuer, pursuant to the terms of the Liquidation Agency Agreement. If a CDS Transaction is terminated or partially terminated prior to its scheduled maturity, the Liquidation Agent, on behalf of the Issuer, will make any termination payments (which, for the avoidance of doubt, shall not include Defaulted Swap Termination Payments) due to the Credit Protection Buyer by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap of an amount equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap.

"Pay-as-you-go" credit default swaps are a type of credit default swap developed to incorporate the unique structures of asset-backed securities. The International Swaps and Derivatives Association, Inc. ("ISDA") has published a form confirmation for "pay-as-you-go" credit default swaps referencing RMBS Securities. The form confirmation expected to be used to document the Credit Default Swap is expected to be similar to the RMBS Securities "pay-as-you-go" form, but may differ in significant ways. While ISDA has published its form confirmations and has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the "pay-as-you-go" credit default swap forms and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. ISDA is currently preparing forms for other types of asset-backed securities. There can be no assurance that such forms will be substantially similar to the form confirmation expected to be used for the Credit Default Swap. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution of the ISDA "pay-as-you-go" credit default swap forms, the confirmations used to document the Credit Default Swap may differ from the future market standard. Such a result may have a negative impact on the liquidity and market value of the Credit Default Swap.

There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be favorable to the Issuer. Amendments or supplements to the "pay-as-you-go" credit default swap forms and amendments and supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to the Credit Default Swap executed prior to such amendment or supplement if the Issuer and the Credit Protection Buyer agree to amend the Credit Default Swap to incorporate such amendments or supplements and the Rating Agency Condition has been satisfied. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer. In addition to the credit risk of the Reference Obligations and the credit risk of the Credit Protection Buyer, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.



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*Residential Mortgage Backed Securities.* 100% of the Aggregate Reference Obligation Notional Amount will consist of Residential Mortgage Backed Securities ("RMBS") as of the Closing Date. The types of Residential Mortgage Backed Securities that constitute the Reference Obligations related to the CDS Transactions the Issuer will enter into on the Closing Date will consist of RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one-to-four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

*Structural and Legal Risks of RMBS.* Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS.

RMBS may have structural characteristics that distinguish them from other asset-backed securities. The rate of interest payable on RMBS may be set or effectively capped at the weighted average net coupon of the



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underlying mortgage loans themselves or a cap based on an asset's designated floating rate index. As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. The Servicemembers' Civil Relief Act of 2003 (the "Relief Act") provides relief for certain soldiers and members of the reserve called to active duty by capping the interest rates on their mortgage loans at 6% per annum. In addition, pursuant to the laws of various states, under certain circumstances, payments on the underlying mortgage loans by residents in such states who are called into active duty with the National Guard or the reserves will be deferred. These state laws may also limit the ability of the servicer to foreclose on the related mortgaged property. This could result in delays or reductions in payment and increased losses on the underlying mortgage loans which impact the return to investors. Certain RMBS may provide for the payment of only interest for a stated period of time.

In addition, structural and legal risks of RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer or could be substantively consolidated with those of the originator or the servicer, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of RMBS.

It is not expected that the RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

*Subordination of Reference Obligations.* All of the Reference Obligations are mezzanine grade as of the Closing Date. Some of the Reference Obligations will be subordinated to one or more other classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. The subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

PROSPECTIVE PURCHASERS OF THE SECURED NOTES AND THE INCOME NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE REFERENCE OBLIGATIONS, AS WELL AS THE LIKELY LEVEL AND TIMING OF RECOVERIES ON THE REFERENCE OBLIGATIONS.

*Insolvency Considerations with Respect to Issuers of Reference Obligations.* Various laws enacted for the protection of creditors may apply to the Reference Obligations. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Reference Obligation, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the Reference Obligation or for granting a lien securing the Reference Obligation and, after giving effect to such indebtedness or such lien, the issuer (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness or such lien as a fraudulent conveyance, to subordinate such indebtedness or such lien to existing or future creditors of such issuer, or to recover amounts previously paid by such issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was "insolvent" after giving effect to the incurrence of the indebtedness constituting the Reference Obligation or the grant of a lien securing the Reference Obligation or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to such incurrence or grant. In addition, in the event of the insolvency of an issuer of a Reference Obligation, payments made on such Reference Obligation or a lien securing such Reference Obligation could be subject to avoidance as a "preference" if made within a certain period of time (which



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may be as long as one year or longer) before insolvency. Payments made under loans underlying Reference Obligations may also be subject to avoidance in the event of the bankruptcy of the borrower.

In general, if payments on a Reference Obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured. To the extent that any such payments are recaptured, the resulting loss will be borne first by the Holders of the Income Notes, then by the Holders of the Class E Notes, then by the Holders of the Class D Notes, then by the Holders of the Class C Notes, then by the Holders of the Class B Notes, then by the Holders of the Class A-b Notes, then by the Holders of the Class A-f Notes, then by the Senior Swap Counterparty, and finally, by the Holders of the Class S Notes.

*Illiquidity of CDS Transactions; Certain Restrictions on Transfer.* There may be a limited trading market for many of the CDS Transactions entered into by the Issuer, and in certain instances there may be effectively no trading market therefor. The illiquidity of CDS Transactions may also affect the ability of the Issuer to conduct a successful Optional Redemption, Tax Redemption or Auction, to exercise redemptions and may also affect the amount and timing of receipt of proceeds from the disposition of CDS Transactions in connection with the exercise of remedies following an Event of Default.

*Volatility of Market Value of CDS Transactions, Collateral Securities and Reference Obligations.* The market value of the CDS Transactions, the Collateral Securities and the Reference Obligations will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the parties to, or issuers of, the CDS Transactions, Collateral Securities and Reference Obligations. A decrease in the market value of the CDS Transactions, Collateral Securities and Reference Obligations would adversely affect the proceeds that could be obtained upon the assignment, termination or other disposition of the CDS Transactions, Collateral Securities and Reference Obligations could ultimately affect the ability of the Issuer to effect an Auction, an Optional Redemption or a Tax Redemption, or to pay the principal of the Notes upon a liquidation of the CDS Transactions, Collateral Securities and Reference Obligations following the occurrence of an Event of Default.

*Interest Rate Risk.* There will be a basis and timing mismatch between such Notes and the Collateral Securities which bear interest at a floating rate, since the interest rates on such Collateral Securities bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Notes.

*Concentration Risk.* The Issuer will invest in CDS Transactions which relate to the portfolio of Reference Obligations described in Appendix B hereto. Payments on the Notes could be adversely affected by the concentration in the portfolio of any one issuer or any one servicer if such issuer or servicer were to default. No single issuer will represent as of the Closing Date more than approximately 1.50% of the Aggregate Reference Obligation Notional Amount. See "The Credit Default Swap—The Reference Portfolio."

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELIHOOD OF A DEFAULT BY EITHER THE CREDIT PROTECTION BUYER OR THE COLLATERAL PUT PROVIDER, AS WELL AS THE OBLIGATIONS OF THE ISSUER UNDER EITHER THE CREDIT PROTECTION BUYER OR THE COLLATERAL PUT PROVIDER, INCLUDING THE OBLIGATION TO MAKE TERMINATION PAYMENTS TO EITHER THE CREDIT PROTECTION BUYER OR THE COLLATERAL PUT PROVIDER.

**Other Considerations**

*Changes in Tax Law; No Gross-Up.* Under current tax law of the United States and other jurisdictions, payments made by the Credit Protection Buyer under the Credit Protection Buyer and obligors on any Eligible Investments are not expected to be subject to the imposition of U.S. federal or other withholding tax. There can be no assurance, however, that as a result of a change in any applicable law, treaty, rule or regulation or interpretation thereof or other causes, such payments might not in the future become subject to U.S. federal or other withholding tax. In the event that any withholding tax should be determined to be applicable to payments on any Eligible Investments and the obligors thereon were not then required to make "gross-up" payments that cover the full amount of any such withholding taxes, such tax would reduce the amounts available to make payments on the Notes. In



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addition, if any payment by the Credit Protection Buyer to the Issuer under any CDS Transaction is subject to any deduction or withholding for or on account of any tax, duty, assessment or other governmental charge, the Credit Protection Buyer will be obligated to gross-up of such payment for any such deduction or withholding. However, if such gross-up is the result of a change in applicable tax law (or in the application or interpretation thereof) or action taken by a taxing authority or court, the Credit Protection Buyer may terminate the related CDS Transaction and the Issuer may be obligated to make a termination payment to such Credit Protection Buyer, which may, in turn, reduce the amounts available to make payments on the Notes.

In the event that any withholding tax is imposed on payments on the Notes, the Holders of such Notes will not be entitled to receive "grossed-up" amounts to compensate for such withholding tax. In addition, 90 days following the Issuers becoming aware of the occurrence of a Tax Event (which 90-day period may be extended by 90 days), the Issuer will redeem in whole but not in part, at applicable Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, specified herein, the Notes in accordance with the procedures described under "Description of the Notes—Tax Redemption," "—Optional Redemption—Optional Redemption/Tax Redemption Procedures" herein.

*Lack of Operating History.* Each of the Issuers is a newly organized entity and has no prior operating history. Accordingly, neither of the Issuers has a performance history for a prospective investor to consider.

*Investment Company Act.* Neither of the Issuers has registered with the United States Securities and Exchange Commission (the "SEC") 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 Notes 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 Notes 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.

If the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer or the Co-Issuer could sue the Issuer or the Co-Issuer, as the case may be, and recover any damages caused by the violation; and (iii) any contract to which the Issuer or the Co-Issuer, as the case may be, is a party that is made in, or whose performance involves a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected.

The Notes are only permitted to be transferred to Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A and, solely in the case of the Income Notes, to Accredited Investors having a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act, or in an offshore transaction, to a non-U.S. Person, complying with Rule 903 or Rule 904 of Regulation S. The Notes being offered in the United States are being offered only to persons that are also Qualified Purchasers. Any non-permitted transfer will be voided and the Issuers can require the transferee to sell its Notes to a permitted transferee, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 day period, upon written direction from the Issuer or the Liquidation Agent, on behalf of the Issuer, will be authorized to conduct a commercially reasonable sale of such Notes to a permitted transferee and pending such transfer, no further payments will be made in respect of such Notes or any beneficial interest therein. See "Description of the Notes—Form of the Notes" and "Notice to Investors."

*Credit Ratings.* Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect



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the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates.

*Document Repository.* Pursuant to the Indenture, the Issuer will consent to the posting of this Offering Circular, the Indenture and certain periodic reports required to be delivered pursuant to the Transaction Documents, together with any amendments or modifications thereto, to the internet-based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com."

*Implementation of Securities Regulation in Europe.* As part of a coordinated action plan for harmonization of securities markets in Europe, the European Parliament and the Council of the European Union has adopted a series of directives, including the Prospectus Directive (2003/71/EC) the Transparency Directive (2004/109/EC) and the Market Abuse Directive (2003/6/EC) which aim to ensure investor protection and market efficiency in accordance with high regulatory standards across the European community. Pursuant to such directives member states have introduced, or are in the process of introducing, legislation into their domestic markets to implement the requirements of these directives. The introduction of such legislation has effected and will effect the regulation of issuers of securities that are offered to the public or admitted to trading on a European Union regulated market and the nature and content of disclosure required to be made in respect of such issuers and their related securities. The listing of Notes on any European Union stock exchange would subject the Issuers to regulation under these directives, 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 on a European Union stock exchange if compliance with these directives (or other requirements adopted by the European Parliament and Council of the European Union or a relevant member state) becomes burdensome. Should the Notes be delisted from any exchange, the ability of the holders of such Notes to sell such Notes in the secondary market may be negatively impacted.

*EU Savings Directive.* If, following implementation of European Council Directive 2003/48/EC, a payment were to be made or collected through a member state that opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer nor the Paying Agent nor any other person would be obliged to pay additional amounts as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a paying agent following implementation of this Directive, the Issuer will be required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the Directive.

*Certain Conflicts of Interest.* Various potential and actual conflicts of interest may arise from the overall activities of the Credit Protection Buyer, the overall underwriting, investment and other activities of the Liquidation Agent, the Senior Swap Counterparty and the Collateral Put Provider, their respective affiliates and its clients and employees and from the overall investment activity of the Initial Purchaser, including in other transactions with the Issuer. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

*The Credit Protection Buyer and Senior Swap Counterparty.* GSI will be the initial Credit Protection Buyer and the initial Senior Swap Counterparty. The following briefly summarizes some potential and actual conflicts of interests related to the Credit Protection Buyer and Senior Swap Counterparty, but the following isn't intended to be an exhaustive list of all such conflicts.

GSI and/or its affiliates may be in possession of information in relation to a Reference Entity or otherwise that is or may be material in the context of the Notes and may or may not be publicly available to Holders. None of GSI or any of its affiliates has any obligation to disclose to Holders any such information.

GSI and/or any of its affiliates may invest and/or deal, for their own respective accounts for which they have investment discretion, in securities or in other interests in the Reference Entities, in obligations of the Reference Entities or in the obligors in respect of any Reference Obligations or Collateral Securities (the "Investments") or in credit default swaps (whether as protection buyer or seller), total return swaps or other instruments enabling credit and/or other risks to be traded that are linked to one or more Investments. Such investments, credit derivatives and/or instruments may have the same or different terms from any of the credit



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derivatives referred to in the terms of the Notes. In addition, GSI and/or any of its affiliates may invest and/or deal, for their own respective accounts or for accounts for which they have investment discretion, in securities (or make loans or have other rights) that are senior to, or have interests different from or adverse to, any of the Investments and may act as adviser to, may be lenders to, and may have other ongoing relationships with, the issuers or obligors of Investments and obligations of any Reference Entities. GSI may at certain times be simultaneously seeking to purchase or sell investments and/or protection under credit derivatives or other instruments enabling and/or other risks to be traded for any entity for which it serves as manager in the future.

Various potential and actual conflicts of interest may arise from the overall activities of GSI and/or any of its affiliates. GSI, its respective affiliates and the directors, officers, employees and agents of GSI and its respective affiliates may, among other things: (a) serve as directors, officers, partners, employees, agents, nominees or signatories for any Investment, any originator and/or servicer of or any other party interested in an Investment or the obligors in respect of the Investments; (b) receive fees for services of any nature rendered to any obligor in respect of the Investments or any originator and/or servicer of or any other party interested in the Investments; (c) be a secured or unsecured creditor of, or hold an equity interest in any obligor in respect of the Investments, any originator and/or servicer of or any other party interested in the Investments; (d) underwrite, act as a distributor of, or make a market in any Investments, or in the securities of any originator and/or servicer of or any other party interest in the Investments; (e) invest for its own account in the Investments or any other securities issued by any originator and/or servicer of or any other party interested in the Investments; (f) serve as a member of any "creditors' committee" with respect to any formal or informal workout group with respect to any obligor in respect of the Investments, any originator and/or servicer of or any other party interest in the Investments; (g) act as the adviser or investment adviser to any other person, entity or fund; and (h) maintain other relationships with any obligor in respect of the Investments, any originator and/or servicer of or any other party interested in the Investments.

Any Floating Amounts owed by the Issuer may be greater or less than the actual loss, if any, incurred by the Credit Protection Buyer related Reference Obligation. The Credit Protection Buyer has no obligation to hold the Reference Obligations or to incur a loss in order to receive a credit protection payment. To the extent it holds a Reference Obligation, the Credit Protection Buyer, the Senior Swap Counterparty or their respective affiliates, as the case may be, will have the right to exercise of all the voting and consent rights of a holder of such Reference Obligation and it will exercise those rights in such manner as it determines to be in its own commercial interests without regard to the Holders of the Notes.

*The Collateral Put Provider.* GSI will be the initial Collateral Put Provider. The following briefly summarizes some potential and actual conflicts of interests related to the Collateral Put Provider, but the following is not intended to be an exhaustive list of all such conflicts.

The Collateral Put Provider and/or its affiliates have ongoing relationships with, render service to, finance and engage in transactions with, and may own debt or equity securities issued by issuers of certain of the Reference Obligations and Collateral Securities. The Collateral Put Provider, its affiliates and/or its clients may invest in securities that are senior or subordinated to, or have interests different from or adverse to, the Reference Obligations and Collateral Securities. The interests of such parties may be different than or adverse to the interest of the holders of the Notes. In addition, such persons may possess information relating to the Reference Obligations and Collateral Securities which is not known to the individuals at the Collateral Put Provider responsible for performing its obligations under the Collateral Put Agreement. Such persons will not be required (and may not be permitted) to share such information or pass it along to the Issuer, the Liquidation Agent or any holder of any Notes. Neither the Collateral Put Provider nor any of such person will have liability to the Issuer or any holder of any Notes for failure to disclose such information or for taking, or failing to take, any action based upon such information.

In addition, the Collateral Put Provider and/or any of its affiliates may engage in any other business and furnish investment banking and other services to others which may include, without limitation, investing in, lending to, being affiliated with or have other ongoing relationships with, other entities organized to issue collateralized debt obligations secured by assets similar to the Reference Obligations, and the Collateral Securities and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. In providing services to other clients, the Collateral Put Provider and its affiliates may engage in activities that would compete with or otherwise adversely affect the Issuer.



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In addition, the Collateral Put Provider will be free, in its sole discretion, to effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Put Provider and/or its affiliates may furnish investment banking or other services to others who may have investment policies similar to those followed by the Issuer and who may own securities of the same class, or which are the same type as, the Reference Obligations and the Collateral Securities on behalf of the Issuer.

No provision in the Collateral Put Agreement prevents the Collateral Put Provider or any of its affiliates from rendering services of any kind to the issuer of any Reference Obligations or Collateral Securities and their respective affiliates, the Trustee, the holders of the Notes, the Senior Swap Counterparty, or any other entity. Without prejudice to the generality of the foregoing, the Collateral Put Provider and its affiliates, directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for an issuer of any Reference Obligations or Collateral Securities; (b) receive fees for services rendered to the issuer of any Reference Obligations or any affiliate thereof; (c) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any Reference Obligations or Collateral Securities; and (d) serve as a member of any "creditors' board" or "creditors' committee" with respect to any Reference Obligations or Collateral Securities which has become or may become a Defaulted Obligation.

The Collateral Put Provider or any of its affiliates or subsidiaries will be permitted to exercise all voting rights with respect to any Notes which they may acquire (other than with respect to a vote regarding the removal of the Liquidation Agent or the termination or assignment of the Liquidation Agency Agreement).

*The Liquidation Agent.* GS&Co. will be the initial Liquidation Agent. Although the Liquidation Agent will exercise no discretion with respect to the Pledged Assets and the Liquidation Agent is not providing investment advisory servicers to, or acting as an advisor to, the Issuer or the Holders of the Notes, various potential and actual conflicts of interest may arise from the overall underwriting, investment and other activities of the Liquidation Agent, its affiliates and its clients. The Liquidation Agent is also the Initial Purchaser. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Liquidation Agent and/or its affiliates have ongoing relationships with, render service to, finance and engage in transactions with, and may own debt or equity securities issued by issuers of certain of the Reference Obligations and Collateral Securities. The Liquidation Agent, its affiliates and/or its clients may invest in securities that are senior or subordinated to, or have interests different from or adverse to, the Reference Obligations and Collateral Securities. The interests of such parties may be different than or adverse to the interest of the holders of the Notes. In addition, such persons may possess information relating to the Reference Obligations and Collateral Securities which is not known to the individuals at the Liquidation Agent responsible for performing its obligations under the Liquidation Agency Agreement. Such persons will not be required (and may not be permitted) to share such information or pass it along to the Issuer, the Liquidation Agent or any holder of any Notes. Neither the Liquidation Agent nor any of such person will have liability to the Issuer or any holder of any Notes for failure to disclose such information or for taking, or failing to take, any action based upon such information.

In addition, the Liquidation Agent and/or any of its affiliates may engage in any other business and furnish investment banking and other services to others which may include, without limitation, investing in, lending to, being affiliated with or have other ongoing relationships with, other entities organized to issue collateralized debt obligations secured by assets similar to the Reference Obligations, and the Collateral Securities and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. In providing services to other clients, the Liquidation Agent, the Collateral Put Provider and its affiliates may engage in activities that would compete with or otherwise adversely affect the Issuer. In addition, the Liquidation Agent will be free, in its sole discretion, to effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Liquidation Agent and/or its affiliates may furnish investment banking or other services to others who may have investment policies similar to those followed by the Issuer and who may own securities of the same class, or which are the same type as, the Reference Obligations and the Collateral Securities on behalf of the Issuer. In addition, under certain circumstances the Liquidation Agent will be required to dispose of certain CDS Transactions which reference Reference Obligations in accordance with the procedures set forth in the Liquidation Agency Agreement. Such disposition of CDS Transactions which reference Reference Obligations may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by



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any of the Rating Agencies. In making any such sale, the Liquidation Agent need not take into account the interests of the Issuers, the Holders of the Notes or any other party. The Liquidation Agent and/or its affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts or for another entity at the same time as it is disposing of investments for the Issuer. Accordingly, conflicts may arise regarding the allocation of sale opportunities.

No provision in the Liquidation Agency Agreement prevents the Liquidation Agent or any of its affiliates from rendering services of any kind to the issuer of any Reference Obligations or Collateral Securities and their respective affiliates, the Trustee, the holders of the Notes, the Senior Swap Counterparty or any other entity. Without prejudice to the generality of the foregoing, the Liquidation Agent and its affiliates, directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for an issuer of any Reference Obligations or Collateral Securities; (b) receive fees for services rendered to the issuer of any Reference Obligations or any affiliate thereof; (c) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any Reference Obligations or Collateral Securities; and (d) serve as a member of any "creditors' board" or "creditors' committee" with respect to any Reference Obligations or Collateral Securities which has become or may become a Defaulted Obligation.

The Liquidation Agent or any of its affiliates or subsidiaries will be permitted to exercise all voting rights with respect to any Notes which they may acquire (other than with respect to a vote regarding the removal of the Liquidation Agent or the termination or assignment of the Liquidation Agency Agreement).

*The Initial Purchaser.* GS&Co. will be the Initial Purchaser. Various potential and actual conflicts of interest may arise from the conduct by the Initial Purchaser and its affiliates in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to the Credit Default Swap. GS&Co. will also initially act as the Liquidation Agent under the Liquidation Agency Agreement. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

It is expected that the Initial Purchaser and/or its affiliates and selling agent will have placed or underwritten certain of the Reference Obligations and Collateral Securities at original issuance, will own equity or other securities of issuers of or obligors on Reference Obligations and Collateral Securities and will have provided investment banking services, advisory, banking and other services to issuers of Reference Obligations and Collateral Securities. The Issuer may invest in the securities of companies affiliated with the Initial Purchaser and/or any of its affiliates or in which the Initial Purchaser and/or any of its affiliates have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of the Initial Purchaser's and/or any of its affiliates' own investments in such companies. In addition, it is expected that one or more affiliates of the Initial Purchaser will also act as counterparty with respect to all of the CDS Transactions. The Issuer may invest in money market funds that are managed by the Initial Purchaser or its affiliates; *provided* that such money market funds otherwise qualify as Eligible Investments. GS&Co. and/or a consolidated entity controlled by GS&Co. or an affiliate thereof is providing "warehouse" financing to the Issuer prior to the Closing Date and GS&Co. selected the warehoused Credit Default Swap and Collateral Securities which will be sold to the Issuer on the Closing Date pursuant to the terms of the Forward Purchase Agreement. No collateral manager or other person acting on behalf of the Issuer has reviewed the prices established pursuant to such Forward Purchase agreement (nor has there been any third party verification of such prices). See "—Notes—Collateral Accumulation."

There is no limitation or restriction on the Initial Purchaser or any of its affiliates with regard to acting as investment advisor, initial purchaser or placement agent (or in a similar role) to other parties or persons. This and other future activities of the Initial Purchaser and/or its affiliates may give rise to additional conflicts of interest.

*Anti-Money Laundering Provisions.* The 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 the Treasury will require entities such as the Issuer to enact anti money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Issuers or the Initial Purchaser or other service



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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 Secured Notes and/or the Income Notes. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Secured 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.

*The Issuer.* The Issuer is a recently incorporated Cayman Islands exempted company and has no substantial prior operating history. The Issuer will have no significant assets other than the CDS Transactions, the Collateral Securities, Eligible Investments, rights under the Credit Default Swap, rights under the Collateral Put Agreement, rights under the Senior Swap, rights under the Senior Swap Agreement, and certain other accounts and agreements entered into as described herein, and proceeds thereof, all of which have been pledged to the Trustee to secure the Issuer's obligations to the Senior Swap Counterparty, the Holders of the Secured Notes and the Credit Protection Buyer. The Issuer will not engage in any business activity other than the issuance and sale of the Secured Notes, and the Income Notes as described herein, the issuance of the Ordinary Shares, the acquisition and disposition of the CDS Transactions, the Collateral Securities and Eligible Investments as described herein, the entering into of, and the performance of its obligations under, the Indenture, the Senior Swap, the Account Control Agreement, the Liquidation Agency Agreement, the Collateral Put Agreement, the Collateral Administration Agreement, any other applicable Transaction Document, the pledge of the Pledged Assets as security for its obligations in respect of the Senior Swap and the Secured Notes and otherwise for the benefit of the Secured Parties, certain activities conducted in connection with the payment of amounts in respect of the Secured Notes and the Income Notes and the management of the Pledged Assets and other activities incidental to the foregoing. Income derived from the Pledged Assets will be the Issuer's only source of cash.

*The Co-Issuer.* The Co-Issuer is a newly incorporated Delaware corporation and has no prior operating history. The Co-Issuer does not have and will not have any significant assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

*Tax.* See "Income Tax Considerations."

*ERISA.* See "ERISA Considerations."

*Listing.* Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any application will be made, that any such listing will be obtained or that, if it is obtained, that it will be maintained by the Issuer. If any Class or Classes of Notes are admitted to the official list of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Notes. If the Issuer terminates the listing, it may, but is under no obligation to, seek a replacement listing on another stock exchange.

## DESCRIPTION OF THE NOTES

The Secured Notes will be issued by the Issuers pursuant to the Indenture. The Income Notes will be issued by the Issuer pursuant to the Fiscal Agency Agreement. The following summary describes certain provisions of the Notes, the Indenture and the Fiscal Agency Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Notes, the Indenture and the Fiscal Agency Agreement. Copies of the Indenture may be obtained by prospective purchasers of the Secured Notes upon request in writing to the Trustee at The Bank of New York Trust Company, National Association, 601 Travis Street, 16th Floor, Houston, Texas 77002, Attention: Global Corporate Trust — Hudson Mezzanine Funding 2006-1, Ltd. (telephone number (713) 483-6000). Copies of the Fiscal Agency Agreement may be obtained by prospective purchasers of Income Notes upon request in writing to the Fiscal Agent at The Bank of New York Trust Company, National Association, 601 Travis Street, 16th Floor, Houston, Texas 77002, Attention: Global Corporate Trust — Hudson Mezzanine Funding 2006-1, Ltd. (telephone number (713) 483-6000).



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**Status and Security**

The Co-Issued Notes will be limited recourse obligations of the Issuers and the Senior Swap and the Class E Notes will be limited recourse obligations of the Issuer, secured as described below. The Income Notes will be limited recourse obligations of the Issuer, will not be secured obligations of the Issuer and will only be entitled to receive amounts available for payment to the Holders of the Income Notes after payment of all amounts payable prior thereto under the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes to the extent provided in the Priority of Payments. The Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes. Interest on the Class A-f Notes will be *pro rata* with interest on the Class A-b Notes and with payments of the Senior Swap Premium. The Outstanding Notional Amount of the Senior Swap will be reduced either senior to or *pro rata* with principal on the Class A Notes as more fully described in the Priority of Payments. Principal on the Class A-f Notes and the Class A-b will be paid either *pro rata* or first to the Class A-f Notes and second to the Class A-b Notes depending on the circumstances as more fully described in the Priority of Payments. The Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes. The Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes, the Class E Notes and the Income Notes. The Class D Notes will be senior in right of payment on each Payment Date to the Class E Notes and the Income Notes. The Class E Notes will be senior in right of payment on each Payment Date to the Income Notes. See "—Priority of Payments."

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee on behalf of the Senior Swap Counterparty, the Secured Notes, the Fiscal Agent, the Liquidation Agent, the Collateral Put Provider and the Credit Protection Buyer (but only to the extent of (a) the Collateral Securities and Eligible Investments in the Collateral Account and (b) the Delivered Obligations in the Delivered Obligations Account) (collectively, the "Secured Parties"), a first-priority security interest in (i) the Credit Default Swap; (ii) the Interest Collection Account; (iii) the Payment Account; (iv) the Expense Reserve Account; (v) the Delivered Obligations Account; (vi) the Amortization Shortfall Account, (vii) the CDS Counterparty Collateral Account, (viii) the Collateral Account (including the Cash Collateral Account) and (ix) the Collateral Put Provider Account (subject to the rights of the Collateral Put Provider) (items (ii) through (ix), the "Accounts"); (x) Eligible Investments; (xi) the Issuer's rights under the Senior Swap, (xii) the Issuer's rights under the Credit Default Swap; (xiii) the Issuer's rights under the Collateral Put Agreement, (xiv) the Issuer's rights under the Collateral Administration Agreement, (xv) the Issuer's rights under the Liquidation Agency Agreement and (xvi) certain other property (collectively, the "Pledged Assets").

Payments of interest on and principal of the Secured Notes, payments on the Senior Swap and payments to the Holders of the Income Notes, will be made solely from the proceeds of the Pledged Assets in accordance with the Priority of Payments.

The aggregate amount that will be available for payments required or permitted to be made on the Notes, the Senior Swap and of certain expenses of the Issuers, the Trustee and the Agents on any Payment Date will be the total amount of Proceeds received during the period (a "Due Period") ending on (and including) the fifth Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, ending on (and including) the day preceding such Payment Date), and commencing immediately following the fifth Business Day prior to the preceding Payment Date (or, in the case of the Due Period relating to the first Payment Date, on the Closing Date).

**Interest on the Secured Notes**

The Class S Notes will bear interest during each Interest Accrual Period at the Class S Note Interest Rate for such Interest Accrual Period. The Class A-f Notes will bear interest during each Interest Accrual Period at the Class A-f Note Interest Rate for such Interest Accrual Period. The Class A-b Notes will bear interest during each Interest Accrual Period at the Class A-b Note Interest Rate for such Interest Accrual Period. The Class B Notes will bear interest during each Interest Accrual Period at the Class B Note Interest Rate for such Interest Accrual Period. The Class C Notes will bear interest during each Interest Accrual Period at the Class C Note Interest Rate for such Interest Accrual Period. The Class D Notes will bear interest during each Interest Accrual Period at the Class D



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Note Interest Rate for such Interest Accrual Period. The Class E Notes will bear interest during each Interest Accrual Period at the Class E Note Interest Rate for such Interest Accrual Period. Interest with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be payable monthly in arrears on each Payment Date, commencing on the April 2007 Payment Date. LIBOR for the first Interest Accrual Period with respect to the Secured Notes will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on the Secured Notes will be made based on a 360-day year and the actual number of days in each Interest Accrual Period. The Holders of the Income Notes will receive on each Payment Date any amount of Proceeds that are available for distribution thereon in accordance with the Priority of Payments on such Payment Date. The "Interest Accrual Period," is with respect to the Class S Notes, the Class A-f Notes, the Class A-b Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date. The Interest Accrual Period shall also be the "Senior Swap Premium Calculation Period" under the Senior Swap.

If funds are not available on any Payment Date to pay the full amount of interest on the Class C Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class C Deferred Interest"), will not be due and payable on such Payment Date, but will be added to the principal amount of the Class C Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class C Note Interest Rate. If funds are not available on any Payment Date to pay the full amount of interest on the Class D Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class D Deferred Interest"), will not be due and payable on such Payment Date, but will be added to the principal amount of the Class D Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class D Note Interest Rate. If funds are not available on any Payment Date to pay the full amount of interest on the Class E Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class E Deferred Interest"), will not be due and payable on such Payment Date, but will be added to the principal amount of such Class E Notes, and, to the extent lawful and enforceable, thereafter will accrue interest at the Class E Note Interest Rate. So long as the Senior Swap or any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay interest to the Holders of the Class C Notes will not be an Event of Default under the Indenture, so long as the Senior Swap or any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay interest to the Holders of the Class D Notes will not be an Event of Default under the Indenture. So long as the Senior Swap or any Class S Note, Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, the failure to pay interest to the Holders of the Class E Notes will not be an Event of Default under the Indenture. See "—Priority of Payments" and "—The Indenture—Events of Default."

Interest will cease to accrue on each Secured Note from the date of repayment in full or Stated Maturity, or in the case of partial repayment, on such part, unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments of principal. See "—Principal." To the extent lawful and enforceable, interest on any Defaulted Interest on each Class of Secured Notes entitled thereto will accrue at the interest rate applicable to such Class of Notes, until paid as provided herein. "Defaulted Interest" means any interest due and payable in respect of any Class S Note, Class A Note or Class B Note or if the Senior Swap is not outstanding and there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or if the Senior Swap is not outstanding and there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note or if the Senior Swap is not outstanding and there are no Class S Notes, Class A Notes, Class B Notes, Class C or Class D Notes outstanding, any Class E Note which, in any such case, is not punctually paid or duly provided for on the applicable Payment Date or at Stated Maturity, as the case may be.

**Determination of LIBOR**

For purposes of calculating each of the Note Interest Rates, the Issuers will appoint as agent The Bank of New York Trust Company, National Association (in such capacity, the "Note Calculation Agent"). LIBOR shall be determined by the Note Calculation Agent in accordance with the following provisions:

(i) On the second Business Day prior to the commencement of an Interest Accrual Period (each such day, a "LIBOR Determination Date"), LIBOR ("LIBOR") shall equal the rate, as obtained by the Note Calculation



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Agent, for Eurodollar deposits for, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, a one-month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology, which appears on Bridge Telerate Page 3750 (as Telerate is defined in the International Swaps and Derivatives Association, Inc. Annex to the 2000 ISDA Definitions (June 2000 version)), or such page as may replace Bridge Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Bridge Telerate Page 3750, or such page as may replace Bridge Telerate Page 3750, the Note Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Eurodollar deposits for, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, a one month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology, in an amount determined by the Note Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Note Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer) are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the applicable period in an amount determined by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer) by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Note Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer).

As soon as possible after 11:00 a.m. (New York time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Note Calculation Agent will cause notice of each of the Note Interest Rates for the next Interest Accrual Period and the amount of interest for such Interest Accrual Period payable in respect of each U.S.$1,000 principal amount of the Class S Notes (the "Class S Note Interest Amount"), of the Class A-f Notes (the "Class A-f Note Interest Amount"), of the Class A-b Notes (the "Class A-b Note Interest Amount"), of the Class B Notes (the "Class B Note Interest Amount"), of the Class C Notes (the "Class C Note Interest Amount"), of the Class D Notes (the "Class D Note Interest Amount") and of the Class E Notes (the "Class E Note Interest Amount") (collectively, the "Note Interest Amounts") (each rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date, to be communicated to the Issuers, DTC, Euroclear, Clearstream, the Note Paying Agents, the Trustee, the Liquidation Agent, the Securities Intermediary and the Irish Paying Agent (if any) for further delivery to the Irish Stock Exchange (so long as any Class of Notes is listed on such exchange). In the last case, the Note Calculation Agent will furnish such information as soon as possible after its determination to the Irish Paying Agent (if any) as long as any Notes are listed on the Irish Stock Exchange. The Note Interest Amount on any Payment Date of any Class of Notes shall be calculated based on the Outstanding principal balance of such Class prior to the payment of any Amortization Shortfall Amounts. The Note Calculation Agent will also specify to the Issuers and the Liquidation Agent the quotations upon which each of the Note Interest Rates are based. The Note Calculation Agent shall notify the Issuers and the Liquidation Agent before 12:00 p.m. (New York time) on any LIBOR Determination Date if it has not determined and is not in the process of determining the applicable Note Interest Rates and Note Interest Amounts (collectively, the "Interest Calculations"), together with its reasons therefor. "Business Day" means any day other than (x) Saturday or Sunday or (y) a day on which commercial banking institutions are authorized or obligated by law, regulation or executive order to close in New York, New York, the city of the Corporate Trust Office or, for the purposes of the Credit Default Swap and the Collateral Put Agreement only, London; *provided, however*, that for the sole purpose of determining LIBOR, "Business Day" shall be defined as any day on which dealings in deposits in U.S. Dollars are transacted in the London interbank market and *provided further*, that to the extent action is required of the Irish Paying Agent (if any), the location of such Irish Paying



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Agent shall be considered in determining the "Business Day" for purposes of determining when such Irish Paying Agent action is required.

The Note Calculation Agent may not be removed by the Issuers unless the entity that is serving as Trustee is removed as Trustee. If the Note Calculation Agent is unable or unwilling to act as such or, in accordance with the preceding sentence, is removed by the Issuers, or if the Note Calculation Agent fails to determine the applicable Interest Calculations for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Note Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuers or their affiliates. The Note Calculation Agent may not resign its duties without a successor having been duly appointed. In addition, if and for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, notice of the appointment of any Note Calculation Agent will be furnished to such stock exchange. For so long as any of the Notes remain outstanding, there will at all times be a Note Calculation Agent for the purpose of calculating the applicable Interest Calculations. The determination of the applicable Interest Calculations by the Note Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

**Payments on the Income Notes**

The Income Notes will not bear interest based upon any fixed or floating rate.

The Fiscal Agent will receive Proceeds (and make payments to the Holders of the Income Notes) to the extent provided in the Indenture, if any, such Proceeds are available pursuant to clause (xxiii) (or pursuant to clause (viii) in the case of the Final Payment Date) under "—Priority of Payments." Such payments will be made on the Income Notes only after all interest and other payments due on the Secured Notes have been made and all expenses of the Issuers have been paid (with such remaining Proceeds referred to as "Excess Amounts"). See "Risk Factors—Notes——Subordination of the Income Notes; Unsecured Obligations."

Except as permitted pursuant to clause (xxiii) of the Priority of Payments, no principal payments will be made on the Income Notes until principal of, and accrued and unpaid interest on, the Secured Notes, and all other payments, certain fees and expenses, have been paid in full in accordance with the Priority of Payments.

**Principal**

The Notes (other than the Class S Notes) will mature on the Payment Date in April 2042 (each such date the "Stated Maturity" with respect to such Notes) and the Class S Notes will mature on the Payment Date in August 2012 (the "Stated Maturity" with respect to the Class S Notes). The average life of each Class of Notes (other than the Class S Notes) is expected to be substantially shorter than the number of years from issuance until the Stated Maturity for such Class of Notes. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in May 2007 in an amount equal to the Class S Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, the Class S Notes will be paid in full prior to any distributions to any other Notes. Principal will be payable on certain of the Notes and the Outstanding Notional Amount of the Senior Swap will be reduced on each Payment Date, in accordance with the Priority of Payments. On any Payment Date, on which certain conditions are satisfied, (i) the Outstanding Notional Amount of the Senior Swap will be reduced by the Senior Swap Reduction Amount and (ii) principal will be paid to the Holders of the Class A Notes pursuant to the Senior Principal Allocation, only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target of 143.8%. After achieving and maintaining such target and minimum, the payment of remaining principal will shift to the Holders of the Class B Notes until such Holders have been paid an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to the specified target of 122.5%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class C Notes which will receive principal only in an amount required to increase (or



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maintain) the Class C Adjusted Overcollateralization Ratio to a specified target of 110.2%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class D Notes which will receive principal only in an amount required to increase (or maintain) the Class D Adjusted Overcollateralization Ratio to a specified target of 105.8%. However, if the Aggregate Outstanding Portfolio Amount is less than U.S.$ 1,050,000,000 on the Determination Date with respect to the related Payment Date, then only the amount described above to be allocated to reduce the Outstanding Notional Amount of the Senior Swap or to be paid to the Class A Notes will be allocated or paid, such amount to be allocated, *first*, to reduce the Outstanding Notional Amount of the Senior Swap, *second*, to the payment of principal of Class A Notes until the Class A Notes have been paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date relating to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full, and then to the Class A-b Notes until the Class A-b Notes are paid in full, *third*, to the payment of principal of all outstanding Class B Notes, *fourth*, to the payment of principal of all outstanding Class C Notes and *fifth*, to the payment of all outstanding Class D Notes. The foregoing "shifting principal" method permits Holders of the Class B Notes, the Class C Notes and the Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and permits distributions of Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while more senior Notes are outstanding. Holders of the Class E Notes may receive payments of principal in accordance with (a) clause (xvi) of the Priority of Payments in an amount necessary to increase or maintain the Class E Adjusted Overcollateralization Ratio to a specified target of 104.2%; *provided however*, that if the Aggregate Outstanding Portfolio Amount is less than U.S.$ 1,050,000,000 on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, then all remaining Amortization Proceeds will be applied to the payment of all outstanding Class E Notes until the Class E Notes are paid in full and (b) clause (xvii) of the Priority of Payments if the Class E Interest Diversion Test is not satisfied. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Secured Notes or to the Income Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Secured Notes.

Subject to the availability of funds therefor in accordance with the Priority of Payments, if any of the Coverage Tests are not satisfied on any applicable Determination Date, the Outstanding Notional Amount of the Senior Swap will be reduced and certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption on the related Payment Date until paid in full. See "—Mandatory Redemption" and the "—Priority of Payments" for a description of the order in which such Notes are paid in connection with the failure of a Coverage Test. The Class E Notes are also subject to mandatory redemption in accordance with the Priority of Payments on any Payment Date if the Class E Interest Diversion Test is not satisfied.

**Scheduled Redemption of Income Notes**

On or prior to the date that is one (1) Business Day prior to the end of the Due Period applicable to the Maturity Date, the Liquidation Agent will sell, assign, terminate or otherwise dispose of all remaining Pledged Assets. The settlement dates for any such sales or other dispositions shall be no later than one (1) Business Day prior to the end of such Due Period. The proceeds of such sales or other dispositions will be paid to the Fiscal Agent after the payment of amounts senior to the Holders of the Income Notes in the Priority of Payments for deposit into the account maintained therefore by the Fiscal Agent (the "Income Note Payment Account") and payment to the Holders of the Income Notes as the redemption price for the Income Notes upon such payment. Upon such payment, the Issuer shall redeem the Income Notes.

**Auction**

Sixty (60) days prior to the Payment Date occurring in April of each year (each, an "Auction Date") commencing on the April 2015 Payment Date, the Liquidation Agent, on behalf of the Issuer, will take steps to conduct an auction (the "Auction") of the Credit Default Swap, the Eligible Investments (other than cash), the Delivered Obligations and the Collateral Securities in accordance with procedures specified in the Indenture. If the Liquidation Agent receives one or more bids from Eligible Bidders not later than ten (10) Business Days prior to the Auction Date, which, when added to the cash on deposit in the Collateral Account, equals or exceeds the Minimum Bid Amount, it will sell, assign, terminate or otherwise dispose of the Credit Default Swap, Eligible Investments



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(other than cash), the Delivered Obligations and the Collateral Securities for settlement on or before the fifth Business Day prior to such Auction Date and the Notes and the Income Notes will be redeemed in whole on such Auction Date (any such date, an "Auction Payment Date"). The Liquidation Agent and its affiliates shall be considered Eligible Bidders. If the highest single bid on the entire portfolio, or the aggregate amount of multiple bids with respect to individual Collateral Securities, Eligible Investments (other than cash) and Delivered Obligations, when added to the other Liquidation Proceeds and cash on deposit in the Collateral Account, does not equal or exceed the Minimum Bid Amount (which includes the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes) or if there is a failure at settlement, the Credit Default Swap and the Senior Swap will not be terminated or assigned, the Eligible Investments (other than cash), Collateral Securities and the Delivered Obligations will not be sold and the redemption of the Notes on the related Auction Date will not occur.

The Outstanding Notional Amount of the Senior Swap will be reduced to zero and the Secured Notes will be redeemed in whole at the applicable Secured Note Redemption Price following a successful Auction in accordance with the Priority of Payments. The amount distributable as the final payment on the Income Notes following any such redemption will equal the Income Note Redemption Price, which may be less than the then current Aggregate Outstanding Amount of the Income Notes).

**Tax Redemption**

Subject to certain conditions described herein, the Secured Notes may be redeemed by the Issuers at any time, in whole but not in part, 90 days following the Issuers becoming aware of the occurrence of a Tax Event (*provided* that such 90-day period shall be extended by another 90 days if, during the initial 90-day period, the Issuers have notified the Holders of the Notes that the related Issuer expects that it shall have changed its place of residence by the end of the later 90-day period) at their Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, at the written direction of, or with the written consent of, (i) the Holders of at least 66-2/3% of the Income Notes or (ii) the Holders of a Majority of any Class of Secured Notes which, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest or other amounts then due and payable on such Notes on any Payment Date (such redemption, a "Tax Redemption"); *provided* that no such redemption shall be effected unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount (which includes the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes). If a Tax Redemption occurs, the Income Notes will be redeemed simultaneously. No such Tax Redemption will occur unless all amounts payable to the Senior Swap Counterparty, the Credit Protection Buyer and any assignee of the Credit Default Swap (including all Credit Default Swap Termination Payments) will have been paid in full, in each case, on the related redemption date.

In connection with a Tax Redemption, the Issuers (in the case of the Co-Issued Notes) and the Issuer (in the case of the Class E Notes and the Income Notes) shall notify the Trustee and the Fiscal Agent, of such Tax Redemption and the Payment Date which is the date for redemption (the "Tax Redemption Date") and direct the Trustee, in writing, to assign, terminate or otherwise dispose of, in the manner determined by the Liquidation Agent, and in accordance with the Indenture, any CDS Transaction, Collateral Security, Eligible Investment and Delivered Obligation and upon any such assignment, termination or other disposition, the Trustee shall release the lien upon such CDS Transaction, Collateral Security, Eligible Investment and Delivered Obligation pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to assign, terminate or otherwise dispose of (and the Trustee shall not be obligated to release the lien upon) any CDS Transaction, Collateral Security, Eligible Investment or Delivered Obligation except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Liquidation Agent shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Pledged Assets will equal or exceed the Total Redemption Amount. The proceeds available for distribution in connection with a Tax Redemption will be reduced by the amount of expected Credit Default Swap Termination Payments due to the Credit Protection Buyer.

The amount payable to the Holders of the Secured Notes in connection with any Tax Redemption of the Secured Notes will equal the Secured Note Redemption Prices thereof. The amount distributable as a final redemption payment on the Income Notes following any redemption of the Secured Notes will equal the Income



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Note Redemption Price (which may be less than the then current Aggregate Outstanding Amount of the Income Notes).

**Optional Redemption**

Subject to certain conditions described herein, the Secured Notes may be redeemed by the Issuers and the Income Notes may be redeemed by the Issuer, in whole but not in part at their Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, on any Payment Date on or after the April 2010 Payment Date, at the written direction of, or with the written consent of, the Holders of at least a Majority of the Income Notes (including Income Notes held by the Liquidation Agent or any affiliate thereof) (such redemption, an "Optional Redemption"); *provided* that no Optional Redemption shall be effected unless the expected Liquidation Proceeds will equal or exceed the Total Redemption Amount (which includes the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes). If the Holders of the Income Notes so elect to cause an Optional Redemption, the Income Notes will be redeemed simultaneously.

In connection with an Optional Redemption, the Issuers (in the case of the Co-Issued Notes) and the Issuer (in the case of the Class E Notes and the Income Notes) shall notify the Trustee and the Fiscal Agent, as applicable, of such Optional Redemption and the Optional Redemption Date and direct the Trustee, in writing, to sell, assign, terminate or otherwise dispose of, in the manner determined by the Liquidation Agent, and in accordance with the Indenture, the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations and upon any such sale, assignment, termination or other disposition, the Trustee shall release the lien upon the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to assign, terminate or otherwise dispose of (and the Trustee shall not be obligated to release the lien upon) the Credit Default Swap, Collateral Security, Eligible Investment or Delivered Obligation except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Liquidation Agent shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the assignment, termination or other disposition of the Credit Default Swap, Collateral Securities, Eligible Investments and Delivered Obligations and other assets of the Issuer will equal or exceed the Total Redemption Amount.

The amount payable to the Holders of the Secured Notes in connection with any Optional Redemption of the Secured Notes will equal the Secured Note Redemption Prices thereof. The amount distributable as a final redemption payment on the Income Notes following any redemption of the Secured Notes will equal the Income Note Redemption Price (which shall at least be equal to the Income Note Face Amount or such lesser amount as is agreed to by the Holders of 100% of the Income Notes).

*Optional Redemption/Tax Redemption Procedures.* To conduct an Optional Redemption or a Tax Redemption, the procedures set forth in the Indenture must be followed and any conditions precedent thereto must be satisfied.

If in the case of a Tax Redemption or an Optional Redemption of the Secured Notes and the Income Notes, any Holder of an Income Note or, in the case of a Tax Redemption, any Holder of a Secured Note affected by a Tax Event, desires to direct the Issuers with respect to the Secured Notes and the Issuer with respect to the Income Notes to redeem the Secured Notes and the Income Notes, such person shall notify the Principal Note Paying Agent, in the case of a Holder of Secured Notes or the Fiscal Agent, in the case of a Holder of Income Notes, which in each case will in turn notify the Trustee (with a copy to the Issuer, the Liquidation Agent, the Credit Protection Buyer, the Collateral Put Provider and the Senior Swap Counterparty) of such desire in writing no less than thirty (30) Business Days prior to such Payment Date. Such notice shall be irrevocable.

The Trustee will provide notice of any Optional Redemption or Tax Redemption by first-class mail, postage prepaid, mailed not less than ten (10) Business Days prior to the scheduled Tax Redemption Date or Optional Redemption Date, as applicable, to the Principal Note Paying Agent, to the Fiscal Agent, to the Credit Protection Buyer, to the Collateral Put Provider, to the Senior Swap Counterparty and to each Holder of a Secured Note at such Holder's address in the register maintained by the Note Registrar under the Indenture. The Fiscal Agent will provide the same notice to each Holder of an Income Note at such Holder's address in the Income Notes Register maintained by the Income Notes Transfer Agent pursuant to the Fiscal Agency Agreement. In addition, the



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Trustee or the Fiscal Agent will, if and for so long as any Class of Secured Notes or the Income Notes to be redeemed is listed on the Irish Stock Exchange, direct the Irish Paying Agent to (i) cause notice of such Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange not less than ten (10) Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of such Optional Redemption or Tax Redemption.

The initial paying agents for the Notes are The Bank of New York Trust Company, National Association, as Principal Note Paying Agent, and, if and so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

Secured Notes or Income Notes called for redemption (other than in the case of an Auction) must be surrendered at the office of any paying agent appointed under the Indenture or the Fiscal Agency Agreement, respectively, in order to receive any final payments on the Notes. The initial paying agent for the Secured Notes and Income Notes is The Bank of New York Trust Company, National Association and if and for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

Any such notice of redemption will be deemed to be withdrawn in its entirety by the Issuers (with respect to the Co-Issued Notes) and the Issuer (with respect to the Class E Notes and the Income Notes) on the seventh Business Day prior to the scheduled redemption date if the Liquidation Agent shall not have delivered the sale agreement or agreements or certifications, required by the Indenture by such date. In such event, the Trustee shall notify the Fiscal Agent that the notice of redemption has been withdrawn by overnight courier guaranteeing next day delivery sent not later than the sixth Business Day prior to such scheduled redemption date with a copy by facsimile transmission. The Senior Swap and the Collateral Put Agreement will not terminate upon notice to the respective counterparties of redemption until the time for withdrawal of notice has expired. The Liquidation Agent shall be liable only for the failure to effect an Optional Redemption or Tax Redemption due to the Liquidation Agent's gross negligence or willful misconduct. Notice of any such withdrawal shall be given at the Issuer's expense by the Trustee or the Fiscal Agent, as applicable, to each Holder of a Note at the address appearing in the applicable register maintained by the Note Transfer Agent under the Indenture or the Income Notes Transfer Agent under the Fiscal Agency Agreement, as applicable, by overnight courier guaranteeing next day delivery sent not later than the third Business Day prior to the scheduled redemption date, with a copy by facsimile transmission to the Collateral Put Provider, the Credit Protection Buyer, the Senior Swap Counterparty, the Liquidation Agent and the Rating Agencies (so long as any of the Notes are rated). The Trustee or the Fiscal Agent will also give notice to the Irish Paying Agent if any Notes are then listed on the Irish Stock Exchange.

**Mandatory Redemption**

On any Payment Date on which the Senior Overcollateralization Test was not satisfied on the last Business Day of the immediately preceding Due Period (such Business Day, the "Determination Date"), the Class A Notes and the Class B Notes will be redeemed at par *plus* accrued interest as follows:

If the Senior Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date after giving effect to all payments of principal and reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to clause (viii) or clauses (x), (xii) and (xiii) of the Priority of Payments), Amortization Proceeds net of amounts payable under clauses (i) through (vii) of the Priority of Payments will be used, *first*, to reduce the Outstanding Notional Amount of the Senior Swap until amortized in full, *second*, to the payment of principal of the Class A Notes until the Class A Notes are paid in full, and *third*, to the payment of principal of the Class B Notes until the Class B Notes are paid in full; *provided* that, as long as the Senior Swap is outstanding on such date, any remaining Interest Proceeds will be deposited in the Collateral Account for investment in Collateral Securities and Eligible Investments, and the Outstanding Notional Amount of the Senior Swap shall be reduced by the same amount. The Class S Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Senior Overcollateralization Test.

If the Class C Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date after giving effect to all payments of principal and the reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to clause



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(x) or clauses (xii) and (xiii) of the Priority of Payments), Principal Proceeds net of amounts payable under clauses (i) through (ix) of the Priority of Payments will be applied as follows: If the Senior Overcollateralization Test was satisfied on each Determination Date with respect to each preceding Payment Date and the Aggregate Outstanding Portfolio Amount is greater than or equal to U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date, Amortization Proceeds will be applied, *pro rata* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, (ii) to the payment of principal of the Class B Notes and (iii) to the payment of principal of the Class C Notes, until the Outstanding Notional Amount of the Senior Swap is reduced to zero and the Class A Notes, the Class B Notes and the Class C Notes are paid in full and, any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, Amortization Proceeds will be applied *first* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date, *second* (ii) to the payment of principal of the Class A Notes until the Class A Notes are paid in full; *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and then to the Class A-b Notes until the Class A-b Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the Class B Notes are paid in full and *fourth* (iv) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full. The Class S Notes, the Class D Notes, the Class E Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Class C Overcollateralization Test.

If the Class D Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date (together with the Senior Overcollateralization Test, the Class C Overcollateralization Test and the Class E Interest Diversion Test, the "Coverage Tests") after giving effect to all payments of principal and the reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to clause (xii) or clause (xiii) of the Priority of Payments, Principal Proceeds net of amounts payable under clauses (i) through (xi) of the Priority of Payments will be used as follows: If the Senior Overcollateralization Test was satisfied on each Determination Date with respect to each preceding Payment Date and the Aggregate Outstanding Portfolio Amount is greater than or equal to U.S.1,050,000,000 on the Determination Date with respect to the related Payment Date, Amortization Proceeds will be applied *pro rata* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, (ii) to the payment of principal of the Class B Notes, (iii) to the payment of principal of the Class C Notes and (iv) to the payment of principal of the Class D Notes, until the Outstanding Notional Amount of the Senior Swap is reduced to zero and the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are paid in full and any remaining Proceeds to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, Amortization Proceeds will be applied, *first* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date, *second* (ii) to the payment of principal of the Class A Notes until the Class A Notes are paid in full; *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and second to the Class A-b Notes until the Class A-b Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the Class B Notes are paid in full, *fourth* (iv) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and *fifth* (v) to the payment of principal of the Class D Notes until the Class D Notes are paid in full. The Class S Notes, the Class E Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of the Class D Overcollateralization Test.

The Coverage Tests will be used primarily to determine whether interest may be paid on the Class C Notes, the Class D Notes and the Class E Notes and whether Proceeds will be distributed to the Holders of the Income Notes, and whether Proceeds must be used to reduce the Outstanding Notional Amount of the Senior Swap and to



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make mandatory redemptions of the Class A-f Notes, the Class A-b Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. See "Description of the Notes—Principal" and "—Priority of Payments." The Coverage Tests will consist of the Senior Overcollateralization Test, the Class C Overcollateralization Test, the Class D Overcollateralization Test and the Class E Interest Diversion Test. For purposes of the Coverage Tests, (i) unless otherwise specified, a CDS Transaction shall be included as a Pledged Asset having the characteristics of the Reference Obligation and not of the CDS Transaction; *provided*, that if such Credit Protection Buyer is in default under the related CDS Transaction, such CDS Transaction shall not be included as a Collateral Asset for purposes of the Coverage Tests or such CDS Transaction will be treated in such a way that will satisfy the Rating Agency Condition and (ii) the calculation of the Senior Overcollateralization Ratio, the Class C Overcollateralization Ratio, the Class D Overcollateralization Ratio and the Class E Interest Diversion Test on any Determination Date that such Coverage Test is applicable shall be made by giving effect to all payments scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Determination Date. For purposes of each of the Senior Overcollateralization Test, the Class C Overcollateralization Test, the Class D Overcollateralization Test and the Class E Interest Diversion Test, notwithstanding the definition of Principal Balance contained herein, the Principal Balance of any security that is not currently paying cash interest (excluding any security that is, in accordance with its terms, making payments due thereon "in kind") shall be the accreted value of such security as of the date on which it was purchased by the Issuer; *provided*, that such accreted value shall not exceed the par amount of such security.

*The Senior Overcollateralization Test*

The "Senior Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the sum of (a) the Outstanding Notional Amount of the Senior Swap, (b) the Unreimbursed Senior Swap Funding Amount and (c) the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes, *minus* the Amortization Proceeds expected to be available prior to clause (xiii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Senior Overcollateralization Test" will be satisfied on any Determination Date on which any Class A Notes or Class B Notes remain outstanding if the Senior Overcollateralization Ratio on such Determination Date is equal to or greater than 116.5%. As of the Closing Date, the Senior Overcollateralization Ratio is expected to be equal to 120.5%.

*The Class C Overcollateralization Test*

The "Class C Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the sum of (a) the Outstanding Notional Amount of the Senior Swap, (b) the Unreimbursed Senior Swap Funding Amount and (c) the Aggregate Outstanding Amount of the Notes (other than the Class S Notes, the Class D Notes, the Class E Notes and the Income Notes and including Class C Deferred Interest), *minus* the Amortization Proceeds expected to be available prior to clause (xiii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class C Overcollateralization Test" will be satisfied on any Determination Date on which any Class C Notes remain outstanding if the Class C Overcollateralization Ratio on such Determination Date is equal to or greater than 106.5%. As of the Closing Date, the Class C Overcollateralization Ratio is expected to be equal to 109.3%.

*The Class D Overcollateralization Test*

The "Class D Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the sum of the (a) the Outstanding Notional Amount of the Senior Swap, (b) the Unreimbursed Senior Swap Funding Amount and (c) Aggregate Outstanding Amount of the Notes (other than the Class S Notes, the Class E Notes and Income Notes and including Class C Deferred Interest and Class D Deferred Interest), *minus* the



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Amortization Proceeds expected to be available prior to clause (xiii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class D Overcollateralization Test" will be satisfied on any Determination Date on which any Class D Notes remain outstanding if the Class D Overcollateralization Ratio on such Determination Date is equal to or greater than 102.4%. As of the Closing Date, the Class D Overcollateralization Ratio is expected to be equal to 104.5%.

*The Class E Interest Diversion Test.*

The Class E Interest Diversion Test will be used primarily whenever certain Proceeds will be used to make mandatory redemptions of the Class E Notes. See "Description of the Notes – Priority of Payments." The "Class E Interest Diversion Test" will be satisfied on any Determination Date if the Class E Overcollateralization Ratio is equal to or greater than 101.4%. As of the Closing Date, the Class E Overcollateralization Ratio is expected to be equal to 103.1%.

The "Class E Overcollateralization Ratio" as of any Determination Date will equal a ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date by (ii) the sum of (a) the Outstanding Notional Amount of the Senior Swap, (b) the Unreimbursed Senior Swap Funding Amount and (c) the Aggregate Outstanding Amount of the Notes (other than the Class S Note and the Income Notes and including Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest), *minus* the Amortization Proceeds expected to be available prior to clause (xiii) of the Priority of Payments assuming that the Coverage Tests are satisfied.

**Cancellation**

All Notes that are redeemed or paid and surrendered for cancellation as described herein will forthwith be canceled and may not be reissued or resold.

**Payments**

Payments on any Payment Date in respect of principal of and interest on the Notes issued as Global Notes will be made to the person in whose name the relevant Global Note is registered at the close of business on the Business Day prior to such Payment Date. For the Notes issued in definitive form, payments on any Payment Date in respect of principal, interest and other distributions will be made to the person in whose name the relevant Security is registered as of the close of business 10 Business Days prior to such Payment Date. Payments on the Global Notes will be payable by wire transfer in immediately available funds to a U.S. Dollar account maintained by DTC or its nominee (in the case of the Global Notes) or each Holder (in the case of individual Definitive Notes) to the extent practicable or otherwise by U.S. Dollar check drawn on a bank in the United States sent by mail either to DTC or its nominee (in the case of the Global Notes), or to each Holder at its address appearing in the applicable register. Final payments in respect of principal on the Notes will be made only against surrender of the Notes at the office of any paying agent. None of the Issuers, the Securities Intermediary, the Trustee, the Liquidation Agent, the Credit Protection Buyer, the Senior Swap Counterparty, the Collateral Put Provider or any paying agent will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Note.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.



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If any payment on a Note is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day.

If and for so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuers will have a paying agent and a transfer agent in accordance with the requirements of the rules of such exchange for such Notes and payments on and transfers or exchanges of interest in such Notes may be effected through the Irish Paying Agent. In the event that the Irish Paying Agent (if any) is replaced at any time during such period, notice of the appointment of any replacement will be given to the Irish Stock Exchange if and as long as any Notes are listed thereon.

**Senior Swap Notional Reduction**

On each Payment Date, the Outstanding Notional Amount of the Senior Swap will be reduced by the Senior Swap Reduction Amount as calculated in accordance with the provisions hereof.

Two Business Days prior to each Payment Date, to the extent there is a positive Aggregate Amortization Amount for such Payment Date and the Trustee has determined that amounts on deposit or expected to be on deposit in the Payment Account on the related Payment Date will not be sufficient to pay in full amounts due pursuant to clauses (i) through (vii) of the Priority of Payments for such Payment Date, the Liquidation Agent, on behalf of the Issuer, will apply the Amortization Collateral Liquidation Procedure and will deposit in the Payment Account the lesser of (a) the amount of such deficiency and (b) the Aggregate Amortization Amount for such Payment Date (such amount, the "Senior Waterfall Shortfall Amount").

Two Business Days prior to each Payment Date (only to the extent the Maximum Principal Amount exceeds the Aggregate Reference Obligation Notional Amount following the calculation and withdrawal of any Senior Shortfall Amount), in accordance with the procedures set forth in this paragraph, the Trustee shall determine the amount, if any, that the Outstanding Notional Amount of the Senior Swap will be reduced on the related Payment Date in accordance with the procedures below:

(a) If the Senior Overcollateralization Test as applied in clause (viii) of the Priority of Payments was not satisfied on any Determination Date, including the Determination Date related to the current Payment Date, or, if the Aggregate Outstanding Portfolio Amount is less than U.S. $1,050,000,000 on the Determination Date with respect to the current Payment Date, then the Senior Swap Reduction Amount shall be equal to the lesser of (1) the Aggregate Net Amortization Amount and (2) the Outstanding Notional Amount of the Senior Swap;

(b) If the Class C Overcollateralization Test as applied in clause (x) of the Priority of Payments was not satisfied on the current Determination Date, then (1) the Aggregate Net Amortization Amount will be allocated pro rata among the Senior Swap, the Class A Notes, the Class B Notes and the Class C Notes and (2) the Senior Swap Reduction Amount shall be the amount allocated to the Senior Swap pursuant to subclause (1) of this paragraph (b);

(c) If the Class D Overcollateralization Test as applied in clause (xii) of the Priority of Payments was not satisfied on the current Determination Date, then (1) the Aggregate Net Amortization Amount will be allocated pro rata among the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and (2) the Senior Swap Reduction Amount shall be the amount allocated to the Senior Swap pursuant to subclause (1) of this paragraph (c);

(d) If Proceeds are being applied pursuant to clause (xiii) of the Priority of Payments, then (1) the Aggregate Net Amortization Amount shall be allocated pro rata among the Senior Swap and the Class A Notes up to the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to 143.8% and (2) the Senior Swap Reduction Amount shall be the amount allocated to the Senior Swap pursuant to subclause (1) of this paragraph (d);

(e) The "Senior Swap Reduction Amount" with respect to any Payment Date will be the amount determined pursuant to clause (a), (b), (c) or (d), as applicable, with respect to such Payment Date.



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If on any Payment Date there exists an Amortization Shortfall Amount, the Collateral Account Amount shall be deemed to be reduced by the full Amortization Payment Amount and the Trustee shall calculate, and maintain a record of, how such Amortization Shortfall Amount would have been paid out on a pro forma basis on such Payment Date in accordance with the Priority of Payments had the amount available pursuant to the Amortization Collateral Liquidation Procedure from the Collateral Account on such Payment Date been equal to the full Amortization Payment Amount. In each Due Period relating to the Payment Date or Payment Dates immediately following any Payment Date on which an Amortization Shortfall Amount occurred, all principal payments received by the Issuer on the Collateral Securities and the Eligible Investments in the Collateral Account up to an amount equal to such Amortization Shortfall Amount shall be deposited by the Trustee in the Amortization Shortfall Account. Amounts on deposit in the Amortization Shortfall Account shall be applied by the Trustee on the immediately following Payment Date for the purposes and to the Persons that would have otherwise received such amounts in accordance with the calculations (and records) of the Trustee maintained pursuant to the first sentence of this paragraph. To the extent there remains any unsatisfied Amortization Shortfall Amount on the next Payment Date, for purposes of calculating the Amortization Payment Amount on such Payment Date the Principal Balance of the Collateral Securities and Eligible Investments on deposit in the Collateral Account shall be reduced by the amount of any unsatisfied Amortization Shortfall Amount from any prior Payment Date.

**Priority of Payments**

With respect to any Payment Date, all Proceeds received on the Pledged Assets during the related Due Period in the Interest Collection Account will be applied by the Trustee in the priority set forth below (the "Priority of Payments"). For purposes of the Priority of Payments, amounts paid as interest, fees or distributions on the Notes and the Senior Swap on a "*pro rata*" basis shall be *pro rata* based on the amount due on such Class or subclass of Notes or Senior Swap, amounts paid as principal and reductions of the Outstanding Notional Amount of the Senior Swap shall be made *pro rata* based on the amount of principal then outstanding on such Class or subclass of Notes and on the Outstanding Notional Amount of the Senior Swap and unless stated otherwise, Proceeds not constituting Principal Proceeds will be assumed to be applied prior to any Principal Proceeds.

Amounts due in respect of Defaulted Credit Default Swap Termination Payments shall be deposited into the Payment Account and paid in accordance with the Priority of Payments on each Payment Date. Credit Protection Amounts due to the Credit Protection Buyer will be paid when due pursuant to the terms of the Credit Default Swap. Any reimbursement of Senior Swap Funding Payments to the Senior Swap Counterparty will be paid when received by the Issuer under the Credit Default Swap.

On the Business Day prior to each Payment Date (other than a Final Payment Date), the Trustee will transfer all funds then on deposit in the Interest Collection Account (other than amounts received after the end of the related Due Period) into the Payment Account. On each Payment Date (other than a Final Payment Date), amounts in the Payment Account will be applied by the Trustee pursuant to the Note Valuation Report in the manner and order of priority set forth below:

i. to the payment of taxes and filing and registration fees (including, without limitation, annual return fees) owed by the Issuers, if any;

ii. to the payment of accrued and unpaid fees of the Trustee up to a maximum amount on any Payment Date equal to the greater of U.S.$4,167 and 0.0004167% of the Monthly Asset Amount for the related Due Period (or, in the case of the first Due Period, as such amounts are adjusted based on the number of days in such Due Period);

iii. (a) *first*, to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers, excluding any indemnities (and legal expenses related thereto) payable by the Issuers *first*, to the Trustee, the Collateral Administrator, the Fiscal Agent and the Income Notes Transfer Agent and second, *pro rata*, to any other parties entitled thereto; (b) *second*, to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers *first*, to the Trustee, the Collateral Administrator and the Fiscal Agent and *second*, *pro rata*, to any other parties entitled thereto; and (c) *third*, to the Expense Reserve Account the lesser of U.S.$50,000 and the amount necessary to bring the balance of such account to U.S.$200,000; *provided*, *however*, that the



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aggregate payments pursuant to subclauses (a) through (c) of this clause (iii) on any Payment Date shall not exceed U.S.$250,000 and the aggregate payments pursuant to subclauses (a) and (b) of this clause (iii) and the prior 11 Payment Dates shall not exceed U.S.$400,000;

iv. to the payment of, (a) *first, pro rata* (based on amounts due) and *pari passu* (i) accrued and unpaid Collateral Put Provider Fees, (ii) accrued and unpaid interest on the Class S Notes (including Defaulted Interest and interest thereon) and (iii) beginning with the Payment Date occurring in May 2007, principal of the Class S Notes in an amount equal to the Class S Notes Amortizing Principal Amount until the Class S Notes are paid in full, and (b) *second*, if an Event of Default or Tax Event shall have occurred and is continuing or an Optional Redemption or Auction has occurred and the Pledged Assets are being liquidated pursuant to the terms of the Indenture, to the payment of principal to the Class S Notes until the Class S Notes are paid in full prior to any distributions to any other Notes;

v. to the payment to the Liquidation Agent of the accrued and unpaid Liquidation Agent Fee;

vi. to the payment of, *pro rata* (based on the amounts due) (i) the Senior Swap Premium and (ii) accrued and unpaid interest on the Class A Notes (including any Defaulted Interest and interest thereon);

vii. to the payment of accrued and unpaid interest on the Class B Notes (including any Defaulted Interest and any interest thereon);

viii. if the Senior Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to this clause (viii) or clauses (x), (xii) and (xiii) below), then *first*, to reduce the Outstanding Notional Amount of the Senior Swap until amortized in full, *second*, to the payment of principal of the Class A Notes until the Class A Notes are paid in full, and *third*, to the payment of principal of the Class B Notes until the Class B Notes are paid in full; *provided* that, as long as the Senior Swap remains outstanding on such date, any remaining Interest Proceeds will be deposited in the Collateral Account for investment in Collateral Securities and Eligible Investments, and the Outstanding Notional Amount of the Senior Swap shall be reduced by the same amount;

ix. to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon but not including Class C Deferred Interest);

x. if the Class C Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and the reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to this clause (x) or clauses (xii) and (xiii) below), then if the Senior Overcollateralization Test was satisfied on each Determination Date with respect to each preceding Payment Date and the Aggregate Outstanding Portfolio Amount is greater than or equal to U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date, Amortization Proceeds will be applied, *pro rata* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, (ii) to the payment of principal of the Class B Notes and (iii) to the payment of principal of the Class C Notes, until the Outstanding Notional Amount of the Senior Swap is reduced to zero and the Class A Notes, the Class B Notes and the Class C Notes are paid in full and, any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, Amortization Proceeds will be applied *first* (i) to reduce the Outstanding



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Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date, *second* (ii) to the payment of principal of the Class A Notes until the Class A Notes are paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and then to the Class A-b Notes until the Class A-b Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the Class B Notes are paid in full and *fourth* (iv) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and any remaining Proceeds to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full;

xi. to the payment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon but not including Class D Deferred Interest);

xii. if the Class D Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and the reduction of the Outstanding Notional Amount of the Senior Swap on such Payment Date (without giving effect to any payments or notional reduction pursuant to this clause (xii) or clause (xiii) below), then if the Senior Overcollateralization Test was satisfied on each Determination Date with respect to each preceding Payment Date and the Aggregate Outstanding Portfolio Amount is greater than or equal to U.S.1,050,000,000 on the Determination Date with respect to the related Payment Date, Amortization Proceeds will be applied *pro rata* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, (ii) to the payment of principal of the Class B Notes, (iii) to the payment of principal of the Class C Notes and (iv) to the payment of principal of the Class D Notes, until the Outstanding Notional Amount of the Senior Swap is reduced to zero and the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are paid in full and, any remaining Proceeds to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, Amortization Proceeds will be applied, *first* (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date, *second* (ii) to the payment of principal of the Class A Notes until the Class A Notes are paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and second to the Class A-b Notes until the Class A-b Notes are paid in full, *third* (iii) to the payment of principal of the Class B Notes until the Class B Notes are paid in full, *fourth* (iv) to the payment of principal of the Class C Notes until the Class C Notes are paid in full, and *fifth* (v) to the payment of principal of the Class D Notes until the Class D Notes are paid in full; and any remaining Proceeds to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full;

xiii. *first*, (i) to reduce the Outstanding Notional Amount of the Senior Swap by the Senior Swap Reduction Amount for such Payment Date and (ii) to the payment of principal of the Class A Notes pursuant to the Senior Principal Allocation, up to the amount specified in clause (b)(1) below, *second*, to the payment of principal of the Class B Notes up to the amount specified in clause (b)(2) below, *third*, to the payment of principal of the Class C Notes up to the amount specified in clause (b)(3) below, and *fourth*, to the payment of principal of the Class D Notes up to the amount specified in clause (b)(4) below, in an aggregate amount equal to the lesser of (a) the Amortization Proceeds for the related Due Period, and (b) the sum of (1) the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or maintain it at 143.8%, plus (2) the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at 122.5%, plus (3) the amount necessary to increase the Class C Adjusted Overcollateralization



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Ratio to or maintain it at 110.2%, plus (4) the amount necessary to increase the Class D Adjusted Overcollateralization Ratio to or maintain it at 105.8%; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date, or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, then only the amount described in sub-clause (a) of this clause (xiii) will be applied, *first*, to reduce the Outstanding Notional Amount of the Senior Swap, *second*, to the payment of principal of the Class A Notes until the Class A Notes are paid in full, *provided* that, if the Senior Overcollateralization Test has been satisfied on each Determination Date, including the Determination Date related to the current Payment Date, the amount allocated to the Class A Notes will be paid first to the Class A-f Notes until the Class A-f Notes are paid in full and then to the Class A-b Notes until the Class A-b Notes are paid in full, *third*, to the payment of principal of the Class B Notes until the Class B Notes are paid in full, *fourth*, to the payment of principal of the Class C Notes until the Class C Notes are paid in full and *fifth*, to the payment of principal of the Class D Notes until the Class D Notes are paid in full;

xiv. *first*, to the payment of principal of the Class C Notes in an amount equal to that portion of the principal of the Class C Notes comprised of Class C Deferred Interest unpaid after giving effect to payments under the clauses above (amounts will be considered unpaid for this purpose if the principal balance of the Class C Notes after giving effect to the clauses above exceeds any previous lowest amount outstanding) and *second*, to the payment of principal of the Class D Notes in an amount equal to that portion of the principal of the Class D Notes comprised of the Class D Deferred Interest unpaid after giving effect to payments under the clauses above (amounts will be considered unpaid for this purpose if the principal balance of the Class D Notes after giving effect to the clauses above exceeds any previous lowest amount outstanding);

xv. to the payment of accrued and unpaid interest on the Class E Notes (including Defaulted Interest and any interest thereon but not including Class E Deferred Interest);

xvi. to the payment of principal of the Class E Notes, in an amount necessary to increase the Class E Adjusted Overcollateralization Ratio to or maintain it at 104.2%; *provided* that, if the Aggregate Outstanding Portfolio Amount is less than U.S.$1,050,000,000 on the Determination Date with respect to the related Payment Date or if the Senior Overcollateralization Test was not satisfied on any Determination Date with respect to any preceding Payment Date, all remaining Amortization Proceeds will be applied to the payment of principal of all outstanding Class E Notes until the Class E Notes are paid in full;

xvii. if the Class E Interest Diversion Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date, then to the payment of principal of all outstanding Class E Notes until the Class E Notes are paid in full;

xviii. after the Payment Date occurring in April 2015, *first*, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full, *second*, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full and, *third*, to the payment of principal of all outstanding Class E Notes until the Class E Notes are paid in full;

xix. to the payment of principal of the Class E Notes in an amount equal to that portion of the principal of the Class E Notes comprised of Class E Deferred Interest unpaid after giving effect to payments under the clauses above (amounts will be considered unpaid for this purpose if the principal balance of the Class E Notes after giving effect to the clauses above exceeds any previous lowest amount outstanding);

xx to the payment of any unpaid Defaulted Swap Termination Payments;



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xxi *first* (a) to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clauses (ii) and (iii) above (as the result of the limitations on amounts set forth therein) in the same order of priority set forth above in clause (iii) excluding any indemnities (and legal expenses related thereto) payable by the Issuers; *second*, (b) to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (iii) above (as the result of the limitation on amounts set forth therein) in the same order of priority set forth above in clause (iii); and *third*, (c) to the Expense Reserve Account until the balance of such account reaches U.S.$200,000 (after giving effect to any deposits made therein on such Payment Date under clause (iii) above); *provided, however*, that the aggregate payments pursuant to subclause (c) of this clause (xxi) and subclause (c) of clause (iii) on any Payment Date shall not exceed U.S.$50,000;

xxii to the payment of the Class D Notes Amortizing Principal Amount; and

xxiii any remaining amount to the Fiscal Agent for deposit into the Income Note Payment Account for payment to the Holders of the Income Notes.

On the Business Day prior to the Final Payment Date, the Trustee will transfer all funds then on deposit in the Interest Collection Account into the Payment Account and, after the liquidation of (i) the Credit Default Swap, (ii) the Collateral Securities and Eligible Investments in the Collateral Account, (iii) the Amortization Proceeds drawn from the Collateral Account to the Payment Account and (iv) the Delivered Obligations and Eligible Investments in the Delivered Obligation Account, the Trustee will deposit all proceeds therefrom, into the Payment Account. On the Final Payment Date, amounts in the Payment Account will be applied by the Trustee pursuant to the Note Valuation Report in the manner and order of priority set forth below:

i. to the payment of the amounts referred to in clauses (i) through (vi) of the Priority of Payments for Payment Dates which are not Final Payment Dates, in that order (without regard to the limitations in clause (iii)); *provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclause (iii);

ii. first, to the payment to the Class A-f Notes and second, to the payment to the Class A-b Notes, in each case, the amount necessary to pay the outstanding principal amounts of such Notes, in full;

iii. to the payment to the Class B Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Defaulted Interest and any interest thereon) in full;

iv. to the payment to the Class C Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

v. to the payment to the Class D Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

vi. to the payment to the Class E Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

vii. to the payment of the amounts referred to in clause (xx) of the Priority of Payments for Payment Dates that are not Final Payment Dates; and

viii. to the payment of the amounts referred to in clause (xxiii) of the Priority of Payments for Payment Dates which are not Final Payment Dates.



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Upon payment in full of the last outstanding Secured Note, the Issuer (or the Liquidation Agent acting pursuant to the Liquidation Agency Agreement on behalf of the Issuer) will liquidate any remaining Pledged Assets, including the Credit Default Swap, the Eligible Investments, the Collateral Securities, the Delivered Obligations and any other items comprising the Pledged Assets and deposit the proceeds thereof in the Interest Collection Account. The net proceeds of such liquidation and all available cash (other than the U.S.$250 of capital contributed by the owners of the Issuer Ordinary Shares in accordance with the Issuer's Memorandum and Articles of Association and U.S.$250 representing a transaction fee to the Issuer and any interest income earned on such amounts) will be distributed in accordance with the Priority of Payments for Final Payment Dates and all amounts remaining thereafter will be distributed to the Holders of the Income Notes as a redemption payment whereupon all of the Notes and the Income Notes will be canceled.

**Income Notes**

The final payment on the Income Notes will be made by the Issuer on the Maturity Date, unless redeemed or retired prior thereto in accordance with the Priority of Payments.

**The Indenture**

The following summary describes certain provisions of the Indenture. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture.

*Events of Default.* An "Event of Default" under the Indenture includes:

i. a default in the payment, when due and payable, of any Senior Swap Premium, any Collateral Put Provider Fee or any interest on any Class S Note, Class A Note or Class B Note or, if the Senior Swap is not outstanding and there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or, if the Senior Swap is not outstanding and there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note or if the Senior Swap is not outstanding and there are no Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, any Class E Note and a continuation of such default, in each case, for a period of 7 days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of such administrative error or omission);

ii. a default in the payment of principal due on any Secured Note at its Stated Maturity or on any Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of such administrative error or omission);

iii. the failure on any Payment Date to disburse amounts (other than in payment of interest on any Secured Note or principal of any Secured Note at its Stated Maturity or any date set for redemption as described in (i) and (ii) above) available in the Payment Account in excess of $500 in accordance with the Priority of Payments and a continuation of such failure for a period of 7 days after such failure has been recognized;

iv. a circumstance in which either of the Issuers becomes an investment company required to be registered or the Pledged Assets or any portion thereof becomes subject to regulation under the Investment Company Act;

v. a default, which has a material adverse effect on the Holders of the Secured Notes or the Senior Swap Counterparty (as determined by at least a Majority, by interest, of the Controlling Class), in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuers in the Indenture (it being understood that a failure to satisfy a Coverage Test is not a



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default or breach) or in any certificate or writing delivered pursuant to the Indenture, or if any representation or warranty of the Issuers made in the Indenture or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days after notice thereof shall have been given to the Issuers and the Liquidation Agent by the Trustee or to the Issuers, the Liquidation Agent and the Trustee by at least a Majority, by interest, of the Controlling Class or the Senior Swap Counterparty, as applicable;

vi the Credit Default Swap is terminated; and

vii. certain events of bankruptcy, insolvency, receivership or reorganization of either of the Issuers.

If an Event of Default should occur and be continuing, the Trustee may and will (i) if the Credit Protection Buyer is in default under the Credit Default Swap, at the direction of not less than a Majority of the Class S Notes, the Senior Swap, the Class A Notes (the Class A-f Notes and the Class A-b Notes voting together as a single class) and the Class B Notes, for so long as any Class S Notes, the Senior Swap, the Class A Notes or the Class B Notes are Outstanding; if no Class S Notes, the Senior Swap, the Class A Notes or the Class B Notes are Outstanding, then the Class C Notes, for so long as any Class C Notes are Outstanding; if no Class S Notes, the Senior Swap, the Class A Notes, the Class B Notes or the Class C Notes are Outstanding, the Class D Notes, for so long as any Class D Notes are Outstanding; and if no Class S Notes, the Senior Swap, the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes are Outstanding, then the Class E Notes, for so long as any Class E Notes are Outstanding and otherwise (ii) at the direction of the Holders of at least a Majority of the Controlling Class declare the principal of and accrued and unpaid interest on all Secured Notes to be immediately due and payable (except that in the case of an Event of Default described in clause (vi) or (vii) above, such an acceleration will occur automatically and shall not require any action by the Trustee or any Secured Noteholder).

If an Event of Default should occur and be continuing, the Trustee is required to retain the Pledged Assets intact and collect all payments in respect of the Pledged Assets and continue making payments in the manner described under Priority of Payments unless (a) the Trustee determines (which determination will be based upon a certificate from the Liquidation Agent) that the anticipated proceeds of a sale or liquidation of the Pledged Assets based on an estimate obtained from a nationally recognized investment banking firm (which estimate takes into account the time elapsed between such estimate and the anticipated sale of the Pledged Assets) would equal the amount necessary to pay in full (after deducting the reasonable expenses of such sale or liquidation) the sum of (i) the principal (including any Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Secured Notes; (ii) all Administrative Expenses; (iii) any unpaid amounts due the Credit Protection Buyer, the Collateral Put Provider and the Senior Swap Counterparty and any unpaid amounts due any assignee of a CDS Transaction net of amounts payable to the Issuer by the Credit Protection Buyer, the Collateral Put Provider, Senior Swap Counterparty or assignee of a CDS Transaction; and (iv) all other items in the Priority of Payments ranking prior to payments on the Secured Notes, and, in any case, the Holders of a Majority of the Controlling Class agree with such determination or (b) the Senior Swap Counterparty and/or the requisite Holders of Notes as determined pursuant to the Indenture or the Holders of a Majority of the Controlling Class (whichever directed the acceleration of the Secured Notes pursuant to the preceding paragraph) direct, subject to the provisions of the Indenture, the sale and liquidation of the Pledged Assets.

The Holders of a Majority of the Controlling Class will have the right to direct the Trustee in writing in the conduct of any proceedings or in the sale of any or all of the Pledged Assets, but only if (i) such direction will not conflict with any rule of law or the Indenture (including the limitations described in the paragraph above), (ii) the Trustee determines that such action will not involve it in liability (unless the Trustee has received an indemnity which is reasonably acceptable to the Trustee against any such liability) and (iii) any direction to the Trustee to undertake a sale of the Pledged Assets shall be by at least a Majority of the Controlling Class.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default with respect to the Secured Notes occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request of any Holders of Secured Notes, unless such Holders have offered to the Trustee reasonable security or an indemnity which is reasonably acceptable to the Trustee. The



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Holders of a Majority of the Controlling Class may waive any default with respect to the Secured Notes, except (a) a default in the payment of principal or interest on any Secured Note; (b) failure on any Payment Date to disburse amounts available in the Payment Account in accordance with the Priority of Payments and continuation of such failure for a period of seven (7) days; (c) certain events of bankruptcy or insolvency with respect to the Issuers; or (d) a default in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the Holder of each outstanding Note adversely affected thereby.

Furthermore, any declaration of acceleration of maturity of the Secured Notes may be revoked and annulled by the Senior Swap Counterparty and/or the requisite Holders of Notes as determined pursuant to the Indenture or the Holders of a Majority of the Controlling Class, as applicable, before a judgment or decree for the payment of money has been obtained by the Trustee or the Pledged Assets have been sold or foreclosed in whole or in part, by notice to the Issuers, the Trustee and the Senior Swap Counterparty, if (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay, in accordance with the Priority of Payments, the principal and accrued interest (including all Defaulted Interest and the interest thereon), discount or other unpaid amounts with respect to the outstanding Secured Notes and any other administrative expenses, fees or other amounts that, under the Transaction Documents and pursuant to the Priority of Payments, are payable prior to the payment of the principal of and interest on the outstanding Secured Notes, and (b) the Trustee has determined that all Events of Default, other than the non-payment of the interest on or principal of the outstanding Secured Notes that have become due solely by such acceleration, have been cured and the Holders of a Majority of the Controlling Class by notice to the Trustee have agreed with such determination (which agreement shall not be unreasonably withheld) or waived such Event of Default in accordance with the provisions set forth in the Indenture.

Only the Trustee may pursue the remedies available under the Indenture or the Secured Notes and no Holder of a Secured Note will have the right to institute any proceeding with respect to the Indenture, its Note, or otherwise unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 25%, by Aggregate Outstanding Amount, of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee an indemnity which is reasonably acceptable to the Trustee; (iii) the Trustee has for 30 days failed to institute any such proceeding; and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Holders of a Majority of the Controlling Class.

In determining whether the Holders of the requisite percentage of Secured Notes have given any direction, notice or consent, Secured Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding. In addition, Holders of Income Notes will not be considered to be affiliates of the Issuer or Co-Issuer by virtue of such ownership of Income Notes.

*Notices.* Notices to the Holders of the Secured Notes and the Senior Swap Counterparty shall be given by first-class mail, postage prepaid, to each Noteholder at the address appearing in the applicable note register. In addition, if and for so long as any of the Secured Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Secured Notes shall also be published by the Irish Listing Agent in the official list thereof or as otherwise required by the rules of such exchange.

*Modification of the Indenture.* Without obtaining the consent of Holders of the Notes, the Issuers and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

(i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the Fiscal Agency Agreement and under the Indenture;

(ii) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers;

(iii) to convey, transfer, assign, mortgage or pledge any property to the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes;



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(iv) to evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee;

(v) to correct or amplify the description of any property at any time subject to the security interest created by the Indenture, or to better assure, convey, and confirm unto the Trustee any property subject or required to be subject to the security interest created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or subject to the security interest created by the Indenture any additional property;

(vi) to otherwise correct any inconsistency or cure any ambiguity or manifest error or correct or supplement any provisions contained in the Indenture which may be defective or inconsistent with any provision contained in the Indenture or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error;

(vii) to take any action necessary or advisable to prevent the Issuer, the Trustee, any Note Paying Agents or the Fiscal Agent from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis;

(viii) to conform the Indenture to the descriptions contained in this Offering Circular;

(ix) to comply with any reasonable requests made by the Irish Stock Exchange in order to list or maintain the listing of any Notes on such stock exchange; or

(x) to make any other change for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or any other Transaction Document; *provided however* that such changes would have no material adverse effect on any of the Notes (which may be evidenced by an opinion of counsel or a Noteholder Poll (as hereinafter defined)).

With the written consent of the Holders of (a) at least a Majority, by Aggregate Outstanding Amount, of the Secured Notes materially adversely affected thereby (voting together as a single class) and (b) at least a Majority of the Income Notes materially adversely affected thereby, the Trustee and the Issuers may execute a supplemental indenture to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the Holders of the Notes.

Notwithstanding anything in the Indenture to the contrary, without the written consent of each Noteholder of each Class adversely affected thereby no supplemental indenture may:

(i) change the Stated Maturity of the principal of or the due date of any installment of interest or discount on a Note; reduce the principal amount thereof or the rate of interest thereon, or the applicable Secured Note Redemption Price or the Income Note Face Amount with respect thereto; change the earliest date on which a Note may be redeemed; change the provisions of the Indenture relating to the application of proceeds of any Pledged Asset to the payment of principal of or interest on Notes or change any place where, or the coin or currency in which, Notes or the principal thereof or interest thereon are payable; or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof or other due date thereof (or, in the case of redemption, on or after the Redemption Date);

(ii) reduce the percentage in aggregate principal amount, notional amount or Outstanding Notional Amount, as applicable, of Holders of the Notes of each Class and the Senior Swap Counterparty whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture or their consequences;



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(iii) impair or adversely affect the Pledged Assets except as otherwise permitted by the Indenture;

(iv) permit the creation of any security interest ranking prior to or on a parity with the security interest created by the Indenture with respect to any part of the Pledged Assets or terminate such security interest on any property at any time subject thereto or deprive the Holder of any Note, the Trustee or any other Secured Party of the security afforded by the lien of the Indenture;

(v) reduce the percentage of Holders of the Notes of each Class or Senior Swap whose consent is required to request the Trustee to preserve the Collateral Assets or rescind the Trustee's election to preserve the Collateral Assets or to sell or liquidate the Collateral Assets pursuant to the Indenture;

(vi) modify any of the provisions of the Indenture with respect to supplemental indentures, except to increase the percentage of Outstanding Notes or Outstanding Notional Amount whose Holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each outstanding Note and Senior Swap Counterparty adversely affected thereby;

(vii) modify the definition of the term "Outstanding," or the Priority of Payments set forth in the Indenture;

(viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Secured Note or modify any amount distributable to the Fiscal Agent for payment to the Holders of the Income Notes on any Payment Date or to affect the right of the Holders of the Notes or the Trustee to the benefit of any provisions for the redemption of such Notes contained therein;

(ix) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Indenture relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under the United States Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively;

(x) increase the amount of the Liquidation Agent Fees payable to the Liquidation Agent beyond the amount provided for in the original Liquidation Agency Agreement;

(xi) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated thereby that provides that the obligations of the Issuers or the Issuer, as the case may be, are limited recourse obligations of the Issuers or the Issuer, respectively, payable solely from the Pledged Assets in accordance with the terms of the Indenture;

(xii) at the time of execution of such supplemental indenture, cause payments made by or to the Issuer, the Credit Protection Buyer, the Senior Swap Counterparty, the Liquidation Agent or any Paying Agents to become subject to withholding or other taxes, fees or assessments or cause the Issuer to be treated as engaged in a United States trade or business or otherwise be subject to United States federal, state or local income tax on a net income basis; or

(xiii) at the time of the execution of such supplemental indenture, result in a deemed sale or exchange of any of the Notes under Section 1001 of the Code (items (i) through (xiii) above collectively, the "Reserved Matters").



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Notwithstanding anything to the contrary herein, no supplement or amendment to the Indenture will be effective until the consent of each of the Credit Protection Buyer (which shall not be unreasonably withheld), the Collateral Put Provider (which consent shall not be unreasonably withheld), the Liquidation Agent (which consent shall not be unreasonably withheld) and the Senior Swap Counterparty (which shall not be unreasonably withheld) has been obtained.

Under the Indenture, in making the determination of whether a proposed amendment has or would have no material adverse effect on any of the Notes, which Notes are materially adversely affected by a proposed amendment or which Classes of Notes are adversely affected by any Reserved Matter (each such determination, an "Amendment Determination"), the Trustee may rely on an opinion of counsel. If no opinion of counsel is provided with respect to a proposed amendment, a Noteholder Poll shall be conclusively determinative of such Amendment Determination and the Trustee shall be entitled to conclusively rely on such Noteholder Poll. The results of such Noteholder Poll shall be conclusive and binding on the Issuer and all present and future Noteholders.

"Noteholder Poll" with respect to a proposed supplemental indenture means the following:

The Trustee will (at the expense of the Issuer) give written notice of such proposed supplemental indenture to the Holders of the Secured Notes and to the Fiscal Agent for notification by the Fiscal Agent to the Holders of the Income Notes. If any Holder of a Note of a Class delivers a written objection to any portion of such supplemental indenture to the Trustee, in the case of the Secured Notes, and the Fiscal Agent, in the case of the Income Notes, within 20 Business Days after the date on which such notice was given by the Trustee or the Fiscal Agent, as applicable, each Note of such Class will be deemed to be both adversely affected and materially and adversely affected. If no Holder of a Note of a Class delivers a written objection to the Trustee or the Fiscal Agent, as applicable, within such period, all Notes of such Class shall be deemed not to be materially and adversely affected and not to be adversely affected by such supplemental indenture. The Fiscal Agent will promptly communicate to the Trustee the receipt of any such written objection from a Holder of an Income Note or if no such written objection is received within the prescribed time period, that no written objections were received from any Income Noteholder.

Under the Indenture, the Trustee will deliver a copy of any proposed supplemental indenture to the Holders of the Secured Notes, the Fiscal Agent, the Rating Agencies (for so long as any of the Notes are outstanding and rated by the Rating Agencies), the Credit Protection Buyer, the Senior Swap Counterparty, the Collateral Put Provider and the Liquidation Agent not later than 20 Business Days prior to execution of a proposed supplemental indenture. The Fiscal Agent will deliver a copy of the same to the Holders of the Income Notes. For so long as any of the Notes are outstanding and rated by the Rating Agencies, no supplemental indenture shall be entered into unless the Rating Agency Condition is met; *provided* that the Trustee shall, with the consent of the Holders of 100% of the Aggregate Outstanding Amount of Secured Notes of each Class and the Income Notes, whose consent, in the case of the Income Notes, will be communicated to the Fiscal Agent for notice to the Trustee, the Liquidation Agent, the Credit Protection Buyer, the Collateral Put Provider and the Senior Swap Counterparty, enter into any such supplemental indenture notwithstanding any potential reduction or withdrawal of the ratings of any outstanding Class of Notes. The Trustee must provide notice of any amendment or modification of the Indenture (whether or not required to be approved by such parties) to the Holders of the Secured Notes, the Fiscal Agent, the Liquidation Agent, the Collateral Put Provider, the Senior Swap Counterparty, the Credit Protection Buyer and if and for so long as any Secured Notes are listed on the Irish Stock Exchange, the Irish Paying Agent promptly upon the execution of such supplemental indenture. The Fiscal Agent will provide notice of any such amendment or modification of the Indenture to the Holders of the Income Notes and if and for so long as any Income Notes are listed on the Irish Stock Exchange, the Irish Paying Agent promptly upon the execution of such supplemental indenture.

In connection with any amendment, the Trustee may require the delivery of an opinion of counsel satisfactory to it (which opinion of counsel may rely on an officer's certificate from the Liquidation Agent), at the expense of the Issuer, that such amendment is permitted under the terms of the Indenture.

In addition, the Issuers and the Trustee may enter into any additional agreements not expressly prohibited by the Indenture or any other Transaction Document.

*Jurisdictions of Incorporation and Formation.* Under the Indenture, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company incorporated under the laws of the Cayman Islands and



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a corporation formed under laws of the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validation and enforceability of the Indenture, the Secured Notes, or any of the Pledged Assets; *provided, however*, that the Issuers shall be entitled to change their jurisdictions of incorporation from the Cayman Islands or Delaware, as applicable, to any other jurisdiction reasonably selected by such Issuer or Co-Issuer, as applicable, and approved by its common shareholders, so long as (i) the Issuer or Co-Issuer, as applicable, does not believe such change is disadvantageous in any material respect to such entity or the Holders of any Class of Secured Notes or the Senior Swap Counterparty; (ii) written notice of such change shall have been given by the Issuer or Co-Issuer, as applicable to the other of the Issuer or Co-Issuer, as applicable, the Trustee, the Note Paying Agent, the Liquidation Agent, the Credit Protection Buyer, the Holders of each Class of Notes, the Senior Swap Counterparty, the Collateral Put Provider, and each of the Rating Agencies at least thirty (30) Business Days prior to such change of jurisdiction; and (iii) on or prior to the 25th Business Day following such notice the Trustee shall not have received written notice from Holders of a Majority of the Controlling Class, the Liquidation Agent, the Senior Swap Counterparty, the Collateral Put Provider or the Credit Protection Buyer or, if and so long as any Notes are listed thereon, the Irish Stock Exchange objecting to such change.

*Petitions for Bankruptcy.* The Indenture will provide that neither (i) the Senior Swap Counterparty, the Paying Agents, the Liquidation Agent, the Note Registrar, or the Trustee, in its own capacity, or on behalf of any Secured Noteholder, nor (ii) the Secured Noteholders may, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes, institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium, liquidation or similar proceedings under the laws of any jurisdiction.

*Satisfaction and Discharge of the Indenture.* The Indenture will be discharged with respect to the Pledged Assets securing the Secured Notes upon delivery to the Note Paying Agent for cancellation all of the Secured Notes and the payment in full of the Secured Notes, or, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Indenture.

*Trustee.* The Bank of New York Trust Company, National Association will be the Trustee under the Indenture. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee relating to the Secured Notes is solely the obligation of the Issuers. The Trustee and/or its affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture and in connection with the Trustee's administration of any securities lending activities of the Issuer.

The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. The Trustee will not be bound to take any action unless indemnified for such action. The Secured Noteholders shall together have the power, exercisable by the Controlling Class, to remove the Trustee as set forth in the Indenture. The removal of the Trustee shall not become effective until the later of the effective date of the appointment of a successor trustee and the acceptance of appointment by a successor trustee. If the Trustee is removed without cause, costs and expenses of the Trustee incurred in connection with the transfer to the successor Trustee shall be paid by the successor Trustee or the Issuer.

*Agents.* The Bank of New York Trust Company, National Association will be the Note Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent under the Indenture. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with The Bank of New York Trust Company, National Association. The payment of the fees and expenses of The Bank of New York Trust Company, National Association, as the Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent relating to the Notes is solely the obligation of the Issuers. The Indenture contains provisions for the indemnification of The Bank of New York Trust Company, National Association for any loss, liability or expense incurred without gross negligence, willful misconduct, default or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture.



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*Irish Paying Agent.* If and for so long as any of the Secured Notes or the Income Notes are listed on the Irish Stock Exchange, and the rules of such exchange shall so require, the Issuers will have an Irish Paying Agent in accordance with the requirements of the rules of such exchange for the Notes. The Issuers and their affiliates may maintain other relationships in the ordinary course of business with the Irish Paying Agent. The payment of the fees and expenses of the Irish Paying Agent relating to the Notes is solely the obligation of the Issuers.

*Status of the Income Notes.* The Holders of the Income Notes will have certain rights to vote with respect to limited matters arising under the Indenture and the Liquidation Agency Agreement including, without limitation, in connection with certain modifications to the Indenture. However, the Holders of the Income Notes will have no right to vote in connection with the realization of the Pledged Assets or certain other matters under the Indenture.

**Fiscal Agency Agreement**

The Income Notes will be issued by the Issuer and administered in accordance with a Fiscal Agency Agreement (the "Fiscal Agency Agreement") between The Bank of New York Trust Company, National Association as fiscal agent (in such capacity, the "Fiscal Agent"). The following summary describes certain provisions of the Income Notes and the Fiscal Agency Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Fiscal Agency Agreement. After the closing, copies of the Fiscal Agency Agreement may be obtained by prospective investors upon request in writing to the Fiscal Agent at 601 Travis Street, 16th Floor, Houston, Texas 77002, Attention: Global Corporate Trust —Hudson Mezzanine Funding 2006-1, Ltd. (telephone number (713) 483-6000).

Pursuant to the Fiscal Agency Agreement, the Fiscal Agent and the Income Notes Transfer Agent will perform various fiscal services on behalf of the Holders of the Income Notes. The payment of the fees and expenses of the Fiscal Agent and Income Notes Transfer Agent is solely the obligation of the Issuer. The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent and Income Notes Transfer Agent for any loss, liability or expense incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Fiscal Agency Agreement.

*Status.* The Income Notes are not secured by the Pledged Assets securing the Secured Notes. There can be no assurance that, after payment of principal and interest on the Secured Notes and other fees and expenses of the Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make payments in respect of the Income Notes. As a result, the rights of the Income Note holders to receive payments will rank (i) behind the rights of all secured creditors of the Issuer, whether known or unknown, including the Holders of the Secured Notes, the Liquidation Agent, the Credit Protection Buyer, the Collateral Put Provider and the Senior Swap Counterparty and (ii) *pari passu* with all unsecured creditors of the Issuer, whether known or unknown. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Secured Notes and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Income Notes as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments. See "—Priority of Payments."

*Payment.* On each Payment Date, to the extent funds are available therefor, and after the Secured Notes and certain other amounts due and payable on such Payment Date that rank senior to payments on the Income Notes have been paid in full, Proceeds will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Fiscal Agent on such Payment Date for payment to the Holders of the Income Notes. See "—Status and Security", "—Interest on the Secured Notes" and "—Principal."

Payments on any Income Note will be made to the person in whose name such Income Note is registered 10 Business Days' prior to the applicable Payment Date. Payments will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Holder thereof appearing in the Income Notes Register in accordance with wire transfer instructions received from such Holder by the Fiscal Agent on or before the Record Date or, if no wire transfer instructions are received by the Fiscal Agent, by a U.S. Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up of the Issuer will be made only against surrender of the certificate representing such Income Notes at the office of the Income Notes Transfer Agent. The Income Notes Transfer Agent will communicate or cause communications of such distributions and payments and the related Payment Date to the Issuer, the Fiscal Agent, Euroclear and Clearstream.



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*Modification of the Fiscal Agency Agreement.* The Fiscal Agency Agreement may be amended by the Issuer and the Fiscal Agent without the consent of any of the Income Noteholders for any of the following purposes: (i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the Fiscal Agency Agreement and the Indenture; (ii) to add to the covenants of the Issuers or the Fiscal Agent for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers; (iii) to cure any ambiguity or manifest error or correct or supplement any provisions contained herein which may be defective or inconsistent with any provision contained herein or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error; (iv) to take any action necessary or advisable to prevent the Issuer, the Trustee, any Note Paying Agents or the Fiscal Agent from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis; (v) to conform the Fiscal Agency Agreement to the descriptions contained in this Offering Circular; (vi) to comply with any reasonable requests made by the Irish Stock Exchange in order to list or maintain the listing of any Notes on such stock exchange; or (vii) to make any other change for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Fiscal Agency Agreement; *provided, however* that such changes would have no material adverse effect on any of the Notes.

The Fiscal Agency Agreement may also be amended from time to time by the Issuer and the Fiscal Agent with the consent of a Majority of Income Noteholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Fiscal Agency Agreement, or of modifying in any manner the rights of the Income Noteholders; *provided*, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, or change the allocation of, the payments on the Income Notes or (ii) reduce the voting percentage of the Income Noteholders required to consent to any amendment to the Fiscal Agency Agreement, in each case without the consent of the Income Noteholders of all of the Income Notes.

*Income Notes Register.* The Fiscal Agent will initially be appointed as Income Notes Transfer Agent (in such capacity, the "Income Notes Transfer Agent") for the purpose of registering and administrating the transfer of Income Notes. The Income Notes Transfer Agent shall maintain at its offices, a register (the "Income Notes Register") in which it shall provide for the registration of Income Notes and the registration of transfers of Income Notes in accordance with the Fiscal Agency Agreement.

*Notices.* Notices to the Income Note holders will be given by first class mail, postage prepaid, to the registered holders of the Income Notes at their addresses appearing in the Income Notes Register. In addition, if and for so long as any of the Income Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Income Notes shall also be published by the Irish Listing Agent in the official list thereof as otherwise required by the rules of such exchange.

**Governing Law of the Transaction Documents**

The Indenture, the Fiscal Agency Agreement, the Notes, the Credit Default Swap, the Senior Swap, the Collateral Put Agreement and the Liquidation Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein without regard to the conflict of laws principles thereof. Under the Indenture, the Fiscal Agency Agreement, the Senior Swap Agreement, the Collateral Put Agreement and the Liquidation Agency Agreement, the Issuers have submitted irrevocably to the non-exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America in the State of New York (in each case sitting in the County of New York) for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Indenture, the Notes, the Fiscal Agency Agreement, the Senior Swap Agreement, the Collateral Put Agreement and the Liquidation Agency Agreement.

**Form of the Notes**

*The Notes.* Each Class of Notes (other than the Class E Notes and the Income Notes) sold in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes and will be deposited with The Bank of New York Trust Company, National Association as custodian for DTC and registered in



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the name of Cede & Co., a nominee of DTC. Each of the Class E Notes and the Income Notes which are sold either to (1) a qualified institutional buyer as defined in Rule 144A under the Securities Act purchasing for its own account or for the account of a Qualified Institution Buyer or (2) in the case of the Income Notes only, an Accredited Investor who has a net worth of not less than U.S. $10 million will be issued in definitive, fully registered form, registered in the name of the owner thereof ("Definitive Notes"). The Rule 144A Global Notes and the Definitive Notes (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by a Temporary Regulation S Global Note deposited on the Closing Date with The Bank of New York Trust Company, National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. Beneficial interests in a Temporary Regulation S Global Note will be exchanged for beneficial interests in a permanent Regulation S Global Note (the "Regulation S Global Note") for the related Class of Notes in definitive, fully registered form upon the later of (i) the expiration of the Distribution Compliance Period and (ii) the first date on which the requisite certifications (in the form provided in the Indenture) are provided to the Trustee. The Regulation S Global Note will be registered in the name of Cede & Co., a nominee of DTC, and deposited with The Bank of New York Trust Company, National Association as custodian for DTC for credit to the accounts of Euroclear and Clearstream for the respective accounts of the Holders of such Notes. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

A beneficial interest in a Regulation S Global Note or a Temporary Regulation S Global Note may be transferred, whether before or after the expiration of the Distribution Compliance Period, to a U.S. person only, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, in the form of a beneficial interest in a Rule 144A Global Note, and, with respect to any Regulation S Class E Notes or Regulation S Income Notes, in the form of a definitive Class E Note or Income Note, as applicable, and only upon receipt by the Note Transfer Agent or Income Notes Transfer Agent, as applicable, of a written certification from the transferor (in the form provided in the Indenture or the Fiscal Agency Agreement, as applicable) to the effect that the transfer is being made to a person the transferor reasonably believes is (a) a Qualified Institutional Buyer or, solely in the case of the Income Notes, an Accredited Investor who has a net worth of not less than U.S. $10 million and (b) a Qualified Purchaser. In addition, transfers of a beneficial interest in a Regulation S Global Note or Temporary Regulation S Global Note to a person who takes delivery in the form of an interest in a Rule 144A Global Note or, a Definitive Note in the case of the Class E Notes or the Income Notes, may occur only in denominations greater than or equal to the minimum denominations applicable to the Rule 144A Global Notes or in a principal amount of not less than $250,000.

A beneficial interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Temporary Regulation S Global Note or a Regulation S Global Note, as the case may be, whether during or after the expiration of the Distribution Compliance Period, only upon receipt by the Note Registrar or Income Notes Transfer Agent, as applicable, of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a non U.S. Person in accordance with Rule 903 or 904 of Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to the person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such interest.

Except in the limited circumstances described below, owners of beneficial interests in any Global Note will not be entitled to receive a Definitive Note. The Notes are not issuable in bearer form.

Each Note will be issued in minimum denominations of U.S.$250,000 (in the case of Rule 144A Notes and in the case of Income Notes sold to Accredited Investors) and U.S.$100,000 (in the case of Regulation S Notes) and *integral multiples of U.S.$1 in excess thereof.*



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*Global Notes.* Upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or Holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Indenture and such Notes. Unless DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act, owners of the beneficial interests in the Global Notes will not be entitled to have any portion of such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered to be the owners or Holders of any Notes under the Indenture. In addition, no beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in a Regulation S Global Note or a Temporary Regulation S Global Note directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests in the Regulation S Global Notes on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Notes and Temporary Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in a Rule 144A Global Note directly through DTC if they are participants in the system, or indirectly through organizations which are participants in the system.

Payments of the principal of and interest on the Global Notes will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuers, the Trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for any notice permitted or required to be given to Holders of Notes or any consent given or actions taken by DTC as Holder of Notes. The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to these persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in Global Notes to pledge its interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, these cross-market transactions will require



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delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Temporary Regulation S Global Note or a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and the credit of any transactions in interests in a Global Note settled during the processing day will be reported to the relevant Euroclear or Clearstream participant on that day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

DTC has advised the Issuers that it will take any action permitted to be taken by a Holder of the Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only in respect of that portion of the aggregate principal amount of the Notes as to which the participant or participants has or have given direction.

The giving of notices and other communications by DTC to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

*Clearstream.* Clearstream Banking, société anonyme, was incorporated as a limited liability company under Luxembourg law. Clearstream is owned by Cedel International, société anonyme, and Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and financial institutions.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thus eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, securities lending and borrowing and collateral management. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks and may include the Initial Purchaser. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.



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Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by Clearstream.

*The Euroclear System.* The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including U.S. Dollars and Japanese Yen. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System plc, a U.K. corporation (the "Euroclear Clearance System"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Euroclear Clearance System. The Euroclear Clearance System establishes policy for the Euroclear System on behalf of Euroclear participating organizations. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Euroclear Operator is a Belgian bank. The Belgian Banking Commission regulates and examines the Euroclear Operator.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

(a) transfers of securities and cash within the Euroclear System;

(b) withdrawal of securities and cash from the Euroclear System; and

(c) receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participating organizations in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Rule 144A Global Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. Neither the Issuers nor the Trustee will have any responsibility for the performance by DTC, Clearstream, Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

*Payments; Certifications by Holders of Temporary Regulation S Global Notes.* A Holder of a beneficial interest in a Temporary Regulation S Global Note must provide Clearstream or Euroclear, as the case may be, with a certificate in the form required by the Indenture certifying that the beneficial owner of the interest in such Global Note is not a U.S. Person (as defined in Regulation S), and Clearstream or Euroclear, as the case may be, must



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provide to the Trustee a certificate in the form required by the Indenture prior to (i) the payment of interest or principal with respect to such Holder's beneficial interest in the Temporary Regulation S Global Note and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Global Note.

*Individual Definitive Notes.* The Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Regulation S Class E Notes and the Regulation S Income Notes will be initially issued in global form. The Class E Notes (other than the Regulation S Class E Notes) and the Income Notes (other than the Regulation S Income Notes) will not be global and will be represented by one or more Definitive Notes. If DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuers within 90 days or as a result of any amendment to or change in, the laws or regulations of the Cayman Islands or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuers, the Note Paying Agent or the Fiscal Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form and the Issuers will issue Definitive Notes in registered form in exchange for the Regulation S Global Notes and the Rule 144A Global Notes, as the case may be. Upon receipt of such notice from DTC, the Issuers will use their best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual Definitive Notes and cause the requested individual Definitive Notes to be executed and delivered to the Note Registrar or Income Notes Transfer Agent, as applicable, in sufficient quantities and authenticated by or on behalf of the Note Transfer Agent or Income Notes Transfer Agent, as applicable, for delivery to Holders of the Notes. Persons exchanging interests in a Global Note for individual Definitive Notes will be required to provide to the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, through DTC, Clearstream or Euroclear, (i) written instructions and other information required by the Issuers, the Note Transfer Agent and the Income Notes Transfer Agent to complete, execute and deliver such individual Definitive Notes, (ii) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to (a) Qualified Institutional Buyer status or, solely in the case of the Income Notes, as to Accredited Investor status and (b) that such Holder is a Qualified Purchaser, as the Issuers shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuers shall require as to non-U.S. Person status. In all cases, individual Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Global Notes, requested by DTC.

Individual Definitive Notes will bear, and be subject to, such legend as the Issuers require in order to assure compliance with any applicable law. Individual Definitive Notes will be transferable subject to the minimum denomination applicable to the Rule 144A Global Notes and Regulation S Global Notes, in whole or in part, and exchangeable for individual Definitive Notes of the same Class at the office of the Note Paying Agent, Note Transfer Agent, Income Notes Transfer Agent or the office of any transfer agent, upon compliance with the requirements set forth in the Indenture or the Fiscal Agency Agreement, as applicable. Individual Definitive Notes may be transferred through any transfer agent upon the delivery and duly completed assignment of such Notes. Upon transfer of any individual Definitive Note in part, the Note Transfer Agent or Income Notes Transfer Agent, as applicable, will issue in exchange therefor to the transferee one or more individual Definitive Notes in the amount being so transferred and will issue to the transferor one or more individual Definitive Notes in the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual Definitive Note may transfer such Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, the Issuer will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual Definitive Notes shall be payable by the Note Paying Agents or the Fiscal Agent, as applicable, by U.S. Dollar check drawn on a bank in the United States of America and sent by mail to the registered Holder thereof, by wire transfer in immediately available funds. In addition, if and for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, in the case of a transfer or exchange of individual Definitive Notes, a Holder thereof may effect such transfer or exchange by presenting such Notes at, and obtaining a new individual Definitive Note from the office of the Irish Paying Agent,



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in the case of a transfer of only a part of an individual Definitive Note, a new individual Definitive Note in respect of the balance of the principal amount of the individual Definitive Note not transferred will be delivered at the office of the Irish Stock Exchange and in the case of a replacement of any lost, stolen, mutilated or destroyed individual Definitive Notes, a Holder thereof may obtain a new individual Definitive Note from the Irish Paying Agent.

*The Class E Notes.* The Regulation S Class E Notes will initially be in global form. The Class E Notes (other than Regulation S Class E Notes) will not be global and will be represented by one or more notes in definitive form. All Class E Notes will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

The Class E Notes may be transferred only (i) upon receipt by the Issuer and Note Transfer Agent of a Class E Notes Purchase and Transfer Letter to the effect that the transfer is being made to a Qualified Institutional Buyer that has acquired an interest in the Class E Notes in a transaction meeting the requirements of Rule 144A who is also a Qualified Purchaser or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee of a Class E Note (other than a Regulation S Class E Note) must also make certain other representations applicable to such transferee, as set forth in the Class E Notes Purchase and Transfer Letter.

Each Purchaser of a Regulation S Class E Note will be deemed by its purchase to have represented and warranted as set forth under "Notice to Investors."

Payments on the Class E Notes on any Payment Date will be made to the person in whose name the relevant Note is registered as of the close of business 10 Business Days prior to such Payment Date.

*The Income Notes.* The Regulation S Income Notes will initially be in global form. The Income Notes (other than Regulation S Income Notes) will not be global and will be represented by one or more Income Note Certificates in definitive form. All Income Notes will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Income Notes may be transferred only (i) upon receipt by the Issuer and Income Notes Transfer Agent of an Income Notes Purchase and Transfer Letter to the effect that the transfer is being made (a) to a Qualified Institutional Buyer that has acquired an interest in the Income Notes in a transaction meeting the requirements of Rule 144A or (b) to an Accredited Investor having a net worth of not less than U.S.$10 million in a transaction exempt from registration under the Securities Act, who is a Qualified Purchaser or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee of an Income Note (other than a Regulation S Income Note) must also make certain other representations applicable to such transferee, as set forth in the Income Notes Purchase and Transfer Letter.

Each Purchaser of a Regulation S Income Note will be deemed by its purchase to have represented and warranted as set forth under "Notice to Investors."

Payments on the Income Notes on any Payment Date will be made to the person in whose name the relevant Income Note is registered in the Income Notes Register as of the close of business 10 Business Days prior to such Payment Date.

## USE OF PROCEEDS

The gross proceeds associated with the offering of the Notes are expected to equal approximately U.S.$837,000,000. Approximately U.S.$31,800,000 of such gross proceeds will be applied by the Issuer to pay upfront fees and expenses associated with the offering of the Notes. On the Closing Date or promptly thereafter as is consistent with customary settlement procedures, pursuant to agreements to purchase entered into on or before the Closing Date, the Issuer will apply the net proceeds to purchase the Collateral Securities and Eligible Investments described herein having an aggregate Principal Balance of approximately U.S.$800,000,000 and will have entered into the Credit Default Swap, the Collateral Put Agreement and the Senior Swap. In addition, on the Closing Date, approximately U.S.$200,000 of the net proceeds from the issuance of the Notes will be deposited into the Expense Reserve Account.



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**RATINGS OF THE NOTES**

It is a condition to the issuance of the Notes that the Class S Notes, the Class A-f Notes and the Class A-b Notes be rated "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be rated at least "A2" by Moody's and at least "A" by S&P, that the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by S&P and that the Class E Notes be issued with a rating of at least "Ba1" by Moody's and at least "BB+" by S&P. The Income Notes will not be rated by either Rating Agency. It is also a condition to the issuance of the Notes that the Senior Swap be assigned a rating of "Aaa" by Moody's and "AAA" by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

If and for so long as any Class of Notes is listed on the Irish Stock Exchange, the Trustee will inform the Irish Paying Agent if any rating assigned to any Class of Notes is reduced or withdrawn.

**Moody's Ratings**

The ratings assigned to the Secured Notes and the Senior Swap by Moody's are based upon its assessment of the probability that the Credit Default Swap and the Collateral Assets will provide sufficient funds to pay such Secured Notes and Senior Swap, based largely upon Moody's statistical analysis of historical default rates on debt obligations with various ratings, expected recovery rates on the Reference Obligations and the Collateral Assets, the asset and interest coverage required for such Secured Notes and Senior Swap (which is achieved through the subordination of more junior Notes), and the diversification requirements that the Pledged Assets must satisfy.

Moody's rating of (i) the Senior Swap, the Class S Notes, the Class A Notes and the Class B Notes addresses the ultimate cash receipt of all required principal payments or complete reduction of the Outstanding Notional Amount of the Senor Swap and the timely cash receipt of all interest or premium payments as provided in the governing documents and (ii) the Class C Notes, the Class D Notes and the Class E Notes addresses the ultimate cash receipt of all required interest and principal payments as provided in the governing documents. Moody's ratings are based on the expected loss posed to the Holders of the Notes relative to the promise of receiving the present value, calculated using a discounted rate equal to the promised interest rate of such payments. Moody's analyzes the likelihood that each debt obligation included in the portfolio will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Moody's then determines the level of credit protection necessary to achieve the expected loss associated with the rating of the structured securities, taking into account the potential recovery value of the Pledged Assets and the expected volatility of the default rate of the portfolio based on the level of diversification by issuer and industry.

In addition to these quantitative tests, Moody's ratings take into account qualitative features of a transaction, including the experience of the Liquidation Agent, the legal structure and the risks associated with such structure, its view as to the quality of the participants in the transaction and other factors that it deems relevant.

**S&P Ratings**

S&P will rate the Senior Swap and the Secured Notes in a manner similar to the manner in which it rates other structured issues. The ratings assigned to the Senior Swap, the Class S Notes, the Class A Notes and the Class B Notes by S&P address the likelihood of the timely payment of interest or premium and the ultimate payment of principal on such Secured Notes or complete reduction of the Outstanding Notional Amount of the Senior Swap. The ratings assigned to the Class C Notes and the Class D Notes by S&P address the likelihood of the ultimate payment of interest and principal on such Secured Notes. This requires an analysis of the following: (i) credit quality of the Pledged Assets securing the Secured Notes; (ii) cash flow used to pay liabilities and the priorities of these payments; and (iii) legal considerations. Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's analysis includes the application of its proprietary default expectation computer model, the Standard & Poor's CDO Monitor (which will be provided to the Issuer), which is used to estimate the default rate the



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portfolio is likely to experience. The Standard & Poor's CDO Monitor calculates the projected cumulative default rate of a pool of collateral consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The Standard & Poor's CDO Monitor takes into consideration the rating of each issuer or obligor, the number of issuers or obligors, the issuer or obligor industry concentration and the remaining weighted average maturity of each of the Reference Obligations included in the Reference Portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the portfolio must withstand.

Credit enhancement to support a particular rating is then provided based, in part, on the results of the Standard & Poor's CDO Monitor, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of overcollateralization/subordination, cash collateral/reserve account, excess spread/interest and amortization. A transaction-specific cash flow model (the "Transaction-Specific Cash Flow Model") is used to evaluate the portfolio and determine whether it can withstand an estimated level of default while fully repaying the class of debt under consideration.

There can be no assurance that actual loss on the Pledged Assets will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction-Specific Cash Flow Model. The Issuers make no representation as to the expected rate of defaults on the portfolio or as to the expected timing of any defaults that may occur.

S&P's rating of the Notes will be established under various assumptions and scenario analyses. There can be no assurance, and no representation is made, that actual defaults on the Pledged Assets will not exceed those in S&P's analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those in S&P's analysis.

## THE CREDIT DEFAULT SWAP

### General

The following description of the Credit Default Swap is a summary of certain provisions of the Credit Default Swap but does not purport to be complete and prospective investors must refer to the Credit Default Swap for more detailed information regarding the Credit Default Swap. Copies of the Master Agreement and the Master Confirmation will be available to investors from the Trustee. Capitalized terms not otherwise defined in this section will have the meanings set forth in the Master Agreement and Master Confirmation.

The Credit Default Swap will be structured as a "pay-as-you-go" credit default swap and will be documented pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the Schedule thereto (the "Master Agreement"), between the Issuer and the Credit Protection Buyer along with a confirmation (the "Master Confirmation") evidencing a transaction with respect to each Reference Obligation in the Reference Portfolio thereunder (each such transaction, a "CDS Transaction").

Each CDS Transaction is expected to have a specified Reference Obligation Notional Amount which represents the dollar amount of the credit exposure which the Issuer is assuming thereunder with respect to the Reference Obligation related to such CDS Transaction. The "Aggregate Reference Obligation Notional Amount" is the sum of the Reference Obligation Notional Amounts of all CDS Transactions. On the Closing Date, the Issuer expects to enter into a Credit Default Swap with an Aggregate Reference Obligation Notional Amount of approximately U.S.$2,000,000,000. In accordance with the terms of the CDS Transactions, the Reference Obligation Notional Amount of each CDS Transaction is expected after the Closing Date to be: (i) decreased on each day on which a Reference Obligation Principal Payment is made by the relevant Reference Obligation Principal Amortization 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



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Amount *minus* the relevant amount determined pursuant to paragraph (b) under the heading, "Physical Settlement Amount" in the Master Confirmation; *provided* that, in accordance with the Master Confirmation, 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.

The effective date of the Credit Default Swap will be the Closing Date and the Credit Default Swap will terminate by its terms on April 12, 2042 (the "Scheduled Termination Date") unless a Credit Event occurs with respect to the Credit Default Swap and the physical settlement date is scheduled to occur after such date.

**Credit Protection Buyer Payments**

Pursuant to the Credit Default Swap, on each Determination Date, the Credit Protection Buyer will make a fixed rate payment (minus any related Interest Shortfall Amounts as described below and in the Master Confirmation) (the "Fixed Amount") to the Issuer, representing the aggregate Fixed Amounts which became due with respect to the Reference Obligation Payment Dates during the related Due Period. The Credit Protection Buyer will make certain other payments under the Credit Default Swap to the Issuer at the times and in the amounts described herein, including any Interest Shortfall Reimbursement Payment Amounts, Writedown Reimbursement Payment Amounts and any Principal Shortfall Reimbursement Payment Amounts (together "Additional Fixed Amounts"). In connection with any termination or assignment of a CDS Transaction, proceeds from such termination or assignment, if any, will be deposited into the Interest Collection Account.

Upon the occurrence of any Interest Shortfall with respect to any Reference Obligation, the Fixed Amount payable under a CDS Transaction by the Credit Protection Buyer to the Issuer will be reduced by an amount equal to the related Interest Shortfall Payment Amount, such reduction amount not to exceed the Fixed Amount. Interest will accrue on any Interest Shortfall Payment Amount at a rate equal to LIBOR plus the fixed rate as specified in the applicable CDS Transaction. Interest Shortfall Payment Amounts are subject to the Interest Shortfall Cap as described in the Credit Default Swap. If any amount in satisfaction of the Interest Shortfall which gave rise to any Interest Shortfall Payment Amount, including interest accrued thereon, is later paid with respect to a Reference Obligation, the Credit Protection Buyer will pay such amount, or in certain circumstances a portion of such amount to the Issuer as an Interest Shortfall Reimbursement Payment. Interest Shortfall Reimbursement Payment Amounts will not exceed the cumulative Interest Shortfall Payment Amounts (including any interest thereon) previously withheld from the Issuer relating to such Reference Obligation.

So long as the long-term ratings (or, in the case of clause (ii)(b) of this paragraph only, the short-term rating) of the Credit Protection Buyer or any guarantor of the Credit Protection Buyer's obligation under the Credit Default Swap are equal to or higher than (i) "Aa3" by Moody's (and, if rated "Aa3" by Moody's, is not on watch for possible downgrade) and (ii)(a) "AA-" by S&P (and, if rated "AA-" by S&P, is not on watch for possible downgrade) or (b), if Goldman Sachs International is not the Credit Protection Buyer, "A-1+" by S&P (and, if rated "A-1+" by S&P, is not on watch for possible downgrade), the fixed payment due by the Credit Protection Buyer will be payable in arrears. However, if the long-term ratings (or the short-term rating, as applicable) of the Credit Protection Buyer or any guarantor fall below any such levels, the Credit Protection Buyer will be required to pay the fixed payment due under the Credit Default Swap in advance. The failure of the Credit Protection Buyer to make the fixed payment in advance if such rating levels are no longer satisfied will constitute a termination event under the terms of the Credit Default Swap with the Credit Protection Buyer as the sole "Affected Party" under the Credit Default Swap.

**Credit Protection Seller Payments**

Under the Credit Default Swap, the Issuer will be required to pay certain Floating Amounts to the Credit Protection Buyer following the occurrence of a Floating Amount Event with respect to a Reference Obligation as described herein. The Issuer will pay to the Credit Protection Buyer all Floating Amounts which became due during each Due Period, if any, on the related Determination Date.

Upon the occurrence of a Credit Event with respect to a Reference Obligation, the Credit Protection Buyer may deliver such Reference Obligation to the Issuer, in exchange for which the Issuer will pay to the Credit



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Protection Buyer an amount (a "Physical Settlement Amount"), which amount shall be calculated in accordance with the related CDS Transaction. The Issuer will pay to the Credit Protection Buyer all Physical Settlement Amounts which became due during the related Due Period, if any, on the related Determination Date.

Delivered Obligations delivered to the Issuer will be credited to the Delivered Obligation Account. Any Delivered Obligation delivered to the Issuer shall be sold by the Liquidation Agent within twelve (12) months of the date on which the Liquidation Agent receives notice of such delivery in accordance with the Liquidation Agency Agreement; *provided* that no Event of Default has occurred and is continuing. The proceeds of such sale will be deposited by the Trustee into the Collateral Account and invested in Eligible Investments and Collateral Securities selected at the direction of the Liquidation Agent. In addition, any principal proceeds or interest received on such Delivered Obligations prior to such sale, will be deposited by the Trustee into the Collateral Account.

In connection with any termination or assignment of a CDS Transaction, the Issuer may owe a Credit Default Swap Termination Payment; *provided however*, that the Issuer will not be obligated to make any Credit Default Swap Termination Payments to the Credit Protection Buyer in the event of a termination or assignment of the Credit Default Swap in respect of which the Credit Protection Buyer is the "Defaulting Party" or the sole "Affected Party" (each as defined in the Credit Default Swap). Credit Default Swap Termination Payments due to the Credit Protection Buyer will be paid directly and outside of the Priority of Payments in accordance with the following paragraph. Defaulted Swap Termination Payments due to the Credit Protection Buyer will be paid in accordance with the Priority of Payments. Credit Default Swap Termination Payments due to an assignee of a CDS Transaction will be paid as and when they become due to the extent of available funds.

The Issuer will obtain the funds to pay Credit Protection Amounts by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap.

The obligations of the Issuer to make payments under a CDS Transaction will exist irrespective of whether the Credit Protection Buyer suffers a loss on a Reference Obligation upon the occurrence of a Credit Event. The Issuer will have no rights of subrogation under the Credit Default Swap.

**Credit Events**

A Credit Event with respect to the Credit Default Swap and any Reference Obligation means the occurrence of any of the events specified in the Credit Default Swap as a Credit Event on or before the scheduled termination date for such CDS Transaction. The Credit Events are expected to be Failure to Pay Principal, Writedown and Distressed Ratings Downgrade. The Master Confirmation may alter the standard definitions of such terms and the actual CDS Transactions should be consulted for the details of the Credit Events applicable thereto. The capitalized terms used in this section and not otherwise defined, have the meanings set forth in the related CDS Transactions.

A "Credit Event" is the occurrence of any of the following (however caused, directly or indirectly), as applicable:

(i) Failure to Pay Principal

"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.



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(ii) Writedown

"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.

(iii) Distressed Ratings Downgrade:

"Distressed Ratings Downgrade" means, with respect to a 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 at least "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 after 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 at least "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 after 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 at least "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 after such withdrawal.

**The Reference Portfolio**

The Aggregate Reference Obligation Notional Amount on the Closing Date is expected to be U.S.$ 2,000,000,000. The Reference Obligations will consist of 100 issues across three categories of RMBS Securities. The Reference Portfolio will include RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

As of the Closing Date, (i) RMBS Prime Mortgage Securities are expected to make up approximately 4.65% of the Aggregate Reference Obligation Notional Amount, (ii) RMBS Midprime Mortgage Securities are expected to make up approximately 54.00% of the Aggregate Reference Obligation Notional Amount and (iii) RMBS Subprime Mortgage Securities are expected to make up approximately 41.35% of the Aggregate Reference Obligation Notional Amount. See Appendix B to this Offering Circular for certain summary information with respect to the Reference Portfolio.



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**Removal of Reference Obligations from the Reference Portfolio**

Following a Writedown and the satisfaction of the Conditions to Settlement relating thereto, the Reference Obligation that is the subject of such Credit Event will not be removed from the Reference Portfolio, and such Reference Obligation may experience one or more subsequent Credit Events (including a Writedown).

Following (i) the scheduled maturity, redemption or amortization in full of a Reference Obligation or (ii) a Credit Event other than a Writedown and the satisfaction of the Conditions to Settlement, the Reference Obligation that matured, redeemed or amortized in full or that is the subject of such Credit Event will be removed from the Reference Portfolio. Subject to the foregoing, if the Reference Obligation Notional Amount of a Reference Obligation that suffered one or more Writedowns is reduced to zero at any time on or prior to the Scheduled Termination Date and remains at zero for a period of one calendar year, such Reference Obligation shall be removed from the Reference Portfolio as of the last day of such one calendar year period. The Aggregate Reference Obligation Notional Amount shall be decreased by the Reference Obligation Notional Amount of each Reference Obligation removed from the Reference Portfolio.

The Issuer will not have the authority to assign, terminate or otherwise dispose of any CDS Transaction on a discretionary basis. The only CDS Transactions that shall be assign, terminated or otherwise disposed of by the Issuer are CDS Transactions that reference Reference Obligations that are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations. Pursuant to the terms of the Indenture and subject to the restrictions contained therein and in the Liquidation Agency Agreement, the Liquidation Agent shall assign, terminate or otherwise dispose of, on behalf of the Issuer, any such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation within one (1) year from the date on which the Collateral Administrator, on behalf of the Issuer, pursuant to the Collateral Administration Agreement, identifies such Reference Obligation as a Credit Risk Obligation. The assignment, termination or disposition price for any such assignment, termination or disposition of a CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation will equal the fair market value of such CDS Transaction. The fair market value of any such CDS Transaction will be the highest bid received by the Liquidation Agent after attempting to solicit a bid from up to three independent third parties making a market in such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation, at least one of which is not from the Liquidation Agent or an affiliate thereof; *provided* that, if upon commercially reasonable efforts of the Liquidation Agent, bids from three independent third parties making a market in such CDS Transaction are not available, the higher of the bids from two such third parties may be used; *provided, further* that, if upon commercially reasonable efforts of the Liquidation Agent, bids from two independent third parties making a market in such CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation are not available, one such bid may be used. See "Risk Factors—Notes—Static Transaction" and "—No Collateral Manager." The proceeds from any such disposition of a CDS Transaction that references a Reference Obligation that is so determined to be a Credit Risk Obligation (exclusive of any accrued interest) will be deposited to the Collateral Account for investment in Eligible Investments or Collateral Securities, and may be applied as Amortization Proceeds pursuant to the calculation of the Amortization Payment Amount. A "Credit Risk Obligation" is a Reference Obligation (i) the rating of which has been (a) downgraded to below "BB-" or "Ba3" by any Rating Agency (but not including any Reference Obligations which are rated "BB-" or "Ba3" and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is a Defaulted Obligation or (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive months.

The Liquidation Agent, on behalf of the Issuer, may also (i) in the case of an Auction terminate the Credit Default Swap and liquidate the remaining Pledged Assets; *provided*, that the criteria for an Auction can be demonstrably met prior to any such disposition and that the expected Liquidation Proceeds equal or exceed the Minimum Bid Amount; (ii) in the case of a Tax Redemption on any Payment Date, dispose of the Credit Default Swap and liquidate the remaining Pledged Assets in connection with a Tax Redemption; *provided* that the criteria for a Tax Redemption can be demonstrably met prior to any such disposition and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount; and (iii) in the case of an Optional Redemption, dispose of the Credit Default Swap and liquidate the remaining Pledged Assets in connection with an Optional Redemption; *provided* that the criteria for an Optional Redemption can be demonstrably met prior to any such disposition and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. See "Description of the Notes—Auction," "—Tax Redemption" and "–Optional Redemption."



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**Credit Default Swap Early Termination**

The Issuer will have the right to terminate the Credit Default Swap upon the occurrence of an "Event of Default" or "Termination Event," including, but not limited to, (a) payment defaults by the Credit Protection Buyer and any guarantor lasting a period of at least three local business days, (b) a default by the Credit Protection Buyer or any guarantor on specific financial transactions as specified in the Credit Default Swap, (c) bankruptcy-related events applicable to the Credit Protection Buyer or any guarantor, (d) any redemption of the Notes in whole, (e) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (f) it becomes unlawful for the Issuer to perform its obligations under the Credit Default Swap and the Issuer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, (g) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Issuer will be required to (1) make a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment or (h) the unsecured, unsubordinated debt rating of the Credit Protection Buyer or any guarantor of the Credit Protection Buyer, whichever is higher, assigned by S&P or Moody's at any time falls below "AA-" (or is on downgrade watch at "AA-") or "Aa3" (or is on downgrade watch at "Aa3"), the Credit Protection Buyer fails to make an Expected Fixed Payment as set forth in the Credit Default Swap and the Credit Protection Buyer, or its guarantor, fails to either (a) transfer all of its rights and obligations under the Credit Default Swap to another entity which has such ratings or (b) cause an entity which has such ratings to guarantee or to provide an indemnity in respect of the Credit Protection Buyer's or its guarantor's, obligations under the Credit Default Swap which satisfies the Rating Agency Condition.

The Credit Protection Buyer will have the right to terminate the Credit Default Swap upon the occurrence of an "Event of Default" or "Termination Event" under the Credit Default Swap, including, but not limited to (a) an Event of Default under the Indenture caused by a payment default by the Issuer lasting a period of at least three local business days, (b) any redemption of the Notes in whole, (c) bankruptcy-related events applicable to the Issuer, and (d) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (e) it becomes unlawful for the Credit Protection Buyer to perform its obligations under the Credit Default Swap and the Credit Protection Buyer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, or (f) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Credit Protection Buyer will be required to make (1) a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment. If the Master Agreement and the CDS Transactions made thereunder are terminated, the Issuer will no longer receive payments from the Credit Protection Buyer and will likely not have sufficient funds to make payments when due on the Notes and may not have sufficient funds to redeem the Notes in full.

Upon the Trustee having actual knowledge of the occurrence of any event that gives rise to the right of the Issuer to terminate the Credit Default Swap, the Trustee or the Fiscal Agent, as applicable, will as promptly as practicable notify the Noteholders of such event but will only terminate any such agreement on behalf of the Issuer (i) at the direction of a Majority of the Income Notes or (ii) (a) upon the redemption of the Secured Notes in full, (b) if the principal balance of the Secured Notes is reduced to zero or (c) upon the acceleration of the Secured Notes in accordance with the terms of the Indenture. The Issuer is required to satisfy the Rating Agency Condition prior to any (i) replacement of the Credit Protection Buyer or (ii) assignment of the Credit Default Swap. In connection with any Noteholder vote to terminate the Credit Default Swap, any Notes held by or on behalf of the Credit Protection Buyer or any of their respective Affiliates will have no voting rights and will be deemed not to be outstanding in connection with any such vote. The failure by the Issuer to pay a Credit Protection Amount as a result of the Senior Swap Counterparty's failure to pay the Senior Swap Funding Amount will not be a default under the Credit Default Swap.

If an Event of Default or a Termination Event occurs under the Credit Default Swap and (i) the Credit Protection Buyer is the Defaulting Party or Affected Party, "Market Quotation" and "First Method" will apply and otherwise (ii) "Market Quotation" and "Second Method" will apply, in each case as set forth in the Credit Default Swap, to value the CDS Transactions under the Credit Default Swap.



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**Payments on Credit Default Swap Early Termination**

*Payments by the Issuer.* Upon the occurrence of a Credit Default Swap Early Termination, the Issuer will be required to pay to the Credit Protection Buyer the following amounts:

(i) any Physical Settlement Amounts owed by the Issuer to the Credit Protection Buyer for any Credit Events that occur on or prior to the Credit Default Swap Early Termination Date for which the Conditions to Settlement have been satisfied; and

(ii) any Credit Default Swap Termination Payment due to the Credit Protection Buyer.

*Payments by the Credit Protection Buyer.* Upon the occurrence of a Credit Default Swap Early Termination, the Credit Protection Buyer will be required to pay to the Issuer the following amounts:

(i) any accrued but unpaid Fixed Amounts and Additional Fixed Amounts; and

(ii) any Credit Default Swap Termination Payment due to the Issuer.

There can be no assurance that, upon early termination by the Issuer or the Credit Protection Buyer, either the Credit Protection Buyer would be required to make any termination payment to the Issuer or, if it did make such a payment, the amount of the termination payment made by the Credit Protection Buyer would be sufficient to pay any amounts due in respect of the Notes. If the Issuer is required to make a Credit Default Swap Termination Payment to the Credit Protection Buyer, such termination payment may be substantial and may result in losses to the holders of the Notes.

**Amendment**

The Credit Default Swap may be amended only with (i) the satisfaction of the Rating Agency Condition, (ii) the consent of the Noteholders (in a percentage as would have been required had such amendment been taken pursuant to this Indenture), (iii) the consent of the Collateral Put Provider (which consent shall not be unreasonably withheld), (iv) the consent of the Liquidation Agent (which consent shall not be unreasonably withheld) and (v) the consent of the Senior Swap Counterparty (which consent shall not be unreasonably withheld); *provided however*, that (A) with respect to (i), such condition need not be satisfied with respect to any amendment that corrects a manifest error and (B) with respect to (ii), (iii), (iv) and (v), such consent shall not be required, if, in reliance on an opinion of counsel or an officer's certificate of the Liquidation Agent, the Issuer determines that such amendment would not have a material adverse effect on such party.

**Guarantee**

The GS Group will guarantee the obligations of the Credit Protection Buyer under the Credit Default Swap.

**THE CREDIT PROTECTION BUYER**

The initial Credit Protection Buyer under the Credit Default Swap will be Goldman Sachs International. The swap guarantor with respect to the Credit Default Swap is The Goldman Sachs Group, Inc., a Delaware corporation (the "GS Group"), which is an affiliate of the Credit Protection Buyer. Goldman Sachs International is located at Peterborough Court 133 Fleet Street, London EC4A 2BB.

The Annual Report on Form 10-K for the fiscal year ended November 30, 2005 filed by GS Group with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules) will not form part of a prospectus prepared for the purposes of admission to the official list of the Irish Stock Exchange and to trading on its regulated market should any Notes be listed on such exchange.



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GS Group, together with its subsidiaries, is a global investment banking, securities and investment management firm that provides financial services worldwide to clients that include corporations, financial institutions, governments and high net-worth individuals.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this Offering Circular, or contained in this Offering Circular, will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. GS Group's filings with the SEC are available to the public through the SEC's Internet site at http://www.sec.gov, and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which GS Group's common stock is listed.

The Notes do not represent an obligation of, and will not be insured or guaranteed by, GS Group or any of its subsidiaries and investors will have no rights or recourse against GS Group or any of its subsidiaries.

## THE COLLATERAL SECURITIES

### The Initial Collateral Securities

Pursuant to the Credit Default Swap, the Issuer will use the net proceeds from the offering of the Notes to purchase Collateral Securities and Eligible Investments (having an initial principal amount as of the Closing Date of approximately U.S.$800,000,000).

The Collateral Securities or Eligible Investments for deposit in the Collateral Account, as applicable, are required to satisfy the following "Collateral Securities Eligibility Criteria":

(i) it is rated "Aaa" by Moody's and, if such asset has a short-term rating from Moody's, "P-1", and "AAA" by S&P, and, if such asset has a short-term rating from S&P, it must be "A-1+";

(ii) it is expected to have an outstanding principal balance of less than U.S.$1,000 after the Stated Maturity of the Class A-f Notes, assuming a constant prepayment rate since the date of purchase equal to the constant prepayment rate reasonably expected by the Liquidation Agent as of the date of purchase;

(iii) after taking into consideration the addition of any such security (a) at least 40% of the Collateral Securities by principal balance have an expected average life (calculated by the Liquidation Agent based on market prepayment assumptions) of less than or equal to 1.0 year, (b) 100% of the Collateral Securities by principal balance has an expected average life (calculated by the Liquidation Agent based on market prepayment assumptions) of less than or equal to 2.0 years, and (c) after Closing Date, the expected weighted average life (calculated by the Liquidation Agent based on market prepayment assumptions) of the Collateral Securities does not exceed the expected weighted average life of the Reference Portfolio at such time;

(iv) after taking into consideration the addition of any such security, the aggregate of the weighted average spread and the rate of the related index of the Collateral, in the aggregate, is at least equal to LIBOR plus 0.05% per annum or if prior to acquisition of such Collateral Security or Eligible Investment the aggregate of the weighted average spread and the rate of the related index of the Collateral was less than LIBOR plus 0.05% per annum, such acquisition would maintain or improve the aggregate of the weighted average spread and the rate of the related index of the Collateral;

(v) after taking into consideration the addition of any such security, no more than 25% of the Collateral Securities by principal balance has single counterparty exposure including servicer, issuer and put swap counterparty exposure;

(vi) provides for payments of monthly periodic interest at a floating rate and for a payment of principal in full at its final maturity;



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(vii) each such security satisfies the definition of an "Eligible Investment" or is a Residential Mortgage-Backed Security, a Commercial Mortgage-Backed Security or an Asset-Backed Security;

(viii) at least 70% of the Collateral Securities by principal balance consists of Asset-Backed Securities and Residential Mortgage-Backed Securities;

(ix) shall not have a maturity later than the Stated Maturity with respect to the Notes (other than the Class S Notes); and

(x) after taking into consideration the addition of any such security, the weighted average life of the Collateral Securities is not longer than the weighted average life of the Notes Outstanding.

The Collateral Securities are expected to be purchased in a face amount equal to the initial Aggregate Notional Amount of the Credit Default Swap. Under the terms of the Indenture, all Collateral Securities are required to be deposited in the Collateral Account for the benefit of the Credit Protection Buyer. The Issuer will also grant to the Trustee for the benefit of the Secured Parties, a security interest in the Collateral Securities, subject to the lien of the Credit Protection Buyer, and shall notify the Credit Protection Buyer of such security interest. The Issuer must obtain the consent of the Credit Protection Buyer with respect to any initial Collateral Securities purchased by the Issuer and any Collateral Securities purchased thereafter.

Principal payments on the Collateral Securities prior to the termination of the Credit Default Swap shall be held in accordance with the Credit Default Swap in the Collateral Account and invested in Eligible Investments until reinvested in Collateral Securities which satisfy the Collateral Securities Eligibility Criteria with the consent of the Credit Protection Buyer.

The Liquidation Agent, on behalf of the Issuer, will obtain the funds to pay Credit Protection Amounts (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap.

If the Notes become due in connection with an Optional Redemption, Tax Redemption or Auction, (i) the Liquidation Agent, on behalf of the Issuer, will assign or terminate the Credit Default Swap and liquidate all of the Collateral Securities and Eligible Investments in the Collateral Account and all Delivered Obligations in the Delivered Obligations Account and (ii) the Issuer will pay to the Credit Protection Buyer any Credit Default Swap Termination Payments the Issuer is required to pay to the Credit Protection Buyer (if any) in connection with any assignment or termination of the Credit Default Swap. Certain amounts will be held back if one or more outstanding Credit Events or Floating Amounts remain due as of a Redemption Date.

If the Credit Default Swap is terminated in connection with the occurrence of an Event of Default or Termination Event (each as defined in the Master Agreement), the Liquidation Agent, on behalf of the Issuer, will pay to the Credit Protection Buyer any Credit Default Swap Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) owed by the Issuer to the Credit Protection Buyer by (i) applying the Collateral Liquidation Procedure and (ii) after the Balance of the Collateral Account has been reduced to zero, demanding payment under the Senior Swap equal to the lesser of the Credit Protection Amount due (net of any amount applied pursuant to subclause (i)) and the Outstanding Notional Amount of the Senior Swap. Certain amounts will be held back if one or more outstanding Credit Events exist or Floating Amounts remain due as of any termination date.

For purposes of the Coverage Tests and for purposes of determining whether a Credit Default Swap is a Credit Risk Obligation, a Credit Default Swap shall be included as a Pledged Asset having the characteristics of the Reference Obligation and not of the Credit Default Swap; *provided*, that if such Credit Protection Buyer is in default under the related Credit Default Swap, such Credit Default Swap shall not be included in the Coverage Tests or such Credit Default Swap will be treated in such a way that will satisfy the Rating Agency Condition.



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**Substitution of Collateral Securities**

From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a Collateral Securities Substitution Request Notice requesting substitution of one or more securities for one or more existing Collateral Securities, in whole or in part. Following receipt of such request, pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, will determine the BIE Transaction Cost. Upon such determination by the Collateral Administrator, the Trustee or the Fiscal Agent, as applicable, will deliver a Collateral Securities Substitution Information Notice to the Originating Noteholder.

Within five Business Days of receiving a Collateral Securities Substitution Information Notice, the Originating Noteholder must (i) notify the Trustee or the Fiscal Agent, as applicable, whether it wishes to proceed with the proposed substitution and, if so (ii) agree to pay any BIE Transaction Cost (regardless of whether the Holders of a Majority of the Notes of each Class and the Senior Swap Counterparty consent to such proposed substitution) (the occurrence of subclauses (i) and (ii), a "Substitution Confirmation"). If a Substitution Confirmation is not received by the Trustee or the Fiscal Agent, as applicable, within the time period specified above, the related request will be deemed to be void and of no further effect. Upon the receipt of a Substitution Confirmation, the Trustee or the Fiscal Agent, as applicable, will deliver a BIE Consent Solicitation Notice to all Holders of Notes, including the Originating Noteholder and the Senior Swap Counterparty with a copy to the Credit Protection Buyer. Upon receipt of such BIE Consent Solicitation Notice, each Holder of a Note and the Senior Swap Counterparty may, on or prior to the BIE Notification Date, submit written notice to the Trustee or the Fiscal Agent, as applicable, indicating either (1) approval or (2) disapproval of any proposed BIE Consent Solicitation Notice by the BIE Notification Date. If the BIE Consent Solicitation Notice fails to receive the affirmative approval of the Holders of a Majority of each Class of Notes by the BIE Notification Date or the Senior Swap Counterparty does not approve the BIE Consent Solicitation Notice by the BIE Notification Date, the Trustee or the Fiscal Agent will deliver a Collateral Securities Substitution Noteholder Refusal Notice to the Originating Noteholder and the related Collateral Securities Substitution Request Notice will be deemed void and of no further effect. If the BIE Consent Solicitation Notice receives the approval of each of (1) Holders of a Majority of each Class of Notes and (2) the Senior Swap Counterparty, the Trustee or the Fiscal Agent, as applicable, will deliver a BIE Acceptance Notice to the Originating Noteholder and the Liquidation Agent.

Upon receipt of the BIE Acceptance Notice and confirmation from the Trustee (1) that the Originating Noteholder has paid the BIE Transaction Cost to the Trustee and (2) that the relevant BIE Collateral Securities have been delivered to the Trustee, and the par amount of such delivered BIE Collateral Securities is at least equal to each of the par amount of each of the Collateral Securities to be substituted, the Trustee shall release its lien on the par amount of the relevant existing Collateral Securities to be substituted and deliver the par amount of such substituted Collateral Securities to such Originating Noteholder.

If (i) any BIE Collateral Security is not delivered to the Issuer or (ii) the Issuer is not paid the BIE Transaction Cost, in each case by the end of the BIE Exercise Period identified in the BIE Acceptance Notice, the BIE Acceptance Notice and the Collateral Securities Substitution Request Notice will be deemed void and of no further effect.

**Voting and Other Matters Relating to Collateral Securities and Delivered Obligations**

Under the Indenture, where the Issuer, as the beneficial owner of a Collateral Security or Delivered Obligation, or the Trustee, as the registered owner of a Collateral Security or Delivered Obligation, has the right to exercise a vote or consent to (or otherwise approve of) (i) any action, or inaction, pursuant to the terms of such Collateral Security or Delivered Obligation and its related underlying documentation or (ii) an offer by the issuer of such Collateral Security or Delivered Obligation or by any other person to purchase or otherwise acquire such Collateral Security or Delivered Obligation or to convert or exchange such Collateral Security or Delivered Obligation for cash or any other consideration, the Trustee, as directed by the applicable holders, acting in its capacity as registered owner of such Collateral Security or Delivered Obligation, shall direct the Issuer's vote be cast in the following manner: (x) if other holders of the class of which such Collateral Security or Delivered Obligation is a part respond to such solicitation for vote or consent, in the same manner as the votes of a plurality of the other voting holders of such class (based on the Principal Balance of such Collateral Security or Delivered



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Obligation), (y) if no other holders of such class exercise a vote or if there are no other holders of such class, but holders of different classes issued under the same governing instrument respond, in the same manner as the votes of a plurality of the voting holders of all classes issued under the governing instrument pursuant to which such Collateral Security or Delivered Obligation was issued (based on the Principal Balance of all such classes and treated as a single class) or (z) if no holders of any class issued under the same governing instrument respond or if there are no other holders, the Issuer's vote shall be exercised against such action or inaction.

## THE SENIOR SWAP

### General

The following description of the Senior Swap is a summary of certain provisions of the Senior Swap. The following summary does not purport to be complete, and is qualified in its entirety by reference to the detailed provisions of the Senior Swap.

On the Closing Date, GSI, as Senior Swap Counterparty, will enter into the Senior Swap with the Issuer. The Senior Swap will provide for the periodic payment by the Issuer of the Senior Swap Premium on each Payment Date at the rate of 0.20% per annum on the Outstanding Notional Amount thereof for each Interest Accrual Period. Such Senior Swap Premium will be calculated on the basis of a year of 360 days and the actual number of days elapsed. The Issuer's obligations under the Senior Swap will be secured under the Indenture. The Senior Swap is not offered hereby.

To the extent a Floating Amount (other than those related to Interest Shortfalls) or Credit Default Swap Termination Payment becomes due from the Issuer with respect to the CDS Transactions and the Balance of the Collateral Securities and Eligible Investments in the Collateral Account have been reduced to zero, the Senior Swap Counterparty will be required to make a payment (any such payment, a "Senior Swap Funding Payment") to the Issuer to fund such amounts in accordance with the Senior Swap in an amount equal to the lesser of the amount due and the Outstanding Notional Amount (any such amount, a "Senior Swap Funding Amount"). To the extent the Issuer receives Writedown Reimbursement Payment Amounts or Principal Shortfall Reimbursement Payment Amounts after the Senior Swap Counterparty has made a Senior Swap Funding Payment, (i) the Trustee, on behalf of the Issuer, will pay such amounts directly to the Senior Swap Counterparty until all Senior Swap Funding Payments have been reimbursed to the Senior Swap Counterparty and (ii) otherwise, the Trustee, on behalf of the Issuer shall deposit such amounts in the Collateral Account.

The Issuer will have the right to terminate the Senior Swap upon the occurrence of an "Event of Default" or "Termination Event," including, but not limited to, (a) payment defaults by the Senior Swap Counterparty and any guarantor lasting a period of at least three local business days, (b) a default by the Senior Swap Counterparty or any guarantor on specific financial transactions as specified in the Senior Swap, (c) bankruptcy-related events applicable to the Senior Swap Counterparty or any guarantor, (d) any redemption of the Notes in whole, (e) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (f) it becomes unlawful for the Issuer to perform its obligations under the Senior Swap and the Issuer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply, or (g) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Issuer will be required to (1) make a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment. The Issuer will terminate the Senior Swap only (i) upon the termination of the Credit Default Swap or the acceleration of the Notes or (ii) upon the replacement of the Senior Swap Counterparty pursuant to the terms of the Senior Swap and with the consent of the Credit Protection Buyer and subject to the satisfaction of the Rating Agency Condition.

The Senior Swap Counterparty will have the right to terminate the Senior Swap upon the occurrence of an "Event of Default" or "Termination Event" under the Senior Swap, including, but not limited to (a) an Event of Default under the Indenture caused by a payment-default by the Issuer lasting a period of at least three local business days, (b) any redemption of the Notes in whole, (c) bankruptcy-related events applicable to the Issuer, and (d) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (e) it becomes unlawful for the Senior Swap Counterparty to perform its obligations under the Senior Swap and the Senior Swap Counterparty is not able to transfer its obligations to a different jurisdiction or substitute another entity in its



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place so that such illegality ceases to apply, or (f) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Senior Swap Counterparty will, on the next succeeding payment date be required to make (1) a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment.

If an Event of Default or a Termination Event occurs under the Senior Swap, "Market Quotation" and "Second Method" will be applied to determine any related termination or assignment payments; *provided however*, that if the Issuer is the sole Affected Party or the Defaulting Party in respect of such Event of Default or Termination Event, (i) the Issuer will pay to the Senior Swap Counterparty any accrued but unpaid Senior Swap Premium Amounts, (ii) the Senior Swap Counterparty will pay to the Issuer any unpaid Senior Swap Funding Payments and (iii) no other amounts shall be paid by the Issuer to the Senior Swap Counterparty or by the Senior Swap Counterparty to the Issuer. Notwithstanding the foregoing, no termination payments will be payable by the Senior Swap Counterparty or the Issuer in connection with an Optional Termination of the Senior Swap. Any termination payments paid by the Senior Swap Counterparty to the Issuer will be deposited into the Collateral Account.

**Amendment**

The Issuer will enter into any agreement amending, modifying or terminating the Senior Swap with the consent of the Senior Swap Counterparty, (a) only with the consent of the Credit Protection Buyer, (b) upon the satisfaction of the Rating Agency Condition, (c) with the consent of the Collateral Put Provider (which consent shall not be unreasonably withheld) and (d) with the consent of the Liquidation Agent (which consent shall not be unreasonably withheld); *provided however*, that with respect to (c) and (d), such consent shall not be required, if, in reliance on an opinion of counsel or an Officer's certificate of the Liquidation Agent, the Issuer determines that such amendment would not have a material adverse effect on any such party.

**Guarantee**

The GS Group will guarantee the obligations of the Senior Swap Counterparty under the Senior Swap. For a description of the GS Group, see "The Credit Protection Buyer" above.

## THE COLLATERAL PUT AGREEMENT

The following description of the Collateral Put Agreement is a summary of certain provisions of the Collateral Put Agreement. The following summary does not purport to be complete, and is qualified in its entirety by reference to the detailed provisions of the Collateral Put Agreement.

The Notes do not represent an obligation of the Collateral Put Provider. Noteholders will not have any right to proceed directly against the Collateral Put Provider in respect of the Collateral Put Provider's obligations under the Collateral Put Agreement. However, the Holders of a Majority of the Income Notes will have the right to direct the Issuer with respect to the enforcement of any claims that it may have against the Collateral Put Provider.

On each Payment Date, the Issuer will pay to the Collateral Put Provider an amount, in Dollars, (each, a "Collateral Put Provider Fee") equal to the product of:

(i) a rate of 0.05% per annum; and

(ii) the aggregate Principal Balance of the Collateral Securities and Eligible Investments in the Collateral Account on the first day of the preceding Interest Accrual Period; and

(iii) the actual number of days in the preceding Interest Accrual Period *divided* by 360.

If and so long as the unsecured, unsubordinated debt rating of the Collateral Put Provider or the credit support provider for the Collateral Put Provider, whichever is higher, assigned by Moody's is below "A1", all principal payments on the Collateral Securities and Eligible Investments in the Collateral Account will be *maintained in cash and Eligible Investments (unless otherwise required to be applied, in accordance with the terms*



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of the Indenture, to either (i) the payment of the Notes in accordance with the Priority of Payments or (ii) the payment of Credit Protection Amounts) until such time as the Balance of the cash and Eligible Investments in the Collateral Account is equal to the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes.

**Effective Date and Scheduled Termination**

The effective date of the Collateral Put Agreement will be the Closing Date.

Unless terminated prior to its scheduled termination date, the Collateral Put Agreement will terminate on April 12, 2042.

**Payments and Delivery**

In connection with any liquidation of the Collateral Securities and Eligible Investments (other than Put Excluded Collateral) in connection with the payment by the Issuer of any Credit Protection Amounts to the Credit Protection Buyer if (x) the Liquidation Agent is unable to obtain at least 100% of par for a Collateral Security or at least 100% of par for Eligible Investments (in each case (i) other than Put Excluded Collateral and (ii) excluding any accrued and unpaid interest), the Liquidation Agent will then, on behalf of the Issuer, exercise the Issuer's right under the Collateral Put Agreement pursuant to which the Liquidation Agent will deliver such Collateral Securities and Eligible Investments (other than Put Excluded Collateral) to the Collateral Put Provider in exchange for the payment by the Collateral Put Provider to the Issuer of an amount equal to 100% of par for such Collateral Securities and Eligible Investments (plus accrued and unpaid interest).

**Collateral Put Agreement Early Termination**

If an Event of Default or a Termination Event occurs under the Collateral Put Agreement, "Market Quotation" and "Second Method" will be applied to determine any termination or assignment payments payable; *provided however*, that if the Issuer is the sole Affected Party or the Defaulting Party in respect of such Termination Event or Event of Default, (i) the Issuer will pay to the Collateral Put Provider any accrued but unpaid Collateral Put Provider Fee Amounts, (ii) the Collateral Put Provider will pay to the Issuer the Strike Price (as defined in the Collateral Put Agreement) in respect of any exercised Options (as defined in the Collateral Put Agreement) in respect of which settlement has not yet occurred (upon delivery of the related Collateral Securities or Eligible Investments, as applicable, by the Issuer) and (iii) no other amounts will be paid by the Issuer to the Collateral Put Provider and by the Collateral Put Provider to the Issuer.

The Issuer will have the right to terminate the Collateral Put Agreement upon the occurrence of an "Event of Default" or "Termination Event," including, but not limited to, (a) payment defaults by the Collateral Put Provider and any guarantor lasting a period of at least three local business days, (b) a default by the Collateral Put Provider or any guarantor on specific financial transactions as specified in the Collateral Put Agreement, (c) bankruptcy-related events applicable to the Collateral Put Provider or any guarantor thereof, (d) any redemption of the Notes in whole, (e) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (f) it becomes unlawful for the Issuer to perform its obligations under the Collateral Put Agreement and the Issuer is not able to transfer its obligations to a different jurisdiction or substitute another entity in its place so that such illegality ceases to apply or (g) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law, there is a substantial likelihood that the Issuer will be required to (1) make a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment.

The Collateral Put Provider will have the right to terminate the Collateral Put Agreement upon the occurrence of an "Event of Default" or "Termination Event" under the Collateral Put Agreement, including, but not limited to (a) an Event of Default under the Indenture caused by a payment default by the Issuer lasting a period of at least three local business days, (b) any redemption of the Notes in whole, (c) bankruptcy-related events applicable to the Issuer, and (d) a liquidation of all the Pledged Assets following the occurrence of an Event of Default under the Indenture, (e) it becomes unlawful for the Collateral Put Provider to perform its obligations under the Collateral Put Agreement and the Collateral Put Provider is not able to transfer its obligations to a different jurisdiction or



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substitute another entity in its place so that such illegality ceases to apply, or (f) because of (x) any action taken by a taxing authority, or brought in a court, on or after the Closing Date or (y) a change in tax law there is a substantial likelihood that it will, on the next succeeding payment date be required to make (1) a "gross-up" payment or (2) receive a payment subject to withholding for which another party is not required to make a "gross-up" payment.

Upon the Trustee having actual knowledge of the occurrence of any event that gives rise to the right of the Issuer to terminate the Collateral Put Agreement, the Trustee or the Fiscal Agent, as applicable, will as promptly as practicable notify the Noteholders of such event but the Trustee will only terminate the Collateral Put Agreement on behalf of the Issuer (i) at the direction of a Majority of the Income Notes or (ii) upon the termination of the Credit Default Swap. The Issuer is required to satisfy the Rating Agency Condition prior to any (i) replacement of the Collateral Put Provider or (ii) assignment of the Collateral Put Agreement. In connection with any Noteholder vote to terminate the Collateral Put Agreement, any Notes held by or on behalf of the Collateral Put Provider or any of its Affiliates will have no voting rights and will be deemed not to be Outstanding in connection with any such vote.

**Amendment**

The Collateral Put Agreement may be amended at any time with the consent of the Collateral Put Provider only with (i) the satisfaction of the Rating Agency Condition, (ii) the consent of the Noteholders (in a percentage as would have been required had such amendment been taken pursuant to this Indenture), (iii) the consent of the Credit Protection Buyer (which consent shall not be unreasonably withheld), (iv) the consent of the Liquidation Agent (which consent shall not be unreasonably withheld) and (v) the consent of the Senior Swap Counterparty (which consent shall not be unreasonably withheld); *provided however*, that (A) with respect to (i), such condition need not be satisfied with respect to any amendment that corrects a manifest error and (B) with respect to (ii), (iii), (iv) and (v), such consent shall not be required, if, in reliance on an opinion of counsel or an officer's certificate of the Liquidation Agent, the Issuer determines that such amendment would not have a material adverse effect on such party.

**Guarantee**

The GS Group will guarantee the obligations of the Collateral Put Provider under the Collateral Put Agreement. For a description of the GS Group, see "The Credit Protection Buyer" above.

## THE LIQUIDATION AGENCY AGREEMENT

*The following summary describes certain provisions of the Liquidation Agency Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Liquidation Agency Agreement.*

**General**

The Liquidation Agent will, on behalf of the Issuer, pursuant to the Liquidation Agency Agreement, (i) assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined by the Collateral Administrator, on behalf of the Issuer, pursuant to the Collateral Administration Agreement, to be Credit Risk Obligations or (b) Delivered Obligations, (ii) sell, assign, terminate or otherwise dispose of the CDS Transactions, Collateral Securities, Delivered Obligations and Eligible Investments of the Issuer in connection with (a) a redemption of the Notes as a result of an Optional Redemption, a Tax Redemption, an Auction or as otherwise required under the Indenture as described therein and (b) an acceleration of the Notes as a result of an Event of Default as required under the Indenture as described therein and (iii) perform certain other functions, as described herein. The Liquidation Agent will have twelve (12) months to assign, terminate or otherwise dispose of (a) CDS Transactions the Reference Obligations of which are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations and (b) Delivered Obligations in accordance with the terms of the Liquidation Agency Agreement (such twelve months measured from the date the Liquidation Agent is notified of either (1) such determination by the Collateral Administrator or (2) the receipt of such Delivered Obligation by the Issuer, as applicable). The proceeds of such sale of Delivered Obligations will be deposited into the Collateral Account and invested in Eligible



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Investments and Collateral Securities selected at the direction of the Liquidation Agent. In addition, any principal proceeds received on such Delivered Obligations prior to such sale, will be deposited into the Collateral Account. The Liquidation Agent will have no ability or authority to direct the assignment, termination or other disposition of any CDS Transactions. The Liquidation Agent will not provide investment advisory services to the Issuer or act as the "collateral manager" for the Credit Default Swap. The Liquidation Agent will not have fiduciary duties to the Issuer or to the holders of the Notes.

**The Liquidation Agent**

The Liquidation Agent is Goldman, Sachs & Co. ("GS&Co."). GS&Co. is a New York limited partnership and a registered U.S. broker-dealer. The Notes do not represent an obligation of, and will not be insured or guaranteed by GS&Co., its parent or any of its subsidiaries or its affiliates and investors will have no rights or recourse against GS&Co., its parent or any of its subsidiaries or affiliates.

**Compensation**

As compensation for the performance of its obligations under the Liquidation Agency Agreement, the Liquidation Agent will be entitled to receive a fee in accordance with the Priority of Payments, payable in arrears on each Payment Date, of 0.10% per annum (the "Liquidation Agent Fee") times the Aggregate Outstanding Portfolio Amount, measured as of the beginning of the Due Period preceding such Payment Date.

If amounts distributable on any Payment Date in accordance with the Priority of Payments are insufficient to pay the Liquidation Agent Fee in full, then the shortfall will be deferred and will be payable on subsequent Payment Dates on which funds are available therefor according to the Priority of Payments.

The Liquidation Agent Fee will be calculated on the basis of a 360 day year consisting of twelve 30-day months. All fees payable to the Liquidation Agent on a Payment Date are subject to payment only in accordance with the Priority of Payments.

The Liquidation Agent may, at its election and upon notice to the Issuer and the Trustee, direct for a predetermined period of time that all or a portion of the amount that is due to it as the Liquidation Agent Fee be paid directly to a third party; *provided*, that the Liquidation Agent will not (unless it is assigning all of its rights and obligations in accordance with the Liquidation Agency Agreement) be relieved of any of its duties under the Liquidation Agency Agreement or the Indenture as a result of the redirection of its right to receive all or a portion of the Liquidation Agent Fee.

**Procedure for Disposition of CDS Transaction, Eligible Investments, Collateral Securities and Delivered Obligations**

Pursuant to the Liquidation Agency Agreement, whenever the assignment, termination or other disposition of CDS Transactions; Eligible Investments, Collateral Securities and Delivered Obligations is required under the Indenture, as described under "The Credit Default Swap—Removal of Reference Obligations from the Reference Portfolio", the Liquidation Agent will use commercially reasonable efforts to solicit bids from at least three independent market makers, at least one of which is not the Liquidation Agent or an affiliate thereof. If after such commercially reasonable efforts, bids from three independent market makers are not available, the higher of two such bids may be used and if bids from two such independent market makers are not available, one such bid may be used. Assuming at least one bid is received in accordance with the preceding sentence, the applicable CDS Transactions, Eligible Investments, Collateral Securities and Delivered Obligations shall be disposed of at the highest bid price. The Liquidation Agent or an affiliate of the Liquidation Agent may purchase a CDS Transaction, Eligible Investment, Collateral Security or Delivered Obligation assigned, terminated or otherwise disposed as described above. Notwithstanding the foregoing, any Auction shall be conducted in accordance with the auction procedures set forth in the Indenture.



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**Termination, Removal and Resignation**

If the Liquidation Agency Agreement is terminated for any reason or the entity then serving as Liquidation Agent resigns or is removed, the Liquidation Agent Fee owing to such entity will be prorated for any partial periods between Payment Dates and such prorated amount will be due and payable on the first Payment Date following the date of such termination, subject to the priority of payments.

The Liquidation Agent may resign, upon 60 days' (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer, the Trustee and the Rating Agencies. If the Liquidation Agent resigns, the Issuer agrees to use its best efforts to appoint a successor Liquidation Agent, and the effectiveness of such resignation will be conditioned upon the appointment of such successor.

The Liquidation Agent may be removed for "cause" (i) by the Issuer or the Trustee; *provided* that written notice thereof shall have been given to the holders of the Notes and each Rating Agency stating that such termination shall be effective only if directed in writing within 30 days after the date of such notice by, the Senior Swap Counterparty, the holders of at least a Super Majority of the Income Notes and a Super Majority of the Controlling Class, but excluding in any such calculation any Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, (ii) in the case of an event described in clause (3) below, by the Issuer or the Trustee upon 10 days' prior written notice to the Liquidation Agent, or (iii) by the Senior Swap Counterparty, holders of at least a Super Majority of the Income Notes and a Super Majority of the Controlling Class, but excluding in any such calculation any Income Notes or Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, upon 10 days' prior written notice to the Liquidation Agent.

For purposes of determining "cause" with respect to any such termination of the Liquidation Agency Agreement, such term shall mean the occurrence and continuation of any one of the following events: (1) the Liquidation Agent willfully violates, or takes any action that it knows breaches, any provision of the Liquidation Agency Agreement or the Indenture applicable to it; (2) the Liquidation Agent breaches in any material respect any provision of the Liquidation Agency Agreement or any terms of the Indenture applicable to it, which breach (i) has a material adverse effect on the holders of the Notes and (ii) within 30 days of its becoming aware (or receiving notice from the Trustee) of such breach, the Liquidation Agent fails to cure such breach; (3) the Liquidation Agent is wound up or dissolved or there is appointed over it or over all or substantially all of its assets a receiver, administrator, administrative receiver, trustee or similar officer; or the Liquidation Agent (w) ceases to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of or enters into any composition or arrangement with, its creditors generally; (x) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) of the Liquidation Agent or of all or substantially all of its properties or assets, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Liquidation Agent and continue undismissed for 60 consecutive days; (y) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency or dissolution, or authorizes such application or consent, or proceedings to such end are instituted against the Liquidation Agent without such authorization, application or consent and are approved as properly instituted and remain undismissed for 60 consecutive days or result in adjudication of bankruptcy or insolvency; or (z) permits or suffers all or substantially all of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days; or (4) the Issuer, the Co-Issuer or the Pledged Assets have become required to be registered as an investment company under the provisions of the Investment Company Act, as a result of a material breach by the Liquidation Agent in violation of the Liquidation Agency Agreement. The Liquidation Agent shall notify the Trustee, each Rating Agency (to the extent any Secured Notes outstanding are rated by such Rating Agency), the Senior Swap Counterparty, the Fiscal Agent and the holders of the Income Notes if a "cause" event, or an event which with the giving of notice or the lapse of time (or both) becomes "cause," occurs.

Any resignation or removal of the Liquidation Agent will be effective only upon (i) the appointment by the holders of a Super Majority of the Income Notes (including any Income Notes owned by the Liquidation Agent, any Affiliate of the Liquidation Agent, and any account over which the Liquidation Agent has discretionary authority)



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(or if such holders fail to make such appointment within 30 days after any such resignation or removal, by the Issuer, as directed by a Super Majority of the Controlling Class) of a successor Liquidation Agent that is an established institution with experience servicing assets similar to the Pledged Assets that (1) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Liquidation Agent under the Liquidation Agency Agreement, (2) is legally qualified and has the capacity to act as Liquidation Agent under the Liquidation Agency Agreement as successor to the Liquidation Agent under the Liquidation Agency Agreement, (3) has agreed in writing to assume all of the responsibilities, duties and obligations of the Liquidation Agent under the Liquidation Agency Agreement and under the applicable terms of the Indenture, (4) shall not cause the Issuer, the Co-Issuer or the pool of Pledged Assets to become required to register as an investment company under the Investment Company Act and (5) has been approved by the Issuer, upon the direction of the Senior Swap Counterparty and a Majority of each Class of Notes and (ii) satisfaction of the Rating Agency Condition with respect to such appointment. Notwithstanding the foregoing, if no successor has been appointed as aforesaid within 120 days after resignation of the Liquidation Agent, the Liquidation Agent may appoint a successor satisfying the requirements of the Liquidation Agency Agreement without consent of any other party or confirmation by the Rating Agencies. The Issuer, the Trustee and the successor Liquidation Agent shall take such action (or cause the outgoing Liquidation Agent to take such action) consistent with the Liquidation Agency Agreement and the terms of the Indenture applicable to the Liquidation Agent as shall be necessary to effectuate any such succession. If the Liquidation Agent shall resign or be removed but a successor Liquidation Agent shall not have assumed all of the Liquidation Agent's duties and obligations under the Liquidation Agency Agreement within 90 days after such resignation or removal, then the Issuer, the Trustee, any holder of Notes or the resigning or terminated Liquidation Agent may petition any court of competent jurisdiction for the appointment of a successor Liquidation Agent. The compensation payable to a successor Liquidation Agent from payments on the Pledged Assets shall not exceed the compensation payable to the Liquidation Agent under the Liquidation Agency Agreement without the approval of the Senior Swap Counterparty and the holders of a Majority of the Aggregate Outstanding Amount of each Class of Notes.

Any Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, in each case will have no voting rights with respect to any vote in connection with the removal of the Liquidation Agent or the disposition of any CDS Transaction or Eligible Investment and will be deemed not to be outstanding in connection with any such vote; *provided, however*, that any such Notes will have voting rights and will be deemed outstanding with respect to all other matters as to which holders of Notes are entitled to vote.

The Liquidation Agent may assign the Liquidation Agency Agreement, in whole or in part, to an affiliate of the Liquidation Agent without the consent of the Issuer, the Senior Swap Counterparty, any Class of Secured Notes or the Income Notes and without satisfaction of the Rating Agency Condition. In the event of any such assignment, Goldman Sachs & Co. will have no further obligations to the Issuer.

Except for the assignment to an affiliate, the Liquidation Agency Agreement may not be assigned by the Liquidation Agent, in whole or in part, without (i) the prior written consent of the Issuer, (ii) the prior written consent of or affirmative vote by the Senior Swap Counterparty, a Majority of the Controlling Class and the holders of a Majority of the Income Notes and (iii) satisfaction of the Rating Agency Condition with respect to such assignment or delegation.

The Liquidation Agency Agreement will terminate when the earliest of the following occurs: (i) the payment in full of the Notes; (ii) the liquidation of the Pledged Assets and the final distribution of the proceeds of such liquidation to the Holders of the Notes or (iii) the termination thereof due to the resignation or removal of the Liquidation Agent in accordance with the Liquidation Agency Agreement.

The Liquidation Agency Agreement may not be amended or modified or any provision thereof waived (other than in connection with an assignment to an affiliate of the Liquidation Agent) except by (i) an instrument in writing signed by the parties thereto, (ii) the prior written consent of the Senior Swap Counterparty and a Majority of the Controlling Class and (iii) written confirmation from each Rating Agency to the effect that such amendment, modification or waiver will not cause a qualification, downgrade or withdrawal of its then current ratings of the Senior Swap or any Class of Notes rated by such Rating Agency unless the Senior Swap Counterparty (if any rating of the Senior Swap would be qualified, downgraded or withdrawn) and the holders of 100% of each Class of Notes



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that would be qualified, reduced or withdrawn due to an amendment, modification or waiver approves such amendment, modification or waiver.

The Liquidation Agent, its affiliates and their respective members, principals, partners, managers, directors, officers, stockholders, partners, agents and employees will not be liable to the Co-Issuers, the Trustee, the Fiscal Agent, the Senior Swap Counterparty, the holders of the Notes or any other Person for any losses, claims, damages, demands, charges, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, the Trustee, the Fiscal Agent, the holders of the Notes or any other Person that arise out of or in connection with the performance by the Liquidation Agent of its duties under the Liquidation Agency Agreement or the Indenture, or for any decrease in the value of the Pledged Assets; *provided* that the Liquidation Agent shall be subject to liability by reason of acts or omissions of the Liquidation Agent constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Liquidation Agent under the Liquidation Agency Agreement and under the terms of the Indenture applicable to the Liquidation Agent; *provided* that in no event shall the Liquidation Agent or any of its affiliates be liable for consequential, special, exemplary or punitive damages. Subject to the priority of payments described herein, the Liquidation Agent will be entitled to indemnification by the Issuer under certain circumstances.

Various potential and actual conflicts of interest may arise from the overall activities of the Liquidation Agent and its affiliates. In certain circumstances, the interests of the Issuer, the Senior Swap Counterparty and/or the holders of the Notes with respect to matters as to which the Liquidation Agent is advising the Issuer may conflict with the interests of the Liquidation Agent or its affiliates. See "Risk Factors—Other Considerations—Certain Conflicts of Interest" and "—The Liquidation Agent."

## ACCOUNTS

Pursuant to the Indenture, the Issuer shall cause there to be opened and at all times maintained the Interest Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account (including the Cash Collateral Account), the Delivered Obligation Account, the Collateral Put Provider Account, the Amortization Shortfall Account and the CDS Counterparty Collateral Account (each as hereinafter defined), each of which shall be a segregated account or sub-account established with the Securities Intermediary in the name of the Trustee for the benefit of the Secured Parties as further described in the Indenture. Each Account is required to be maintained by the Trustee or by another financial institution that is an Eligible Depositary.

Certain distributions on the Pledged Assets, including Fixed Amounts received by the Issuer under the Credit Default Swap will be remitted to a single, segregated account established and maintained under the Indenture (the "Interest Collection Account") and will be available, to the extent described herein, for application in the manner and for the purposes described herein. Funds held in the Interest Collection Account will be invested by the Trustee in Eligible Investments in accordance with the terms of the Indenture. All Fixed Amounts and Interest Shortfall Reimbursement Payment Amounts paid by the Credit Protection Buyer to the Issuer under a CDS Transaction and any investment income on the Collateral will be remitted to the Interest Collection Account. If Expected Fixed Amounts (as defined in the Master Confirmation) are paid by the Credit Protection Buyer to the Issuer in accordance with the Credit Default Swap following a downgrade or placement on watch for downgrade of the Credit Protection Buyer, on the Payment Date immediately thereafter, the Expected Fixed Amount (as defined in the Master Confirmation) will not be transferred to the Payment Account to be distributed in accordance with the Priority of Payments for such Payment Date but will instead be held in the Interest Collection Account until the next Payment Date.

On the Closing Date, the net proceeds of the offering of the Notes issued on such date will be used to purchase Collateral Securities and Eligible Investments with an initial principal balance of $800,000,000 which will be deposited to a single, segregated account established and maintained under the Indenture (the "Collateral Account"). The "Cash Collateral Account" shall be a subaccount of the Collateral Account. Termination payments paid by the Credit Protection Buyer, the Collateral Put Provider and the Senior Swap Counterparty to the Issuer, any amounts paid by an assignee of a CDS Transaction to the Issuer, Sale Proceeds from Collateral Securities, Delivered Obligations and Eligible Investments (other than (i) proceeds of Collateral Securities and Eligible Investments applied to pay Credit Protection Amounts and (ii) Sale Proceeds from Eligible Investments purchased with principal



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payments on the Collateral Securities diverted into the Amortization Shortfall Account) received by the Issuer will be remitted by the Trustee to the Interest Collection Account and invested in Eligible Investments. The Collateral Securities and any Eligible Investments on deposit in the Collateral Account may be used to pay Credit Protection Amounts and to redeem the Notes as described herein. In addition, if an Amortization Shortfall Amount exists in respect of a Payment Date, all principal payments received by the Issuer on Collateral Securities and Eligible Investments (other than cash) in the Collateral Account shall be deposited by the Trustee in the Amortization Shortfall Account up to the amount required to satisfy all outstanding Amortization Shortfall Amounts. All investment earnings from the Collateral Securities and Eligible Investments in the Collateral Account will be remitted to the Interest Collection Account. All principal payments on Collateral Securities in the Collateral Account will be invested in Eligible Investments at the direction of the Liquidation Agent until invested in Collateral Securities satisfying the Collateral Securities Eligibility Criteria at the direction of the Liquidation Agent.

Certain principal payments may be need to be reserved (rather than be invested in Eligible Investments and Collateral Securities) in accordance with the terms of the Collateral Put Agreement. See "The Collateral Put Agreement."

If a Senior Swap Funding Payment has been made under the Senior Swap and remains unreimbursed, Principal Shortfall Reimbursement Payment Amounts and Writedown Reimbursement Payment Amounts received from the Credit Protection Buyer will be paid directly to the Senior Swap Counterparty until all Senior Swap Funding Payments have been reimbursed. If no Senior Swap Funding Payments are outstanding, Principal Shortfall Reimbursement Payment Amounts and Writedown Reimbursement Payment Amounts received by the Issuer will be deposited to the Collateral Account.

On the Business Day prior to each Payment Date other than a Final Payment Date (the "Transfer Date"), the Trustee will deposit into a separate account (the "Payment Account") all funds (including any reinvestment income) in the Interest Collection Account (to the extent received prior to the end of the related Due Period) for application in accordance with the Priority of Payments.

Principal Proceeds shall be deposited in the Interest Collection Account and applied in accordance with the Priority of Payments.

On the Closing Date, U.S.$200,000 from the net proceeds of the offering of the Notes will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Reserve Account"). On each Payment Date, to the extent that funds are available for such purpose in accordance with and subject to the limitations of the Priority of Payments, the Trustee will deposit into the Expense Reserve Account an amount from Proceeds such that the amount on deposit in the Expense Reserve Account (after giving effect to such deposit) will equal U.S.$200,000. Amounts on deposit in the Expense Reserve Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Issuers. With respect to the first Payment Date, funds on deposit in the Expense Reserve Account in excess of U.S.$200,000 will be transferred by the Trustee to the Payment Account for application as interest proceeds. All funds on deposit in the Expense Reserve Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Trustee to the Payment Account for application as Proceeds on the immediately succeeding Payment Date.

Under certain conditions described in the Credit Default Swap, the Credit Protection Buyer may be required to post collateral ("CDS Counterparty Collateral") under the terms of the Credit Default Swap. The CDS Counterparty Collateral pledged by the Credit Protection Buyer will be deposited by the Trustee into a segregated account (the "CDS Counterparty Collateral Account") established in the name of the Trustee and held therein pursuant to the terms of the Credit Default Swap.

On or before the first date on which there exists an Amortization Shortfall Amount, the Trustee will establish and maintain a single, segregated account established and maintained under the Indenture (the "Amortization Shortfall Account") into which certain principal payments and interest received by the Issuer on Collateral Securities and Eligible Investments in the Collateral Account shall be deposited up to the Amortization Shortfall Amount.



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On or before the first date that a Delivered Obligation is received by the Issuer, the Trustee will establish and maintain under the Indenture a segregated collateral account (the "Delivered Obligation Account") into which all Delivered Obligations shall be deposited. Each Delivered Obligation will be held in the Delivered Obligation Account until such Delivered Obligation is sold by the Liquidation Agent, on behalf of the Issuer, pursuant to the terms of the Indenture.

Amounts retained in the Accounts during a Due Period will be invested in Eligible Investments.

**REPORTS**

A report will be made available to the Holders of the Secured Notes and Holders of the Income Notes and will provide information on the Pledged Assets as well as information with respect to payments made on the related Payment Date (each, a "Note Valuation Report"), beginning in April, 2007.

The information in each Note Valuation Report will be prepared as of the Determination Date preceding the related Payment Date and will set out, among other things, the amounts payable in accordance with the Priority of Payments on such Payment Date. The Issuer will instruct the Trustee to transfer the amounts set forth in such Note Valuation Report in the manner specified in, and in accordance with, the Priority of Payments.

**WEIGHTED AVERAGE LIFE AND YIELD CONSIDERATIONS**

The Stated Maturity of the Notes (other than the Class S Notes) is the Payment Date in April 2042. However, the principal of the Notes (other than the Class S Notes) is expected to be paid in full prior to the Stated Maturity. Average life refers to the average amount of time that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The average lives of the Notes will be determined by the amount of principal payments which are dependent on a number of factors, including when the Reference Obligations are repaid.

*Weighted Average Life.* Weighted average life refers to the average amount of time that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The weighted average lives of the Notes of each Class will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, the amount of payments received at or in advance of the scheduled maturity of the Reference Obligations (whether through sale, maturity, redemption, prepayment, default or other liquidation or disposition). The actual weighted average lives and actual maturities of the Notes will be affected by the financial conditions of the obligors on or the issuers of the Reference Obligations or the obligors on the underlying assets, and the characteristics of such securities and assets, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, prepayment rates, any lockout periods or prepayment premiums or penalties, the actual default rate and the actual level of recoveries on any Defaulted Obligations, and the frequency of tender or exchange offers for such Reference Obligations. Any disposition of a CDS Transaction will change the composition and characteristics of the Reference Portfolio and Collateral Securities and the scheduled payments and payment characteristics thereon, and, accordingly, may affect the actual weighted average lives of the Notes. The rate of future defaults and the amount and timing of any cash realization from CDS Transactions the Reference Obligations of which are determined to be Credit Risk Obligations also will affect the maturity and weighted average lives of the Notes. The weighted average life of the Notes of each Class may also vary depending on whether or not the Notes are redeemed. The weighted average lives of the Notes are expected to be shorter, and may be substantially shorter, than the Stated Maturity of the Notes.

The table set forth below indicates the percentage of the initial balance of each Class of Notes that would be outstanding on each Payment Date assuming no prepayments or losses and the weighted average life of each Class of Notes and principal window of each Class based on the assumptions (the "Collateral Assumptions") set forth below. The table set forth below is included only for illustrative purposes, and none of the Issuers, the Liquidation Agent, the Trustee or the Initial Purchaser makes any representation as to whether such assumptions will be realized.



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i. Forward 1-month LIBOR curve as of November 30, 2006 are assumed;

ii. the Closing Date is December 5, 2006 and the first Payment Date is April 12, 2007;

iii. all of the net proceeds of the offering of the Notes are invested as of the Closing Date in the Collateral Securities;

iv. the Coverage Tests are satisfied as of the Closing Date;

v. expenses due under clauses (i), (ii) and (iii) of the Priority of Payments are paid on each Payment Date and will be 0.01% per annum of the Aggregate Outstanding Portfolio Amount, the Liquidation Agent Fee is 0.10% per annum of the Aggregate Outstanding Portfolio Amount;

vi. each CDS Transaction will pay monthly on the 25th day of the month in which such payment is due and receipts will be reinvested for 12 days at a rate equal to one-month LIBOR minus 0.25%;

vii. asset payments including amounts due on the Collateral Securities are fully paid out in accordance with the Priority of Payments on the 12th day of the month in which they are received (each of which is assumed to be a Business Day), commencing April 2007;

viii. failure to pay interest to the Holders of the Class A Notes and the Class B Notes and the failure to pay the Senior Swap Premium or the Collateral Put Provider Premium Amount is not an Event of Default;

ix. all unpaid Class C Note, Class D Note and Class E Note interest is Deferred Interest;

x. there are no dispositions of CDS Transactions;

xi. no rating change occurs on any Reference Obligation or the Notes;

xii. there is no Optional Redemption, Tax Redemption or Auction (except in the computation of the DEC table and Sensitivity of Reference Obligation Principal Payments to CDR table below);

xiii. all Classes of Notes are issued at par;

xiv. defaults are incurred at the constant annual default rates and are applied on each Payment Date to the outstanding Reference Obligation Notional Amount of the Reference Portfolio as of such Payment Date commencing on the Payment Date in April 2008;

xv. the Senior Swap Counterparty makes all required payments to the Issuer on a timely basis; and

xvi the Expense Reserve Account is assumed to stay fully funded at $200,000 on each Payment Date.



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| | Class A-f | Class A-b | Class B | Class C | Class D | Class E |
|---|---|---|---|---|---|---|
| Closing Date | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| April 12, 2007 | 100.00% | 100.00% | 100.00% | 100.00% | 99.58% | 100.00% |
| April 12, 2008 | 98.82% | 100.00% | 100.00% | 100.00% | 95.89% | 100.00% |
| April 12, 2009 | 59.11% | 100.00% | 86.97% | 88.66% | 74.02% | 94.18% |
| April 12, 2010 | 13.39% | 100.00% | 63.33% | 64.56% | 53.82% | 67.24% |
| April 12, 2011 | 0.00% | 98.90% | 55.78% | 56.87% | 47.67% | 59.23% |
| April 12, 2012 | 0.00% | 98.90% | 55.78% | 56.87% | 47.67% | 59.23% |
| April 12, 2013 | 0.00% | 98.90% | 55.78% | 56.87% | 47.67% | 59.23% |
| April 12, 2014 | 0.00% | 0.00% | 0.00% | 56.12% | 47.67% | 59.23% |
| April 12, 2015 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Expected Principal Window(1) | April 12, 2008 to September 12, 2010 | September 12, 2010 to November 12, 2013 | November 12, 2008 to April 12, 2014 | December 12, 2008 to August 12, 2014 | April 12, 2007 to September 12, 2014 | April 12, 2009 to November 12, 2014 |
| Expected Weighted Average Life(2) | 2.6 years | 6.8 years | 5.3 years | 5.6 years | 5.1 years | 5.9 years |

(1) The "Expected Principal Window" for a Class of Notes is the period in which (a) the initial principal payment of the Class is expected to be made and (b) the final payment of principal of the Class is expected to be made under the Collateral Assumptions (assuming no defaults).

(2) The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assumptions (assuming no defaults) by the number of years from the date of determination to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i).

The following table shows the "Expected Weighted Average Life" and the "Expected Principal Window" for each Class of Notes under various constant default rates. The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assumptions by the number of years from the Closing Date to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i). The "Expected Principal Window" for a Class of Notes is when the first and last payments of principal are expected to be made under the Collateral Assumptions. The loss severity is assumed to be 65%.



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**Sensitivity of Reference Obligation Principal Payments to CDR**

| | 0.0% CDR | | 0.5% CDR | | 1.0% CDR | | 1.5% CDR | |
|---|---|---|---|---|---|---|---|---|
| Class | Expected Weighted Average Life | Expected Principal Window | Expected Weighted Average Life | Expected Principal Window | Expected Weighted Average Life | Expected Principal Window | Expected Weighted Average Life | Expected Principal Window |
| A-f | 2.63 years | April 12, 2008 to September 12, 2010 | 2.62 years | April 12, 2008 to May 12, 2013 | 2.59 years | April 12, 2008 to August 12, 2010 | 2.57 years | April 12, 2008 to August 12, 2010 |
| A-b | 6.79 years | September 12, 2010 to November 12, 2013 | 6.79 years | May 12, 2013 to November 12, 2013 | 6.77 years | August 12, 2010 to November 12, 2013 | 6.74 years | August 12, 2010 to November 12, 2013 |
| B | 5.33 years | November 12, 2008 to April 12, 2014 | 5.33 years | November 12, 2008 to April 12, 2014 | 5.30 years | December 12, 2008 to May 12, 2014 | 5.27 years | December 12, 2008 to May 12, 2014 |
| C | 5.58 years | December 12, 2008 to August 12, 2014 | 5.60 years | January 12, 2009 to August 12, 2014 | 5.58 years | January 12, 2009 to August 12, 2014 | 5.56 years | February 12, 2009 to August 12, 2014 |
| D | 5.06 years | April 12, 2007 to September 12, 2014 | 5.11 years | April 12, 2007 to September 12, 2014 | 5.13 years | April 12, 2007 to November 12, 2014 | 5.20 years | April 12, 2007 to November 12, 2014 |
| E | 5.92 years | April 12, 2009 to November 12, 2014 | 6.02 years | July 12, 2009 to November 12, 2014 | 6.11 years | October 12, 2009 to November 12, 2014 | 7.82 years | July 12, 2010 to December 12, 2014 |

The table set forth below entitled "Class A-f, A-b, B, C, D and E Note Constant Default Rate Stress Tests" shows the Constant Default Rate ("CDR") and Cumulative Defaults for each Class of Notes under three stress scenarios, assuming a 65% loss severity on defaulted Reference Obligations. In column one ("First Dollar of Loss"), CDR represents the CDR starting on the April 2008 Payment Date that would result in the first dollar of principal loss to the respective Class of Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate notional amount of the Reference Obligations as of the Closing Date. In column two ("Flat Return"), CDR represents the CDR starting on the April 2008 Payment Date that would result in a yield equivalent to a zero discount margin over one-month LIBOR for the Class A-f Notes, the Class A-b Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate notional amounts of the Reference Obligations as of the Closing Date. In column three ("Return of Investment (0% return)"), the CDR represents the CDR starting on the April 2008 Payment Date that would result in an approximate 0.0% return for the Class A-f Notes, the Class A-b Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate notional amounts of the Reference Obligations as of the Closing Date.



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Class A-f, A-b, B, C, D and E Note Constant Default Rate Stress Tests

| | First Dollar of Loss | | Flat Return | | Return of Investment (0% return) | |
|---|---|---|---|---|---|---|
| Constant Annual Default Rate at 65% Loss Severity | CDR | Cumulative Defaults | CDR | Cumulative Defaults | CDR | Cumulative Defaults |
| Class A-f | 18.00% | 42.61% | 18.20% | 42.95% | 21.00% | 47.54% |
| Class A-b | 18.00% | 42.61% | 18.40% | 43.29% | 21.10% | 47.70% |
| Class B | 11.10% | 29.23% | 11.40% | 29.87% | 13.90% | 35.03% |
| Class C | 5.00% | 14.52% | 5.60% | 16.11% | 6.90% | 19.43% |
| Class D | 2.40% | 7.28% | 3.10% | 9.29% | 3.60% | 10.70% |
| Class E | 1.70% | 5.22% | 2.00% | 6.10% | 2.20% | 6.69% |

*Yield.* The yield to maturity of the Notes of each Class will also be affected by the rate of repayment of the Reference Obligations, as well as by the redemption of the Notes in an Auction, an Optional Redemption or Tax Redemption (and upon the Note Redemption Price or Income Note Redemption Price, as applicable, then payable). The Issuer is not required to repay the Notes on any date prior to their Stated Maturity. The receipt of principal payments on the Notes at a rate slower than the rate anticipated by investors purchasing the Notes at a discount will result in an actual yield that is lower than anticipated by such investors.

The yield to maturity of the Notes may also be affected by the rate of delinquencies and defaults on and liquidations of the Reference Obligations and Collateral Securities, to the extent not absorbed by the Income Notes; dispositions of CDS Transactions and the effect of the Coverage Tests on payments under the Priority of Payments. The yield to investors in the Notes will also be adversely affected to the extent that the Issuers incur certain expenses that are not absorbed by the Income Notes.

## THE ISSUERS

### General

The Issuer was incorporated on September 16, 2006 in the Cayman Islands with the registered number 173876. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. Maples Finance Limited's telephone number is (345) 945-7099. The Issuer has no prior operating history. The Issuer's Memorandum of Association sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the Notes.

The Co-Issuer was incorporated on November 13, 2006 under the laws of the State of Delaware with the registered number 4250022. The registered office of the Co-Issuer is at Donald J. Puglisi, Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware, 19711. The Co-Issuer's telephone number is (302) 738-6680. The Co-Issuer has no prior operating history. Article 3 of the Co-Issuer's Certificate of Incorporation sets out the purposes of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Secured Notes.

The Co-Issued Notes are obligations only of the Issuers and the Senior Swap, the Class E Notes and the Income Notes are obligations only of the Issuer, and not of the Trustee, the Liquidation Agent, the Initial Purchaser, the Senior Swap Counterparty, the Administrator, the Agents, the Share Trustee or any directors, managers or officers of the Issuers or any of their respective affiliates.



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The authorized share capital of the Issuer consists of 250 ordinary shares, U.S.$1.00 par value per share (the "Issuer Ordinary Shares"). All of the Issuer Ordinary Shares will be issued on or prior to the Closing Date. All of the outstanding Issuer Ordinary Shares will be held by the Share Trustee pursuant to the terms of a declaration of trust for the benefit of charitable and similar purposes. All of the outstanding common equity of the Co-Issuer will be held by the Share Trustee under the terms of the charitable trust which holds the Issuer Ordinary Shares. For so long as any of the Notes are outstanding, no beneficial interest in the ordinary shares of the Issuer or of the common equity of the Co-Issuer shall be registered to a U.S. Person.

**Capitalization of the Issuer**

The initial proposed capitalization of the Issuer as of the Closing Date after giving effect to the issuance of the Notes and the Issuer Ordinary Shares and entry into the Senior Swap Agreement before deducting expenses of the offering of the Notes is as set forth below.

| | Amount |
|---|---|
| Class S Notes | $ 37,000,000 |
| Class A-f Notes | $ 110,000,000 |
| Class A-b Notes | $ 120,000,000 |
| Class B Notes | $ 230,000,000 |
| Class C Notes | $ 170,000,000 |
| Class D Notes | $ 84,000,000 |
| Class E Notes | $ 26,000,000 |
| Income Notes | $ 60,000,000 |
| Total Debt | $ 837,000,000 |
| Issuer Ordinary Shares | 250 |
| Total Equity | $ 250 |
| Total Capitalization | $ 837,000,250 |

**Capitalization of the Co-Issuer**

The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Secured Notes. The Co-Issuer has agreed to co-issue the Secured Notes as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Holders of Notes will not be able to exercise their rights against any assets of the Co-Issuer. Holders of Secured Notes must rely on the Pledged Assets held by the Issuer and pledged to the Trustee for payment on their respective Secured Notes in accordance with the Priority of Payments.



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**Flow of funds**

The approximate flow of funds of the Issuer from the gross proceeds of the offering of the Notes on the Closing Date is as set forth below:

| | |
|---|---|
| **Gross Proceeds** | |
| Class S Notes | $ 37,000,000 |
| Class A-f Notes | $ 110,000,000 |
| Class A-b Notes | $ 120,000,000 |
| Class B Notes | $ 230,000,000 |
| Class C Notes | $ 170,000,000 |
| Class D Notes | $ 84,000,000 |
| Class E Notes | $ 26,000,000 |
| Income Notes | $ 60,000,000 |
| Total: | $ 837,000,000 |
| **Expenses** | |
| Third Party Expenses | $1,700,000 |
| Goldman, Sachs & Co. | $30,100,000 |
| Expense Reserve Accounts | $200,000 |
| Total: | $32,000,000 |
| **Collateral Assets** | |
| Net Proceeds | $805,000,000 |
| Par Value of Collateral | $800,000,000 |
| Clean Price of Collateral | $800,000,000 |
| Purchase Accrued Interest on Collateral | $1,000,000 |
| First Period Interest Reserve | $4,000,000 |

**Business**

The Issuers will not undertake any business other than the issuance of the Co-Issued Notes and, in the case of the Issuer, the issuance of the Class E Notes and the Income Notes, the acquisition and management of the



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Pledged Assets and, in each case, other related transactions. Neither of the Issuers will have any subsidiaries other than the Co-Issuer in the case of the Issuer.

The Administrator will act as the administrator of the Issuer. The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement to be dated on or about the Closing Date by and between the Administrator and the Issuer (as amended, supplemented or otherwise modified from time to time, the "Administration Agreement"), the Administrator will perform various management functions on behalf of the Issuer, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The directors of the Issuer listed below are also officers and/or employees of the Administrator and may be contacted at the address of the Administrator.

The Administrator will be subject to the overview of the Issuer's Board of Directors. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice.

The Administrator's principal office is: Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

**Directors**

The Directors of the Issuer are Carrie Bunton and Carlos Farjallah, each having an address at Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The director of the Co-Issuer is Donald Puglisi who may be contacted at the address of the Co-Issuer.

## INCOME TAX CONSIDERATIONS

**Circular 230**

Any discussion of U.S. federal tax matters set forth in this Offering Circular was written in connection with the promotion and marketing by the Issuer and the Initial Purchaser of the Notes (as defined herein). Such discussion was not intended or written to be legal or tax advice to any person and was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

**United States Tax Considerations**

The following is a summary of certain of the United States federal income tax consequences of an investment in the Notes by purchasers that acquire their Notes in their initial offering. The discussion and the opinions referenced below are based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following summary does not deal with all United States federal income tax consequences applicable to any given investor; nor does it address (except, in some instances, in very general terms) the United States federal income tax considerations applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (defined below), banks, regulated investment companies, real estate investment trusts, insurance companies, tax-exempt organizations, dealers in securities or currencies, electing large partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold the Notes as part of a hedge, straddle, or an integrated or conversion transaction, or investors whose "functional currency" is



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not the United States dollar. Furthermore, it does not address alternative minimum tax consequences or the indirect effects on the investors of equity interests in either a U.S. Holder (defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold the Notes as "capital assets" within the meaning of section 1221 of the Internal Revenue Code 1986 (the "Code"). Investors should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of the purchase, ownership and disposition of the Notes.

As used herein, "U.S. Holder" means any holder (or beneficial holder) of a Note that is an individual citizen or resident of the United States for U.S. federal income tax purposes, a corporation or partnership or other entity treated as a corporation or partnership for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust for which a court within the United States is able to exercise primary supervision over its administration and for which one or more U.S. persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust. If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding the Notes should consult their own tax advisors. "Non-U.S. Holder" means any holder (or beneficial holder) of a Security that is not a U.S. Holder.

**U.S. Federal Income Tax Consequences to the Issuer**

Upon the issuance of the Notes, Sidley Austin LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Indenture (and certain other documents) and based on certain factual representations made by the Issuer and/or GS&Co., although the matter is not free from doubt, the Issuer will not be engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no absolute assurance that the IRS will not seek to treat the Issuer as engaged in a United States trade or business. If the IRS were to successfully characterize the Issuer as engaged in such a trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States (as well as the branch profits tax) on its income that is effectively connected to such United States trade or business. The levying of such taxes would materially affect the Issuer's financial ability to pay principal and interest on the Notes.

The Issuer intends to acquire Collateral Assets and enter into certain swap transactions the interest on which, and any gain from the sale or disposition thereof, is expected not to be subject to United States federal withholding tax or withholding tax imposed by other countries (unless subject to being "grossed up"). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Collateral Assets or Reference Obligations and thus there can be no absolute assurance that in every case payments will be received free of withholding tax. If the Issuer is a CFC (defined below), the Issuer would incur U.S. withholding tax on interest received from a related United States person. Under current law, payments received on the Senior Swap Agreement are not subject to U.S. federal withholding tax.

In addition, it is not expected that the Issuer will derive material amounts of any other items of income that would be subject to United States withholding taxes.

If withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer shall be under no obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

Notwithstanding the foregoing, any commitment or facility fee (or other similar fee) that the Issuer earns may be subject to a 30% withholding tax.

*Classification and Tax Treatment of the Secured Notes.* The Issuer has agreed and, by its acceptance of a Secured Note, each such Noteholder will be deemed to have agreed, to treat each of the Secured Notes as debt of the Issuer for U.S. federal income tax purposes except to the extent such a Noteholder makes a protective QEF election (described below). On the Closing Date, Sidley Austin LLP will deliver an opinion generally to the effect that



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assuming compliance with Indenture (and certain other documents) and based on certain factual representations made by the Issuer and GS&Co. (i) the Class S Notes, the Class A-f Notes, the Class A-b Notes, the Class B Notes, the Class C Notes and the Class D Notes will be characterized as debt and (ii) the Class E Notes should be characterized as debt of the Issuer for U.S. federal income tax purposes. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no assurance that the IRS will not seek to characterize any Class of Secured Notes as other than indebtedness. Except as provided under "—Alternative Characterization of the Secured Notes" below, the balance of this discussion assumes that the Secured Notes will be characterized as debt of the Issuer for federal income tax purposes.

For U.S. federal income tax purposes, the Issuer of the Secured Notes, and not the Co-Issuer, will be treated as the issuer of the Secured Notes.

Subject to the following paragraph, U.S. Holders of the Secured Notes will include payments of stated interest received on the Secured Notes in income in accordance with their method of tax accounting as ordinary interest income.

While not absolutely certain, it appears that the Class C Notes, the Class D Notes and the Class E Notes will be issued with original issue discount ("OID", and such a Note, an "OID Note") because interest payments on such Notes ("OID interest payments") may not be considered to be unconditionally payable (a requisite for interest to not constitute OID) since they will be deferred in the event that certain overcollateralization tests are not met and failure to pay interest will not, in certain circumstances, be an event of default. A U.S. Holder of an OID Note will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Note. Thus, the U.S. Holder of an OID Note will be required to include original issue discount in income as it accrues, prior to the receipt of the cash attributable to such income. U.S. Holders, however, would be entitled to claim a loss upon maturity or other disposition of an OID Note with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss.

Although there can be no assurance, the Secured Notes should not be "contingent payment debt instruments" ("CPDIs") within the meaning of Treasury Regulation section 1.1275-4, effective for debt instruments issued after August 12, 1996. If any Class of Notes were considered such instruments, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the possible characterization of the Notes as CPDIs.

The Secured Notes may be debt instruments described in section 1272(a)(6) of the Code (debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). Special tax rules principally relating to the accrual of original issue discount, market discount and bond premium apply to debt instruments described in section 1272(a)(6). Further, those debt instruments may not be part of an integrated transaction with a related hedge under Treasury Regulation § 1.1275-6. Prospective investors should consult with their own tax advisors regarding the effects of section 1272(a)(6).

In general, a U.S. Holder of a Secured Note will have a tax basis in such Note equal to the cost of such Note increased by any market discount includible in income by such U.S. Holder and reduced by any amortized premium and any principal payments and any OID interest payments. Upon a sale, exchange or other disposition of a Secured Note (including redemption or retirement), a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued and unpaid interest, which would be taxable as such) and the U.S. Holder's tax basis in such Secured Note. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

*Alternative Characterization of the Secured Notes.* U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Secured Notes. It is possible, for example, that the IRS may contend that a class of Secured Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse tax consequences to U.S. Holders. If U.S. Holders of Secured Notes were treated as owning equity interests in the Issuer, the U.S. federal



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income tax consequences to U.S. Holders of such recharacterized Notes would be as described under "—United States Tax Treatment of Holders of Income Notes." In addition, in order to avoid one application of the PFIC rules, each U.S. Holder should consider making a qualified electing fund election (the "QEF election") provided in section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). See "—United States Tax Treatment of Holders of Income Notes—Status of the Issuer as a PFIC" and "—QEF Election."

*Information Reporting Requirements.* Under United States federal income tax law and regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. These reporting requirements apply to both taxable and tax-exempt U.S. Holders. Penalties for failure to file certain of these information returns are severe. Purchasers of the Secured Notes should consult with their own tax advisors regarding the necessity of filing information returns.

If requested by the Issuer, each Holder will be required to provide the Issuer with the name and status of each beneficial owner of a Secured Note that is a U.S. Holder.

Prospective investors should consult with their own tax advisors with respect to whether they are required to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

**Non-U.S. Holders**

A Non-U.S. Holder of a Secured Note that has no connection with the United States will not be subject to U.S. withholding tax on interest payments. Non-U.S. Holders may be required to make certain tax representations regarding the identity of the beneficial owner of the Notes in order to receive payments free of withholding.

**United States Tax Treatment of Holders of Income Notes**

*General.* Prospective investors of the Income Notes should not rely on this summary only and should consult their own tax advisors regarding alternative characterizations of the Income Notes and the consequences of their acquiring, holding, and disposing of the Income Notes, including the possibility that the Income Notes will be treated as contingent payment debt instruments. Subject to the anti-deferral rules discussed below, payments on Income Notes paid by the Issuer to a U.S. Holder that is subject to United States federal income tax will be taxable to such U.S. Holder as a payment to the extent of the current and accumulated earnings and profits of the Issuer. Dividends will not be eligible for the dividends received deduction allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in the Income Notes. Distributions in excess of earnings and profits and the U.S. Holder's tax basis will be taxable as gain from the sale or exchange of property.

The tax consequences discussed in the second preceding paragraph are likely to be materially modified by the anti-deferral rules discussed below. In general, each U.S. Holder's investment in the Issuer will be taxed as an investment in a "passive foreign investment company" ("PFIC"). In addition, each U.S. Holder's investment in the Issuer may be taxed as an investment in a CFC, depending (in part) upon the percentage of the Issuer's equity that is acquired and held by certain U.S. Holders. If applicable, the rules pertaining to CFCs generally override those pertaining to PFICs (although, in certain circumstances, more than one set of rules may be applicable simultaneously).

Prospective investors should be aware that in determining what percentage of the equity of the Issuer is held by various categories of investors (for example, for purposes of the CFC and information reporting rules described below) and the Liquidation Agent's interest in certain portions of its fee and certain classes of Secured Notes may be considered equity (and might be considered voting equity).

Prospective investors should be aware that the Issuer's income that is allocated to holders (under the QEF rules as well as under the CFC rules discussed below) will not necessarily bear any particular relationship in any year to the amount of cash that is distributed on the Income Notes and in any given year may be substantially



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greater. Such an excess will arise, among other circumstances, when Collateral Assets are purchased at a discount, or interest or other income on the Collateral Assets or Credit Default Swap (which is included in gross income) is used to acquire other Collateral Assets or to repay principal on the Secured Notes (which does not give rise to a deduction).

*Status of the Issuer as a PFIC.* The Issuer will be treated as a "passive foreign investment company" or "PFIC" for United States federal income tax purposes. U.S. Holders in PFICs, other than U.S. Holders that make a timely "qualified electing fund" or "QEF" election described below, are subject to special rules for the taxation of "excess distributions" (which include both certain distributions by a PFIC and any gain recognized on a disposition of PFIC stock). In general, section 1291 of the Code provides that the amount of any "excess distribution" will be allocated to each day of the U.S. Holder's holding period for its PFIC stock. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount" (an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge, as though the amounts of tax were overdue).

An excess distribution is the amount by which distributions for a taxable year exceed 125 percent of the average distribution in respect of the Income Notes during the three preceding taxable years (or, if shorter, the investor's holding period for the Income Notes). As indicated above, any gain recognized upon disposition (or deemed disposition) of the Income Notes will be treated as an excess distribution and taxed as described above (i.e., not be taxable as capital gain). For this purpose, a U.S. Holder that uses an Income Note as security for an obligation may be treated as having disposed of the Income Note.

*QEF Election.* If a U.S. Holder (including certain U.S. Holders indirectly owning Income Notes) makes the qualified electing fund election (the "QEF election") provided in section 1295 of the Code, the U.S. Holder will be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains (unreduced by any prior year losses) in income (as ordinary income and long-term capital gain, respectively) for each taxable year and pay tax thereon even if such income and gain is not distributed to the U.S. Holder by the Issuer. In addition, any losses of the Issuer will not be deductible by such U.S. Holder. A U.S. Holder that makes the QEF election, may, however (in general) elect to defer the payment of tax on undistributed income (until such income is distributed or the Income Note is transferred), *provided* it agrees to pay interest on such deferred tax liability. For this purpose, a U.S. Holder that uses an Income Note as security for an obligation may be treated as having transferred such Income Note. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes, amounts so distributed to the U.S. Holder will not be further taxable to the U.S. Holder. A U.S. Holder's tax basis in the Income Notes will be increased by the amount included in such U.S. Holder's income and decreased by the amount of nontaxable distributions. In general, a U.S. Holder making the QEF Election will recognize, on the disposition of the Income Notes, capital gain or loss equal to the difference, if any, between the amount realized upon such disposition (including redemption or retirement) and its adjusted tax basis in such Income Notes. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Income Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

In general, a QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year for which it held an Income Note.

The QEF election is effective only if certain required information is made available by the Issuer to the IRS. The Issuer will undertake to comply with the IRS information requirements necessary to be a QEF, which will permit U.S. holders to make the QEF election. Nonetheless, there can be no absolute assurance that such information will always be available or presented.

Where a QEF election is not timely made by a U.S. Holder for the year in which it acquired its Income Notes, but is made for a later year, the excess distribution rules can be avoided by making an election to recognize gain from a deemed sale of the Income Notes at the time when the QEF election becomes effective.



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A U.S. Holder should consult its own tax advisors regarding whether it should make a QEF election (and, if it failed to make an initial election, whether it should make an election in a subsequent taxable year).

*Status of the Issuer as a CFC.* U.S. tax law also contains special provisions dealing with controlled foreign corporations ("CFC"). A U.S. holder (or any other holder of an interest treated as voting equity in the foreign corporation that would meet the definition of U.S. Holders but for the fact that such holder does not hold Income Notes) that owns (directly or indirectly) at least 10 percent of the voting stock of a foreign corporation, the U.S. Holder is considered a "U.S. Shareholder" with respect to the foreign corporation. If U.S. Shareholders in the aggregate own (directly or indirectly) more than 50% of the voting power or value of the stock of such corporation, the foreign corporation will be classified as a CFC. Complex attribution rules apply for purposes of determining ownership of stock in a foreign corporation such as the Issuer.

If the Issuer is classified as a CFC, a U.S. Shareholder (and possibly any U.S. Holder that is a direct or indirect holder of a grantor trust that is considered to be a U.S. Shareholder) that is a shareholder of the Issuer as of the end of the Issuer's taxable year generally would be subject to current U.S. tax on the income of the Issuer, regardless of cash distributions from the Issuer. Earnings subject to tax generally as income of the U.S. Holder generally will not be taxed again when they are distributed to the U.S. Holder. In addition, income that would otherwise be characterized as capital gain and gain on the sale of the CFC's stock by a U.S. Shareholder (during the period that the corporation is a CFC and thereafter for a five-year period) would be classified in whole or in part as dividend income.

Certain income generated by a corporation conducting a banking, financing, insurance, or other similar business would not be includible in a holder's income under the CFC rules. However, each holder of an Income Note will agree, by its acquisition of the Income Notes, not to take the position that the Issuer is engaged in such a business. Accordingly, if the CFC rules apply, a U.S. Shareholder would generally be subject to tax on its share of all of the Issuer's income.

*Information Reporting.* In general, U.S. Holders that acquire any Income Notes (or any Class of Notes recharacterized as equity in the Issuer) for cash may be required to file an IRS Form 926 with the IRS and to supply certain additional information to the IRS if (i) such U.S. Holder owns (directly or indirectly) immediately after the transfer, at least 10% by vote or value of the Issuer or (ii) the transfer when aggregated with all related transfers under applicable regulations, exceeds U.S.$100,000. In the event a U.S. Holder that is required to file such form fails to file such form, the U.S. Holder could be subject to a penalty of up to U.S.$100,000 (computed as 10% of the gross amount paid for the Income Notes) or more if the failure to file was due to intentional disregard of its obligation). Other important information reporting requirements apply to persons that acquire 10% or more of a foreign corporation's equity.

Prospective investors should consult with their own tax advisors with respect to whether they are required to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

*Tax-Exempt Investors.* Special considerations apply to pension plans and other investors ("Tax-Exempt Investors") that are subject to tax only on their "unrelated business taxable income" ("UBTI"). A Tax-Exempt Investor's income from an investment in the Issuer generally should not be treated as resulting in UBTI under current law, so long as such investor's acquisition of stock in the Issuer is not debt-financed, and such investor does not own more than 50% of the Issuer's equity (here, the Income Notes and any Class of Secured Notes (if any) that is recharacterized as equity).

Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Issuer.

*Taxation of Non-U.S. Holders.* Dividends on, and gain from the sale, exchange or redemption of, Income Notes generally should not be subject to United States federal income tax in the hands of a Non-U.S. Holder that has no connection with the United States other than the holding of the Income Notes.



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**Cayman Islands Tax Considerations**

The following discussion of certain Cayman Islands income tax consequences of an investment in the Notes is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) No stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor In Cabinet of the Cayman Islands in the following form:

**THE TAX CONCESSIONS LAW**
**(1999 REVISION)**
**UNDERTAKING AS TO TAX CONCESSIONS**

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with Hudson Mezzanine Funding 2006-1, Ltd. (the "Company"):

(a) that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of thirty years from the 26th day of September, 2006.

**ERISA CONSIDERATIONS**

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" as defined in and subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing such ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk



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Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest")) having certain relationships to such Plans, unless a statutory, regulatory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The United States Department of Labor ("DOL") has promulgated a regulation, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulation"), as modified by Section 3(42) of ERISA, describing what constitutes the assets of a Plan ("Plan Assets") with respect to the Plan's investment in an entity for purposes of applying ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors is not "significant."

Prohibited transactions may arise under Section 406 of ERISA or Section 4975 of the Code if Notes are acquired with Plan Assets with respect to which the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Fiscal Agent or any of their respective affiliates, is a Party in Interest. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a Security and the circumstances under which such decision is made. Included among these exemptions are: DOL Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers;" and the service provider exemption under new Section 408(b)(17) of ERISA and new Section 4975(d)(20) of the Code (the "Service Provider Exemption"). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Notes, or that, if available, the exemption would cover all possible prohibited transactions.

Governmental plans and certain church and other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60 and the regulations issued by the DOL, 29 C.F.R. Section 2550.401c-1 (January 5, 2000). Certain additional information regarding general accounts is set forth below.

Any Plan fiduciary or other person who proposes to use Plan Assets to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of any Security to a Plan, or to a person using Plan Assets to effect its purchase of any Security, is in no respect a representation by the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee or the Fiscal



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Agent that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

**Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes**

For purposes of the Plan Asset Regulation, an equity interest includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Because the Secured Notes (a) are expected to be treated as indebtedness under local law and for federal tax purposes (see "Income Tax Considerations" herein), and (b) should not be deemed to have any "substantial equity features," purchases of the Secured Notes with Plan Assets should not be treated as equity investments and, therefore, the Pledged Assets should not be deemed to be Plan Assets of the investing Plans. Those conclusions are based, in part, upon the traditional debt features of the Secured Notes, including the reasonable expectation of purchasers of the Secured Notes that the Secured Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, if the Secured Notes were nevertheless treated as equity interests for purposes of the Plan Asset Regulation and if the assets of the Issuers were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of the Issuers could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuers could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an investment in the Notes could be deemed to have delegated its responsibility to manage Plan Assets.

By its purchase of any Class S Note, Class A Note, Class B Note, Class C Note or Class D Note, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be a Plan or an entity whose underlying assets include Plan Assets by reason of any Plan's investment in the entity, or an employee benefit plan which is subject to any federal, state, local or foreign law ("Similar Law") that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code; or (ii) its purchase and holding of a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note are eligible for the exemptive relief available under PTCE 84-14, 90-1, 91-38, 95-60, 96-23, the Service Provider Exemption, or a similar exemption or, in the case of a plan subject to Similar Law, do not and will not constitute or result in a prohibited transaction under Similar Law for which an exemption is not available.

**Class E Notes and Income Notes**

Equity participation in an entity by Benefit Plan Investors is "significant" under the Plan Asset Regulation (see above) if 25% or more of the total value of any class of equity interest in the entity is held by Benefit Plan Investors. If equity participation in either Issuer by Benefit Plan Investors is "significant," the assets of such Issuer could be deemed to be Plan Assets of Plans investing in the equity. If the assets of either Issuer were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of such Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an equity investment in the Issuer could be deemed to have delegated its responsibility to manage Plan Assets. The term "Benefit Plan Investor" includes (i) an employee benefit plan as defined in and subject to the provisions of Title I of ERISA, (ii) a plan as described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets include Plan Assets by reason of any such employee benefit plan's or plan's investment in the entity. For purposes of making the 25% determination, the value of any equity interests in the Issuer held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer, any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person (any of the foregoing, a "Controlling Person"), are disregarded. Under the Plan Asset Regulation, an "affiliate" of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person, other than an individual, means the power to exercise a controlling influence over the management or policies of such person. If the equity participation in an entity by Benefit Plan Investors is significant, then the entity's assets will be deemed to constitute Plan Assets to the extent of such investor's interest in the entity.

The Class E Notes and the Income Notes will be equity interests for purposes of applying ERISA and Section 4975 of the Code. Accordingly, purchases and transfers of Class E Notes and Income Notes will be limited,



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so that less than 25% of the total value of all the Class E Notes or the Income Notes will be held by Benefit Plan Investors, by requiring each purchaser or transferee of a Class E Note (other than a Regulation S Class E Note) or an Income Note (other than a Regulation S Income Note) to make (or, in the case of a Regulation S Class E Note or Regulation S Income Note, to be deemed to have made, certain representations and agree to additional transfer restrictions described under "Notice to Investors." No purchase of a Class E Note or an Income Note by, or proposed transfer to, a person that has represented that it is a Benefit Plan Investor or a Controlling Person will be permitted to the extent that such purchase or transfer would result in persons that have represented that they are Benefit Plan Investors owning 25% or more of the total value of the outstanding Class E Notes or Income Notes immediately after such purchase or proposed transfer (determined in accordance with the Plan Asset Regulation and the Fiscal Agency Agreement), based upon the representations made by investors. In addition, the Initial Purchaser, the Liquidation Agent, the Trustee and the Fiscal Agent agree that neither they nor any of their respective affiliates will acquire any Class E Notes or Income Notes unless such acquisition would not, as determined by the Trustee or the Fiscal Agent, result in persons that have acquired Class E Notes or Income Notes and represented that they are Benefit Plan Investors owning 25% or more of the total value of the outstanding Class E Notes or Income Notes immediately after such acquisition by the Initial Purchaser, the Liquidation Agent, the Trustee or the Fiscal Agent. Income Notes held as principal by the Initial Purchaser, the Liquidation Agent, the Trustee, the Fiscal Agent, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding for purposes of determining compliance with the 25% limitation to the extent that such a Controlling Person is not a Benefit Plan Investor. Any Benefit Plan Investor that acquires Class E Notes (other than the Regulation S Class E Notes) or Income Notes (other than the Regulation S Income Notes) will be required to represent and agree (or, in the case of the Regulation S Class E Notes or Regulation S Income Notes, will be deemed to have represented and agreed) that the acquisition and holding of the Class E Notes or Income Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Code, for which an exemption is not available. If any purchaser or transferee of Class E Notes or Income Notes is an employee benefit plan subject to Similar Law, such purchaser or transferee will be deemed to have represented and warranted that its purchase and holding of the Class E Notes Income Notes will not constitute or result in a violation of any Similar Law for which an exemption is not available.

Any entity using Plan Assets to purchase Notes, including an insurance company using general account assets, may be asked (i) to identify the maximum percentage of the assets of such entity or general account that may be or become Plan Assets, (ii) whether it is a "Controlling Person" (defined above), and (iii) without limiting the remedies that may be available in the event that the maximum percentage is thereafter exceeded, to agree to notify the Issuer, and dispose of certain Notes as instructed by the Issuer, before the specified maximum percentage is exceeded.

## CERTAIN LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investments in the Secured Notes and the Income Notes. Any such institution should consult its legal advisors in determining whether and to what extent there may be restrictions on its ability to invest in the Secured Notes and the Income Notes. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Secured Notes or the Income Notes. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities, which has been adopted by the respective federal regulators.

None of the Issuers or the Initial Purchaser make any representation as to the proper characterization of the Secured Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Secured Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Secured Notes or Income Notes under applicable investment restrictions. The Issuers understand that certain state insurance regulators, in response to a request for guidance, may be considering the characterization (as U.S. domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and a U.S. co-issuer. There can be no assurance as to the nature of any guidance or other action



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that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Secured Notes or Income Notes) may affect the liquidity of the Secured Notes or Income Notes. Accordingly, all institutions whose activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Secured Notes or Income Notes are subject to investment, capital or other restrictions.

## LEGAL MATTERS

Certain legal matters will be passed upon for the Issuer and the Initial Purchaser by Sidley Austin LLP. Certain matters with respect to Cayman Islands law will be passed upon for the Issuer by Maples and Calder, Grand Cayman, Cayman Islands.

## UNDERWRITING

The Offered Notes will be offered by Goldman, Sachs & Co. (the "Initial Purchaser"), from time to time at varying prices in negotiated transactions subject to prior sale, when, as and if issued. Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") dated as of October 25, 2006 among Goldman, Sachs & Co. and the Issuers, the Issuers have agreed to sell to Goldman, Sachs & Co. and Goldman, Sachs & Co. has agreed to purchase all of the Secured Notes and the Income Notes.

Under the terms and conditions of the Purchase Agreement, the Initial Purchaser is committed to take and pay for all the Offered Notes to be offered by it, if any are taken. Furthermore, under the terms and conditions of the Purchase Agreement, the Initial Purchaser will be entitled to an underwriting discount on the Offered Notes purchased by it and a fixed structuring fee based upon the aggregate principal amount of the Notes.

The Offered Notes purchased from the Issuers by the Initial Purchaser will be offered by it from time to time for sale in negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date.

The Notes have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "U.S. Resident") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by (a) the Initial Purchaser that it proposes to resell the Offered Notes (a) outside the United States (in part, by Goldman, Sachs & Co., through its selling agent) in offshore transactions in reliance on Regulation S and in accordance with applicable law and (b) in the United States only to (1) Qualified Institutional Buyers in reliance on Rule 144A purchasing for their own accounts or for the accounts of Qualified Institutional Buyers or (2) in the case of the Income Notes only, Accredited Investors, which have a net worth of not less than U.S.$10 million, each of which purchasers or accounts is a Qualified Purchaser. The Initial Purchaser's discount will be the same for the Regulation S Notes and the Rule 144A Notes offered hereby and for the Income Notes within each Class of Notes.

The Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Regulation S Notes purchased by it to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of its distribution at any time and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Regulation S Notes purchased by it a confirmation or other notice setting forth the prohibition on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Notes initially sold pursuant to Regulation S, until the expiration of (x) forty (40) days after the commencement of the distribution of the offering of the Secured Notes by Goldman, Sachs & Co., with respect to offers or sales of the Secured Notes and (y) one year after the commencement of the distribution of the Income Notes, with respect to offers or sales of the Income Notes purchased by the Initial Purchaser, an offer or sale



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of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Initial Purchaser has represented, warranted and agreed that: (i) it has not made or will not make an offer of shares to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA") except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by the company of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA); (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which section 21 of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Initial Purchaser has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the



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"Relevant Implementation Date") it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time :

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Offered Notes.

Buyers of Regulation S Securities sold by the selling agent of Goldman, Sachs & Co. may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the purchase price.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuers or the Notes, in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Notes are a new issue of securities with no established trading market. The Issuers have been advised by Goldman, Sachs & Co. that it may make a market in the Notes it is offering but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. There can be no assurance that any secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.

The Issuers have agreed to indemnify the Initial Purchaser, the Liquidation Agent, the Administrator and the Trustee and their respective directors, officers, employees and agents against certain liabilities, including in the case of the Initial Purchaser, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have made certain representations and warranties to the Initial Purchaser and have agreed to reimburse the Initial Purchaser for certain of its expenses.



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The Initial Purchaser may, from time to time as principal or through one or more investment funds that it manages, make investments in the equity securities of one or more of the issuers of Reference Obligations and Collateral Securities with the result that one or more of such issuers may be or may become controlled by the Initial Purchaser.



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APPENDIX A

**Certain Defined Terms**

"Accounts" means collectively, the Interest Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account (including the Cash Collateral Account), the CDS Counterparty Collateral Account, the Collateral Put Provider Account, the Amortization Shortfall Account and the Delivered Obligation Account.

"Actual Interest Amount" means with respect to any Reference Obligation Payment Date, payment by or on behalf of the Reference Entity of an amount in respect of interest due under the Reference Obligation (including, without limitation, any deferred interest or defaulted interest relating to the CDS Transaction but excluding payments in respect of prepayment penalties, yield maintenance provisions or principal, except that the Actual Interest Amount shall include any payment of principal representing capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Actual Principal Amount" means, with respect to the Final Amortization Date or the legal final maturity date of any Reference Obligation, the amount paid on such day by or on behalf of the Reference Entity in respect of principal (excluding any capitalized interest) to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

"Actual Rating" means with respect to any Reference Obligation, Delivered Obligation or Eligible Investment, the actual expressly monitored outstanding public rating assigned by a Rating Agency without reference to any other rating by another Rating Agency, and which rating by its terms addresses the full scope of the payment promise of the obligor on such Reference Obligation, Delivered Obligation or Eligible Investment, after taking into account any applicable guarantee or insurance policy or if no such rating is available from a Rating Agency, any "credit estimate" or "shadow rating" assigned by such Rating Agency. For purposes of this definition, (i) the rating of "Aaa" assigned by Moody's to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by one subcategory and any other rating assigned by Moody's to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by two subcategories, (ii) the rating assigned by S&P to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible downgrade by S&P will be deemed to have been downgraded by S&P by one subcategory, (iii) the rating of "Aa1" assigned by Moody's to a Reference Obligation, Delivered Obligation or Eligible Investment placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by Moody's by one subcategory and any other rating assigned by Moody's to a Reference Obligation, Delivered Obligation or an Eligible Investment placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by Moody's by two subcategories and (iv) the rating assigned by S&P to a Reference Obligation, Delivered Obligation or Eligible Investment placed on watch for possible upgrade by S&P will be deemed to have been upgraded by S&P by one subcategory.

"Additional Floating Amount" means any Floating Amount described in clause (a), (b) or (c) of the definition of Floating Amounts.

"Adjusted Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, the Net Outstanding Portfolio Collateral Balance reduced by the excess, if any, of (i) the product of (a) the Statistical Loss Amount and (b) the lesser of 1 and a fraction the numerator of which is U.S.$2,000,000,000 and the denominator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date over (ii) the product of (a) U.S.$21,300,000 and (b) the lesser of 1 and a fraction the numerator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date and denominator of which is U.S.$2,000,000,000.

"Administrative Expenses" means amounts (including indemnities) due or accrued with respect to any Payment Date and payable by the Issuer and/or the Co-Issuer to (i) the Trustee pursuant to the Indenture or any co-trustee appointed pursuant to the Indenture; (ii) the Administrator pursuant to the Administration Agreement; (iii) the independent accountants, agents (including the Note Agents under the Indenture, the Fiscal Agent and Income Notes Transfer Agent as defined under the Fiscal Agency Agreement and the Collateral Administrator under the



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Collateral Administration Agreement) and counsel of the Issuer for fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuers); (iv) the Liquidation Agent pursuant to the Liquidation Agency Agreement (other than the Liquidation Agent Fee); (v) the Rating Agencies for fees and expenses in connection with any rating or credit estimate (including the fees payable to the Rating Agencies for the monitoring of any rating or credit estimate) of the Notes, including fees and expenses, if any, due or accrued in connection with any rating of the Reference Obligations; (vi) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer; (vii) to the liquidator(s) of the Issuer for the fees and expenses of liquidating the Issuer following the redemption of all of the Notes; (viii) the Irish Stock Exchange listing any Notes at the request of the Issuer; and (ix) any other person in respect of any other fees or expenses (including indemnities and fees relating to the provision of the Issuer's registered office) permitted under the Transaction Documents; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Senior Swap, the Secured Notes and the Income Notes, (c) any Collateral Put Provider Fee payable under the Collateral Put Agreement and (d) any Liquidation Agent Fee payable pursuant to the Liquidation Agency Agreement.

"Aggregate Amortization Amount" means, with respect to any Payment Date calculations, the excess, if any, of (i) the Maximum Principal Amount on such date over (ii) the sum of (a) the Aggregate Reference Obligation Notional Amount and (b) the par value of any Delivered Obligations, Eligible Investments and any such amounts on deposit in the Delivered Obligations Account.

"Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds" means the least of (a) the Aggregate Moody's Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, (b) the Aggregate S&P Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, and (c) the aggregate of the Market Values of all Defaulted Obligations and Deferred Interest PIK Bonds.

"Aggregate Moody's Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of (a) the Moody's Recovery Rate for each such asset multiplied by (b) the Principal Balance of such asset.

"Aggregate Net Adjusted Amortization Amount" means, with respect to any Payment Date the excess, if any, of (i) the Aggregate Net Amortization Amount with respect to such Payment Date over (ii) the Senior Swap Reduction Amount, if any, with respect to such Payment Date, which amount will be drawn from the Collateral Account pursuant to the Amortization Collateral Liquidation Procedure and deposited to the Payment Account for distribution in accordance with the Priority of Payments on such Payment Date. For the avoidance of doubt, the Amortization Collateral Liquidation Procedures will be applied following the Collateral Liquidation Procedure in respect of any Senior Waterfall Shortfall Amount in respect of such Payment Date.

"Aggregate Net Amortization Amount" means, with respect to any Payment Date, the excess, if any, of (i) the Aggregate Amortization Amount, if any, for such Payment Date over (ii) the Senior Waterfall Shortfall Amount, if any, for such Payment Date.

"Aggregate Outstanding Amount" means, with respect to any of the Secured Notes or Income Notes on any date of determination, the aggregate principal amount of such Secured Notes or Income Notes outstanding on such date.

"Aggregate Outstanding Portfolio Amount" means the sum of (i) the Aggregate Reference Obligation Notional Amount and (ii) the Principal Balance of the Delivered Obligations and any Eligible Investments in the Delivered Obligations Account.

"Aggregate S&P Recovery Value" means the sum of, with respect to each Defaulted Obligation and each Deferred Interest PIK Bond of the lesser of (a) the Market Value for such Defaulted Obligation or Deferred Interest PIK Bond, as applicable, and (b) the S&P Recovery Rate for such Defaulted Obligation or Deferred Interest PIK Bond multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond.



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"Amortization Collateral Liquidation Procedure" means, in connection with the payment of any Aggregate Net Adjusted Amortization Amount, (i) *first*, by applying each amount on deposit in the Collateral Account received as principal on the Collateral Securities and Eligible Investments and (ii) *second*, once any such cash on deposit in the Collateral Account has been reduced to zero, by liquidating Eligible Investments in the Collateral Account, in each case, up to the lesser of (a) such Aggregate Net Adjusted Amortization Amount or (b) amounts available in the Collateral Account pursuant to subclause (i) above and, if necessary, (ii).

"Amortization Payment Amount" means, with respect to any Payment Date, the sum of (i) the Senior Waterfall Shortfall Amount with respect to such Payment Date and (ii) the Aggregate Net Adjusted Amortization Amount with respect to such Payment Date.

"Amortization Proceeds" means with respect to each Payment Date, the Amortization Payment Amount drawn from the Collateral Account pursuant to the Amortization Collateral Liquidation Procedure and deposited to the Payment Account for distribution pursuant to the Priority of Payments.

"Amortization Shortfall Amount" means, on any Payment Date where sufficient funds cannot be drawn from the Collateral Account pursuant to the Amortization Collateral Liquidation Procedure, the difference between the Aggregate Net Adjusted Amortization Amount for such Payment Date and the amount available from the Collateral Account on such Payment Date pursuant to the Amortization Collateral Liquidation Procedure.

"Applicable Percentage" means, on any day, a percentage equal to A divided by B, where "A" means the product of the Initial Face Amount (as such term is defined in the related CDS Transaction) and the Initial Factor (as such term is defined in the related CDS Transaction) as decreased on each Delivery Date by an amount equal to (a) the outstanding principal balance of Delivered Obligations delivered to the Issuer (as adjusted by the Relevant Amount, if any) divided by the Current Factor (as such term is defined in the related CDS Transaction) on such day multiplied by (b) the Initial Factor (as such term is defined in the related CDS Transaction) and where "B" means the product of the Original Principal Amount of the related Reference Obligation and the Initial Factor (as such term is defined in the related CDS Transaction); (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 of the related Reference Obligation resulting from purchases of the Reference Obligation by or on behalf of the Reference Entity.

"Applicable Recovery Rate" means, with respect to any Reference Obligation or Collateral Asset on any Determination Date, the lesser of the Moody's Recovery Rate and the S&P Recovery Rate.

"Asset-Backed Securities" or "ABS Securities" means structured finance securities which have the benefit of a financial guarantee insurance policy, or surety bond or corporate guarantee insuring or guaranteeing the timely payment of interest or the ultimate payment of interest and the ultimate payment of principal.

"Auction Payment Date" means the Auction Date on which the Secured Notes and Income Notes are redeemed in connection with a successful Auction.

"Balance" means, on any date, with respect to cash, Collateral Securities, Delivered Obligations or Eligible Investments in any account, the aggregate of the (i) current balance of cash, demand deposits, time deposits, certificates of deposit and federal funds; (ii) principal amount of interest bearing corporate and government securities, money market accounts and repurchase obligations; and (iii) purchase price or accreted value (but not greater than the face amount) of non-interest bearing government and corporate securities and commercial paper.

"BIE Acceptance Notice" means a notice from the Trustee or the Income Notes Transfer Agent, as applicable, to an Originating Noteholder specifying (i) each BIE Collateral Security that will be substituted for an existing Collateral Security, (ii) each such Collateral Security to be substituted, (iii) the BIE Exercise Period, (iv) the BIE Transaction Cost and (v) account information of the Issuer for such Originating Noteholder to deliver such BIE Collateral Security to the Issuer and to present payment of the BIE Transaction Cost to the Issuer.

"BIE Collateral Security" means any security that any Holder of a Note proposes to substitute for part or all of an existing Collateral Security pursuant to the Indenture.



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"BIE Consent Solicitation Notice" means a notice from the Trustee or the Fiscal Agent, as applicable, to each Holder of a Note, including the Originating Noteholder and the Senior Swap Counterparty with a copy to the Credit Protection Buyer specifying (i) each proposed BIE Collateral Security and its par amount, (ii) each Collateral Security to be substituted and its par amount and (iii) the BIE Notification Date.

"BIE Exercise Period" means the period from and including the delivery of a BIE Acceptance Notice to but excluding the day that is three Business Days thereafter.

"BIE Notification Date" means the Business Day by which a Holder of a Note must respond to a BIE Consent Solicitation Notice, which date shall be 20 Business Days from the date of such BIE Consent Solicitation Notice.

"BIE Transaction Cost" means an amount, as determined pursuant to the Collateral Administration Agreement, by the Collateral Administrator, on behalf of the Issuer, equal to the aggregate amount of the expenses of the Issuer and the Trustee that would be incurred as a result of the proposed substitution of each BIE Collateral Security for part or all of an existing Collateral Security including the purchase price of any such BIE Collateral Security.

"Board of Directors" means, with respect to the Issuer or the Co-Issuer, the directors of the Issuer or the Co-Issuer, as applicable, duly appointed by the shareholders or the directors of the Issuer or the Co-Issuer, as applicable.

"Calculation Amount" means, with respect to any Defaulted Obligation or Deferred Interest PIK Bond at any time, the lesser of (a) the Market Value of such Defaulted Obligation or Deferred Interest PIK Bond or (b) the Applicable Recovery Rate multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond. For purposes of determining the Calculation Amount, the Principal Balance of a Defaulted Obligation shall be deemed to be its outstanding principal amount or Reference Obligation Notional Amount, as applicable, and the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be its outstanding principal amount or Reference Obligation Notional Amount, as applicable, without regard to any deferred or capitalized interest.

"Cash Proceeds" means, with respect to any Due Period, the amount on deposit or expected to be on deposit in the Payment Account on the related Payment Date (as calculated by the Trustee two Business Days prior to such Payment Date); without taking into account any Aggregate Amortization Amount or amounts calculated in relation thereto that may be available on such Payment Date.

"Class" means each class of Secured Notes having the same Stated Maturity and same alphabetical (but not necessarily numerical) designation of any of "S", "A", "B", "C", "D" or "E" as a single class and the Income Notes as a single class.

"Class A Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided* by the Aggregate Outstanding Amount of the Class A Notes *plus* the Outstanding Notional Amount of the Senior Swap *plus* the Unreimbursed Senior Swap Funding Amount, after giving effect to payments or reductions, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class A Note Redemption Price" shall equal the Class A-f Note Redemption Price and the Class A-b Note Redemption Price.

"Class A-f Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.26%.

"Class A-f Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-f Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.



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"Class A-b Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.50%.

"Class A-b Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-b Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class B Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes *plus* the Outstanding Notional Amount of the Senior Swap *plus* the Unreimbursed Senior Swap Funding Amount, after giving effect to payments or reductions, as applicable to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class B Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.62%.

"Class B Note Redemption Price" shall equal (i) the outstanding principal amount of the Class B Notes, *plus* (ii) accrued interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to, but excluding, the Redemption Date.

"Class C Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes and the Class C Notes *plus* the Outstanding Notional Amount of the Senior Swap *plus* the Unreimbursed Senior Swap Funding Amount, after giving effect to payments or reductions, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class C Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 1.60%.

"Class C Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class C Notes (including any Class C Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class D Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes *plus* the Outstanding Notional Amount of the Senior Swap *plus* the Unreimbursed Senior Swap Funding Amount, after giving effect to payments or reductions, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class D Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 3.75%.

"Class D Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class D Notes (including any Class D Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class D Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) with respect to the first Payment Date the excess, if any, of any Proceeds remaining after payment of all amounts payable under clauses (i) through (xxi) of the Priority of Payments and $8,000,000; with respect to the Payment Date in May 2007, U.S.$350,000; with respect to any other Payment Date up to and including the Payment Date in July 2010, U.S.$250,000 and (b) the remaining principal balance of the Class D Notes (including any Deferred Interest and any Defaulted Interest and interest thereon).



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"Class E Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes *plus* the Outstanding Notional Amount of the Senior Swap *plus* the Unreimbursed Senior Swap Funding Amount, after giving effect to payments or reductions, as applicable, to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class E Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 6.75%.

"Class E Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class E Notes (including any Class E Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class S Note Redemption Price" means (i) the outstanding principal amount of the Class S Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class S Note Interest Rate" means, for each Interest Accrual Period, a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.15%.

"Class S Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) the sum of (i) with respect to the first Payment Date, U.S.$0 and with respect to each subsequent Payment Date, U.S.$578,125 and (ii) the aggregate amount of any Class S Notes Amortizing Principal Amounts that were due on any prior Payment Date and not paid on one or more prior Payment Dates, and (b) the remaining principal balance of the Class S Notes.

"Closing Date" means December 5, 2006.

"CMBS Conduit Securities" means Commercial Mortgage Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage Backed Securities) on the cash flow from a pool of commercial mortgage loans.

"CMBS Credit Tenant Lease Securities" means Commercial Mortgage Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases).

"CMBS Large Loan Securities" means Commercial Mortgage Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage Backed Securities) on the cash flow from a commercial mortgage loan or a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. Generally, five or fewer commercial mortgage loans shall account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on the securities.

"CMBS Repackaging Securities" means a security that entitles the holders thereof to receive payments that depend on the cash flow from a portfolio of all (100%) CMBS Securities, REIT Debt Securities and other interests in commercial mortgage loans or similar commercial real estate interests

"Collateral Account Amount" means, the par amount of Eligible Investments, Collateral Securities and principal payments received thereon on deposit in the Collateral Account.



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"Collateral Administration Agreement" means the Collateral Administration Agreement, dated as of the Closing Date, between the Issuer and the Collateral Administrator, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Collateral Administrator" means The Bank of New York Trust Company, National Association, or any successor Collateral Administrator under the Collateral Administration Agreement.

"Collateral Asset" means a Collateral Security, Eligible Investment or Delivered Obligation.

"Collateral Liquidation Procedure" means, where specified in connection with the payment of any amount, such amount shall be drawn from the Collateral Account (i) *first*, by applying cash amounts on deposit in the Collateral Account that were received as principal payments on the Collateral Securities and Eligible Investments, (ii) *second*, once the amount of such cash on deposit in the Collateral Account has been reduced to zero, by liquidating Eligible Investments in the Collateral Account and (iii) *third*, once the principal balance of Eligible Investments on deposit in the Collateral Account has been reduced to zero, by liquidating Collateral Securities on deposit in the Collateral Account; in each case, up to the lesser of (a) the amount specified for such payment and (b) the amount and principal balance available in the Collateral Account pursuant to subclause (i) and, to the extent necessary, subclause (ii), then subclause (iii).

"Collateral Put Agreement Early Termination" means the occurrence of either a Collateral Put Agreement Event of Default or a Collateral Put Agreement Termination Event.

"Collateral Put Agreement Early Termination Date" means an early termination date under the Collateral Put Agreement (other than as triggered by the Credit Default Swap or the Basis Swap).

"Collateral Put Provider Credit Support Document" has the meaning assigned to the term "Credit Support Document" in the Collateral Put Agreement and initially, the guaranty dated as of the Closing Date by the GS Group with respect to the obligations of the Collateral Put Provider under the Collateral Put Agreement.

"Collateral Put Provider Credit Support Provider" has the meaning assigned to the term "Credit Support Provider" in the Collateral Put Agreement and, initially, the GS Group.

"Collateral Put Provider Defaulted Termination Payments" means any termination payment required to be made by the Issuer to the Collateral Put Provider pursuant to the Collateral Put Agreement in the event of a termination of the Collateral Put Agreement in respect of which such Collateral Put Provider is the sole Defaulting Party or the sole Affected Party (as defined in the Collateral Put Provider Agreement), other than with respect to "Illegality" or "Tax Event" (as defined in the Collateral Put Agreement).

"Collateral Securities" means securities or other collateral purchased by the Issuer meeting the Collateral Securities Eligibility Criteria using the proceeds of the Notes and from time to time using the principal payments thereon and securing the Issuer's obligations under the Credit Default Swap and the Indenture.

"Collateral Securities Substitution Information Notice" means a notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder of the BIE Transaction Cost relating to each proposed BIE Collateral Security.

"Collateral Securities Substitution Noteholder Refusal Notice" means a notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder that the Senior Swap Counterparty or the Holders of a Majority of a Class of Notes did not approve of one or more proposed BIE Collateral Securities by the BIE Notification Date.

"Collateral Securities Substitution Request Notice" means a notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, (i) requesting the substitution of one or more BIE Collateral Securities for one or more existing Collateral Securities, (ii) identifying each Collateral Security and the par amount to be



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substituted, (iii) identifying each proposed BIE Collateral Security and the par amount and (iv) any other information that such Originating Noteholder deems relevant.

"Commercial Mortgage-Backed Securities" or "CMBS" means securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers and shall include, without limitation, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities and CMBS Repackaging Securities.

"Controlling Class" will be the Class S Notes, the Senior Swap and the Class A Notes (the Class A-f Notes and the Class A-b Notes voting together as a single class), for so long as any Class S Notes, the Senior Swap or Class A Notes are outstanding; if no Class S Notes, the Senior Swap or Class A Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class S Notes, the Senior Swap, Class A Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; if no Class S Notes, the Senior Swap, Class A Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long any Class D Notes are outstanding; and if no Class S Notes, the Senior Swap, Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, then the Class E Notes, so long as any Class E Notes are outstanding.

"Corporate Trust Office" means the principal corporate trust office of the Trustee, currently located at 601 Travis Street, 16th Floor, Houston, Texas, 77002, Attention: Hudson Mezzanine Funding 2006-1, Ltd. – Global Corporate Trust, or such other address as the Trustee may designate may designate from time to time by notice to the Noteholders, the Liquidation Agent and the Issuers or the principal corporate trust office of any successor Trustee.

"Credit Default Swap" means the credit default swap entered into by the Issuer, as Credit Protection Seller, and Goldman Sachs International, as Credit Protection Buyer, on the Closing Date, evidenced by an ISDA Master Agreement (Multicurrency Cross Border) and the Master Confirmation.

"Credit Default Swap Early Termination Date" has the meaning set forth in the Credit Default Swap.

"Credit Default Swap Termination Payment" means any termination or assignment payment required to be paid by the Issuer in the event of a termination or assignment of the Credit Default Swap. For the avoidance of doubt, no termination payments or assignment payments are required to be paid by the Issuer in the event of a termination or assignment of the Credit Default Swap in respect of which the Credit Protection Buyer is the "Defaulting Party" or the sole "Affected Party" (each as defined in the Credit Default Swap).

"Credit Protection Amounts" means Physical Settlement Amounts, Writedown Amounts, Principal Shortfall Amounts and Credit Default Swap Termination Payments (which, for the avoidance of doubt, will not include Defaulted Swap Termination Payments) payable by the Issuer to the Credit Protection Buyer.

"Credit Protection Buyer" means Goldman Sachs International and, if Goldman Sachs International is no longer the Credit Protection Buyer, any entity required to make payments on the Credit Default Swap pursuant to the terms of the Credit Default Swap or any guarantor thereof.

"Default" means any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.



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"Defaulted Swap Termination Payment" means any Credit Default Swap Termination Payment or termination payment under the Senior Swap required by a bankruptcy court or receiver (in a proceeding at law or in equity) to be paid by the Issuer notwithstanding the terms of the Credit Default Swap or Senior Swap, as applicable, in the event of a termination or assignment of the Credit Default Swap or Senior Swap, as applicable, in respect of which the Credit Protection Buyer or the Senior Swap Counterparty, as applicable, is the "Defaulting Party" or the sole "Affected Party" (each as defined in the Credit Default Swap or Senior Swap, as applicable).

"Defaulted Obligation" means any Reference Obligation or Delivered Obligation with respect to which:

(i) there has occurred and is continuing for the lesser of three (3) Business Days and any applicable grace period, a default with respect to the payment of interest or principal on such Reference Obligation or Delivered Obligation in accordance with its terms; *provided* that, the Reference Obligation or Delivered Obligation shall not constitute a Defaulted Obligation if and when such default has been cured through the payment of all past due interest and principal or waived;

(ii) the Principal Balance of such Reference Obligation or Delivered Obligation has been written down;

(iii) the Trustee has received notice of any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Reference Obligation or Delivered Obligation and is unstayed and undismissed; *provided*, that, if such proceeding is an involuntary proceeding, the condition of this clause (iii) will not be satisfied until the earliest of the following: (I) the issuer consents to such proceeding, (II) an order for relief under the United States Bankruptcy Code, or any similar order under a proceeding not taking place under the United States Bankruptcy Code, has been entered, and (III) such proceeding remains unstayed and undismissed for 60 days; or

(iv) such Reference Obligation or Delivered Obligation has an S&P Rating of "CC" or lower, "D" or "SD" or, if S&P withdraws its rating and the S&P Rating at the time of withdrawal is "CCC" or below or such Reference Obligation or Delivered Obligation has a Moody's Rating of "C" or lower or "Ca".

"Deferred Interest PIK Bond" means a PIK Bond with respect to which interest thereon has been deferred or capitalized more than once in the last 12 monthly periods, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized or deferred interest has been paid in full in accordance with the underlying documents ; *provided* that for the purpose of calculating the Overcollateralization Ratios, (1) if a security is rated "Baa3" or above and makes payment more frequently than monthly and has deferred interest equal to the amount of interest accrued over two payment periods or one year, whichever time period is shorter, or (2) if a security is rated "Baa3" or above and makes payment on a monthly basis and has deferred interest equal to the amount of interest accrued over (i) the maximum of two payment periods and six months or (ii) one year, whichever time period is shorter, or (3) if a security is rated "Ba1" or below and makes payment more frequently than monthly and has deferred interest equal to the amount of interest accrued over one payment period or six months, whichever time period is shorter, or (4) if a security is rated "Ba1" or below and makes payment on a monthly basis and has deferred interest equal to the amount of interest accrued over (i) the maximum of one payment period and three months or (ii) six months, whichever time period is shorter, such a security shall be deemed to be Deferred Interest PIK Bond. Once such a security's deferred interest balance is reduced to zero and it has commenced the payment of current interest, it would no longer be Deferred Interest PIK Bond.

"Deliverable Obligation" means an obligation which, pursuant to the terms of the Credit Default Swap, may be delivered to the Credit Protection Seller as a result of a Credit Event.

"Delivered Obligation" means any Deliverable Obligation delivered to the Issuer pursuant to a Notice of Physical Settlement under the Credit Default Swap.

"Delivery Date" means the date on which a Deliverable Obligation is delivered to the Issuer pursuant to the Credit Default Swap.



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"Distribution Compliance Period" means, with respect to the Notes, the period that ends 40 days after the later of (i) the commencement of the offering of the Notes and (ii) the Closing Date.

"Double B Calculation Amount" means the sum of the products of (a) the Principal Balance of each Double B Rated Asset and (b) (i) when used in the context of the calculation of the Senior Overcollateralization Ratio, or the Class E Interest Diversion Test, 80%, and (ii) otherwise, (A) with respect to the aggregate Principal Balance of Double B Rated Assets in excess of 10% of the Aggregate Outstanding Portfolio Amount, 90%, and (B) with respect to the aggregate Principal Balance of all Double B Rated Assets up to 10% of the Aggregate Outstanding Portfolio Amount, 100%.

"Double B Rated Asset" means any Collateral Asset or Reference Obligation with an Actual Rating or Implied Rating from S&P less than "BBB-" but with an Actual Rating greater than "B+" or with an Actual Rating or Implied Rating from Moody's less than "Baa3" but with an Actual Rating greater than "B1."

"Eligible Bidders" are (i) any institutions, which may include affiliates of the Initial Purchaser or the Liquidation Agent and Holders of the Secured Notes and the Income Notes, whose short-term unsecured debt obligations have a rating of at least "P-1" by Moody's or "A-1+" by S&P and (ii) the Liquidation Agent.

"Eligible Depositary" shall be a financial institution organized under the laws of the United States or any state thereof, authorized to accept deposits, having a combined capital and surplus of at least U.S.$200,000,000, and having (or if its obligations are guaranteed by its parent company, its parent having), a long term debt rating of at least "Baa1" by Moody's (and if rated "Baa1", such rating is not on watch for downgrade) and "BBB+" by S&P and a short term debt rating of "P-1" by Moody's (and not on watch for downgrade) and at least "A-1" by S&P.

"Eligible Investment" means any U.S. Dollar-denominated investment that, at the time it is delivered to the Trustee, is one or more of the following obligations or securities (including security entitlements with respect thereto): (i) direct Registered obligations of, and Registered obligations fully guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States; (ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by, any depository institution or trust company incorporated in the United States or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state authorities, with a maturity not in excess of 183 days; and with a credit rating by S&P of at least "A-1+" or at least "AA-", as applicable, a credit rating by Moody's of at least "P-1" or at least "Aa3" (and if rated "Aa3", not on watch for downgrade), as applicable, in the case of a maturity in excess of 30 days, or a credit rating by S&P of at least "A-1" and a credit rating by Moody's of at least "P-1" (and not on watch for downgrade) in the case of a maturity of less than 30 days; (iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, entered into with a depository institution or trust company described in clause (ii) above or entered into with a corporation whose long-term senior unsecured rating is at least "A1" (and if rated "A1", not on watch for downgrade) by Moody's and "AA-" by S&P and whose short-term credit rating is "P-1" (and not on watch for downgrade) by Moody's and "A-1" by S&P at the time of such investment, with a term not in excess of 91 days; (iv) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of at least "Aa3" (and if rated "Aa3", not on watch for downgrade) or "P-1" (and not on watch for downgrade) by Moody's and "AA-" or "A-1" by S&P; (v) commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories, such commercial paper or other short-term obligations having a credit rating of "P-1" (and not on watch for downgrade) by Moody's and "A-1" by S&P, and that are Registered and either are interest bearing or are sold at a discount from the face amount thereof and have a maturity of not more than 91 days from their date of issuance; and (vi) offshore money market funds which have a credit rating of not less than "Aaa/MR1+" by Moody's and "AAA" or "AAAm" or "AAAm-G" by S&P, *provided however*, that each rating in clauses (iii) through (vi) above by Moody's or S&P shall be an Actual Rating and *provided further*, that any such investment purchased on the basis of S&P's short-term rating of "A-1" shall mature no later than 30 days after the date of purchase and may not, other than overnight investments from The Bank of New York Trust Company, National Association (so long as The Bank of New York Trust Company, National Association (1) is the Trustee under the Indenture and (2) has a short-term rating from S&P of at least "A-1"), exceed 20% of the Aggregate Outstanding Amount of the Notes rated by S&P. Eligible Investments shall not include any RMBS, CMBS, any



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inverse floater, any security subject to withholding tax if owned by the Issuer, any security subject to an offer, any interest only security, any principal only security (other than treasury bills or commercial paper) or any security with a price in excess of 100% of par. Each such Eligible Investment shall mature no later than the second Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the institution acting as Securities Intermediary, in which event such Eligible Investment may mature on the Business Day preceding such Payment Date. Eligible Investments may include those investments with respect to which the Securities Intermediary, the Trustee, the Liquidation Agent or the Initial Purchaser or an affiliate of the Trustee, the Liquidation Agent or the Initial Purchaser provides services. As used in this definition, ratings may not include ratings with an "r", "p", "q", "pi" or "t" subscript.

"Exercise Amount" means the amount determined in connection with a Credit Event in accordance with the related CDS Transaction.

"Expected Fixed Payment" shall have the meaning set forth in the Credit Default Swap.

"Expected Interest Amount" means 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: (a) the outstanding principal amount taking into account any reductions due to a principal deficiency balance or realized loss amount (however described in the underlying instruments) that are attributable to the Reference Obligation; minus (b) the "Aggregate Implied Writedown Amount" (as such term is defined in the related CDS Transaction) (if any), and that will be payable on the related Reference Obligation Payment Date assuming for this purpose that sufficient funds are available therefor in accordance with the underlying instruments, calculated in accordance with the related CDS Transaction.

"Expected Principal Amount" means, with respect to the Final Amortization Date or the legal final maturity date of the related Reference Obligation, an amount equal to (i) the Outstanding Principal Amount of the Reference Obligation payable on such day (excluding capitalized interest) 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" (as such term is defined in the related CDS Transaction) (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. For purposes hereof, the Expected Principal Amount shall be determined without regard to the effect of any 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.

"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.

"Final Payment Date" means a Payment Date with respect to an Optional Redemption, a Payment Date in connection with the Stated Maturity, Tax Redemption, an Auction or redemption due to an Event of Default resulting in acceleration of the Secured Notes and liquidation of the Pledged Assets.

"Floating Amounts" means with respect to any CDS Transaction, an amount equal to the sum of (a) the relevant Writedown Amount (if any), (b) the relevant Principal Shortfall Amount (if any), (c) the relevant Interest Shortfall Payment Amount (if any) and (d) the relevant Physical Settlement Amount (if any).

"Floating Amount Event" means with respect to any CDS Transaction, the occurrence of a Writedown, a Failure to Pay Principal or an Interest Shortfall (as each such term is defined in the related CDS Transaction) with respect to the Reference Obligation thereunder.

"Holder" or "Noteholder" means, with respect to any Note the person in whose name such Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Indenture



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or Fiscal Agency Agreement, as applicable, with respect to any Notes in global form, a beneficial owner thereof. "Secured Noteholder" means, with respect to any Secured Note, the Holder of such Secured Note.

"Implied Rating" means, in the case of a rating on a Collateral Asset or Reference Obligation, a rating that is determined in accordance with the terms set forth for assets not rated by a particular Rating Agency by reference to any publicly available, fully monitored rating by another Rating Agency that, by its terms, addresses the full scope of the payment promise of the obligor.

"Income Note Face Amount" means, with respect to any Income Note, as of any date of determination, the initial principal amount of such Income Note, less the aggregated amount of all payments made on such Income Note on or prior to such date; *provided* that, the Income Note Face Amount shall not be less than U.S.$1.00.

"Income Notes Documents" means the resolutions of the Board of Directors of the Issuer authorizing the execution and delivery of the Indenture, the Memorandum and Articles of Association and the Fiscal Agency Agreement.

"Interest Proceeds" means, in respect of any Payment Date, all investment income received on the Collateral Securities and the Eligible Investments on deposit in the Collateral Account and the Fixed Rate Payments received from the Credit Protection Buyer under the Credit Default Swap in the related Due Period, which Interest Proceeds shall be deposited to the Interest Collection Account.

"Interest Shortfall" means with respect to any Reference Obligation Payment Date and any Reference Obligation, either (a) the nonpayment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount, as described in the related CDS Transaction.

"Interest Shortfall Amount" means 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.

"Interest Shortfall Cap" means the cap, if any on Interest Shortfalls as set forth in the related CDS Transaction.

"Interest Shortfall Cap Amount" means the amount of any Interest Shortfall Cap as set forth in the related CDS Transaction.

"Interest Shortfall Payment Amount" means 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 Reimbursement" means with respect to any Reference Obligation Payment Date, the payment by or on behalf of the Reference Entity of an Actual Interest Amount in respect of the Reference Obligation that is greater than the Expected Interest Amount.

"Interest Shortfall Reimbursement Payment" means 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" means, (a) if Interest Shortfall Cap is not applicable, the relevant Interest Shortfall Reimbursement Amount, and (b) if Interest Shortfall Cap is applicable, the amount determined pursuant to the related CDS Transaction; *provided*, in either case, that the aggregate of all Interest Shortfall Reimbursement Payment Amounts (determined for this purpose on the basis that "Interest Shortfall Compounding" is not applicable) at any time shall not exceed the aggregate of Interest Shortfall Payment Amounts paid by the Issuer in respect of Interest Shortfalls occurring prior to the date of payment of any such Additional Fixed Amount.



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"Issue" of a Collateral Asset or Reference Obligation means any such Collateral Asset or Reference Obligation issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

"Liquidation Proceeds" means, with respect to any Optional Redemption, Tax Redemption, Auction or the Final Payment Date, including, without duplication, (i) all proceeds from CDS Transactions, Collateral Securities, Eligible Investments and Delivered Obligations, terminated, assigned or otherwise disposed of in connection with such redemption and payable to the Issuer, including any termination or assignment payments or other amounts payable to the Issuer, (ii) the aggregate amount received by the Issuer on or prior to the Business Day immediately preceding the relevant Payment Date from the termination of the Senior Swap Agreement in connection with such redemption, (iii) cash on deposit in the Accounts, to the extent available therefor, including any amounts designated by the Credit Protection Buyer as retained for investment in Eligible Investments and Collateral Securities, in each case as determined by the Credit Protection Buyer, (iv) any termination payments or other amounts payable to the Issuer by the Credit Protection Buyer and (v) any payments receivable by the Issuer from any assignee of a CDS Transaction, in each case as determined by the Liquidation Agent.

"Majority" means (i) with respect to any Class or Classes of Secured Notes and the Senior Swap, the Holders of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Secured Notes and the Outstanding Notional Amount of the Senior Swap and (ii) with respect to the Income Notes, the Holders of more than 50% of the outstanding Income Notes, calculated on the basis of the Aggregate Outstanding Amount (or, if the Aggregate Outstanding Amount has been paid in full, based on the original Aggregate Outstanding Amount) of the Income Notes held by each Income Noteholder.

"Market Value" means, with respect to any Collateral Asset or Reference Obligation, (i) the average of three bona fide bids for such Collateral Asset or Reference Obligation obtained by the Liquidation Agent at such time from any three nationally recognized dealers, which dealers are independent from one another and from the Liquidation Agent, or (ii) if the Liquidation Agent is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Asset or Reference Obligation obtained by the Liquidation Agent at such time from any two nationally recognized dealers acceptable to the Liquidation Agent, which dealers are independent from one another and from the Liquidation Agent, or (iii) if the Liquidation Agent is unable to obtain two such bids, one bona fide bid for such Collateral Asset or Reference Obligation obtained by the Liquidation Agent at such time from any nationally recognized dealer acceptable to the Liquidation Agent, which dealer is independent from the Liquidation Agent, or (iv) in the event the Liquidation Agent is unable to obtain one such bid, the price on such date provided to the Liquidation Agent by an independent pricing service, or (v) in the event the Liquidation Agent cannot in good faith determine the market value of such Collateral Asset or Reference Obligation using commercially reasonable efforts to apply the methods specified in clauses (i) through (iv) above, the lesser of (a) the product of (1) the Principal Balance of such Collateral Asset or Reference Obligation and (2) the Applicable Recovery Rate and (b) the market Value as determined in good faith by the Liquidation Agent using commercially reasonable efforts to apply its reasonable business judgment. If the method of determining Market Value is based solely on clause (v) above, such Market Value shall be considered zero after 30 days until such time as the Market Value for such Collateral Asset or Reference Obligation may be determined applying the methods specified in clauses (i) through (iv) above.

"Maximum Principal Amount" means, as of any date of determination, an amount equal to the sum of the Collateral Account Amount, *plus* the Outstanding Notional Amount of the Senior Swap.

"Minimum Bid Amount" means an amount equal to the sum of (a) the Secured Note Redemption Price with respect to the Auction Payment Date, (b) the Income Note Face Amount with respect to the Auction Payment Date (or such lesser amount as is agreed to by the Holders of 100% of the Income Notes), (c) unpaid amounts due under the CDS Transactions upon termination or assignment of the CDS Transactions, (d) any unpaid amounts due under the Senior Swap, including accrued Senior Swap Premium and Unreimbursed Senior Swap Funding Amount, (e) accrued and unpaid Liquidation Agent Fees, (f) accrued and unpaid Collateral Put Provider Fees and (g) 101% of all unpaid expenses of the Issuer, less amounts on deposit in the Accounts which are available to redeem the Notes.

"Monthly Asset Amount" means, with respect to any Payment Date, the Aggregate Reference Obligation Notional Amount on the first day of the related Due Period.



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"Moody's Rating" means the rating determined in accordance with the methodology described in the Indenture.

"Moody's Recovery Rate" means, with respect to a Collateral Asset or Reference Obligation, an amount equal to the percentage for such Collateral Asset or Reference Obligation set forth in the recovery rate assumptions for Moody's attached as Part I of Schedule C to the Indenture; *provided, however*, that (A) Defaulted Obligations which exceed 2.5% of the Aggregate Outstanding Portfolio Amount and have been defaulted for more than one year will be deemed to have a Moody's Recovery Rate of 0%, (B) Defaulted Obligations which exceed 1.00% of the Aggregate Outstanding Portfolio Amount and have been defaulted for more than 2 years shall be deemed to have a Moody's Recovery Rate of 0%; and (C) Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody's Recovery Rate of 0%.

"Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, an amount equal to (i) the Aggregate Reference Obligation Notional Amount on such Determination Date *plus* the Principal Balance of all Delivered Obligations, *minus* (ii) the aggregate Principal Balance on such date of determination of all Delivered Obligations that are and all CDS Transactions that reference Reference Obligations that are: (A) Defaulted Obligations, (B) Deferred Interest PIK Bonds, (C) Double B Rated Assets, (D) Single B Rated Assets and (E) Triple C Rated Assets, *plus* (iii) the Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds, the Double B Calculation Amount, the Single B Calculation Amount and the Triple C Calculation Amount. For purposes of calculating the Net Outstanding Portfolio Collateral Balance, if a Reference Obligation or a Delivered Obligation could be classified in more than one of the categories set forth in clauses (A) through (E) above, such Reference Obligation or Delivered Obligation will not be discounted multiple times but will be treated in the applicable category that results in the largest discount thereof.

"Non-Call Period" means the period commencing on and including the Closing Date and ending on but excluding the Payment Date in April 2010.

"Note Interest Rates" means, collectively, the Class S Note Interest Rate, the Class A-f Note Interest Rate, the Class A-b Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate and the Class E Note Interest Rate.

"Noteholder Communication Notice" means a notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, the contents of which are to be delivered by the Trustee or the Fiscal Agent, as applicable to all other Holders of Notes in accordance with the Indenture or the Fiscal Agency Agreement, as applicable.

"Noteholder" means, with respect to any Note, the person in whose name such Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Indenture, with respect to any Notes in global form, a beneficial owner thereof.

"Optional Termination" means, with respect to the Senior Swap, the right of the Issuer to terminate the Senior Swap, on and after the Optional Redemption Date, upon three Business Days' notice to the Senior Swap Counterparty and payment of any accrued but unpaid Senior Swap Premium Amount as calculated on such date.

"Originating Noteholder" means with respect to (i) any Collateral Securities Substitution Request Notice, the Holder(s) of a Note submitting such Collateral Securities Substitution Request Notice and (ii) any Noteholder Communication Notice, the Holder(s)of a Note submitting such Noteholder Communication Notice.

"Outstanding" or "outstanding" means (i) with respect to each Class of Secured Notes, as of any date of determination, all of such Class of Secured Notes theretofore authenticated and delivered under the Indenture and registered in the Note Register as outstanding except:

(a) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;



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(b) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a Holder in due course;

(d) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in the Indenture;

(e) in connection with any waiver, (i) all Notes (if any) held by the Trustee and its affiliates if the relevant waiver relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee and, (ii) all Notes (if any) held by the Liquidation Agent and its affiliates if the relevant waiver relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent; and

(f) in connection with the termination of the Trustee or the Liquidation Agent, as applicable, (i) all Notes (if any) held by the Trustee and its affiliates if the termination relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee and (ii) all Notes (if any) held by the Liquidation Agent and its affiliates if the relevant termination relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent;

(ii) with respect to the Income Notes, as of any date of determination, all of the Income Notes issued pursuant to the Income Notes Documents and indicated in the Income Notes Register as Outstanding except in connection with the termination of the Trustee or the Liquidation Agent, as applicable:

(a) all Income Notes (if any) held by the Trustee and its affiliates if the termination relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee, and

(b) all Income Notes (if any) held by the Liquidation Agent and its affiliates if the relevant termination relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent and

*provided* that in determining whether the Holders of the requisite Aggregate Outstanding Amount of the Secured Notes or Income Notes have given any request, demand, authorization, direction, notice, consent or waiver, Secured Notes or Income Notes owned by the Issuer or the Co-Issuer or any other obligor upon the Secured Notes or Income Notes or any affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Issuer and the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Secured Notes and Income Notes that the Issuer or Trustee knows to be so owned shall be so disregarded. Secured Notes or Income Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Issuer and the Trustee the pledgee's right so to act with respect to such Secured Notes or Income Notes and that the pledgee is not the Issuer, the Co-Issuer, the Liquidation Agent or any other obligor upon the Secured Notes or Income Notes or any affiliate of the Issuer, the Co-Issuer, the Liquidation Agent or such other obligor.

"Outstanding Notional Amount" means, with respect to the Senior Swap, the initial notional amount specified therein as reduced from time to time in accordance with the Senior Swap.

"Outstanding Principal Amount" has the meaning set forth in the related CDS Transaction.

"Overcollateralization Ratios" means the Senior Overcollateralization Ratio, the Class C Overcollateralization Ratio, the Class D Overcollateralization Ratio, the Class E Overcollateralization Ratio, the Class A Adjusted Overcollateralization Ratio, the Class B Adjusted Overcollateralization Ratio, the Class C



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Adjusted Overcollateralization Ratio, the Class D Adjusted Overcollateralization Ratio and the Class E Adjusted Overcollateralization Ratio.

"Overcollateralization Tests" means the Senior Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test.

"PIK Bond" means a Reference Obligation or Delivered Obligation on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

"Principal Balance" means, with respect to any Reference Obligation, Collateral Security, Delivered Obligation or Eligible Investment, as of any date of determination, the Reference Obligation Notional Amount of such Reference Obligation and the outstanding principal amount of such Collateral Security, Delivered Obligation or Eligible Investment; subject to the following exceptions: (i) the Principal Balance of each Defaulted Obligation shall be deemed to be zero, except (A) for purposes of the calculation of the Coverage Tests, in which case, the Principal Balance of Defaulted Obligations shall equal their respective outstanding principal amount or Reference Obligation Notional Amount, as applicable (unless otherwise indicated in such tests), (B) for purposes of determining whether an Event of Default described in clause (vi) of the definition thereof has occurred, Defaulted Obligations shall be included at their Applicable Recovery Rate, (C) for purposes of calculating any trustee fees and the Liquidation Agent Fee, the Principal Balance of each Defaulted Obligation shall equal the Calculation Amount for such Defaulted Obligations and (D) as otherwise expressly indicated; (ii) the Principal Balance of any cash shall be the amount of such cash; (iii) the Principal Balance of any Delivered Obligation, any Collateral Securities and any Eligible Investments in which the Trustee does not have a perfected security interest shall be deemed to be zero; and (iv) the Principal Balance of any Reference Obligation, Collateral Security or Delivered Obligation that is an equity security shall be deemed to be zero.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (i) all payments of interest and principal on, or liquidation proceeds of, the Delivered Obligations and Eligible Investments on deposit in the Delivered Obligations Account received in cash by the Issuer during such Due Period, (ii) any termination payments received from the Credit Protection Buyer during such Due Period and (iii) any Additional Fixed Amounts received from the Credit Protection Buyer (other than those due to the Senior Swap Counterparty in repayment of Senior Swap Funding Payments) during such Due Period; *provided, however*, that Principal Proceeds shall not include any accrued interest or any funds from the Income Note Payment Account and all funds deposited in or credited thereto, transaction fees payable to the Issuer and its share capital on account of its ordinary shares held in its account in the Cayman Islands.

"Principal Shortfall Amount" means, in respect of a Failure to Pay Principal, an amount equal to the greater of: (i) zero; and (ii) 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. For purposes hereof, 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 Reference Entity 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 Payment" 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, as of any date of determination, 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 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 the Issuer in respect of occurrences of Failure to Pay Principal prior to such date.



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"Proceeds" means, with respect to any Due Period, without duplication, (i) all Amortization Proceeds with respect to the related Payment Date, (ii) all Interest Proceeds with respect to the related Payment Date and (iii) any amounts to be released or withdrawn on the related Payment Date from the Expense Reserve Account for deposit to the Payment Account.

"Put Excluded Collateral" means, as of any time of determination, collectively, (i) demand and time deposits that are Eligible Investments as described in clause (ii) of the definition thereof or (ii) cash.

"Rating Agency Condition" means, with respect to any action taken or to be taken under the Transaction Documents, a condition that is satisfied when each Rating Agency has confirmed in writing to the Issuer and the Trustee that such action will not result in the immediate withdrawal, reduction or other adverse action with respect to any then-current rating of any Class of Notes or the Senior Swap.

"Record Date" means, (i) with respect to any Payment Date and any Notes issued in book-entry form, the close of business on the Business Day prior to such Payment Date and (ii) with respect to any Payment Date and any Notes issued in definitive form, the tenth day prior to such Payment Date (or, if such day is not a Business Day, the next succeeding Business Day).

"Redemption Date" means any Optional Redemption Date, Tax Redemption Date or Auction Payment Date.

"Reference Entity" means the issuer of a Reference Obligation.

"Reference Obligation" means a Residential Mortgage-Backed Security referenced under the Credit Default Swap.

"Reference Obligor" means the obligor on a Reference Obligation.

"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 its underlying instruments. For the avoidance of doubt, the first Reference Obligation Calculation Period will begin on the Reference Obligation Payment Date falling on or immediately prior to the Closing Date.

"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 Closing Date, without regard to any subsequent amendment.

"Reference Obligation Notional Amount" means, with respect to each CDS Transaction, the notional amount specified therein as reduced or increased pursuant to the terms of such CDS Transaction.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for a Reference Obligation occurring on or after the Closing Date and on or prior to the scheduled termination date of the related CDS Transaction, 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 such Reference Obligation.

"Reference Obligation Principal Amortization Amount" means, with respect to any Reference Obligation Payment Date, an amount equal to the product of (i) the amount of any Reference Obligation Principal Payment on such date and (ii) the Applicable Percentage.

"Reference Obligation 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.



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"Reference Price" means the reference price (expressed as a percentage) specified in the related CDS Transaction.

"Registered" means, with respect to any debt obligation or debt security, a debt obligation or debt security that is issued after July 18, 1984, and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"REIT Debt Security" means a security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision).

"Relevant Amount" means with respect to any Reference Obligation, if a servicer report that describes a Reference Obligation 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 under the related CDS Transaction on or after the related Delivery Date, an amount equal to the product of (i) the sum of any such Reference Obligation 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 (as defined in the related CDS Transaction).

"Residential Mortgage-Backed Securities" or "RMBS" means securities that represent interests in pools of residential mortgage loans secured by 1 to 4 family residential mortgage loans and shall include, without limitation, RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

"RMBS Midprime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Subprime Mortgage Securities and RMBS Prime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from midprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Midprime Mortgage Security will have a weighted average FICO Score greater than 625, but less than 700.

"RMBS Prime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Subprime Mortgage Securities and RMBS Midprime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from prime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Prime Mortgage Security will have a weighted average FICO Score of at least 700.

"RMBS Subprime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Prime Mortgage Securities and RMBS Midprime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from subprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying RMBS Subprime Mortgage Security will have a weighted average FICO Score of 625 or below.

"S&P Rating" means the rating determined in accordance with the methodology described in the Indenture.



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"S&P Recovery Rate" means, with respect to a Collateral Asset or Reference Obligation, on any Determination Date, an amount equal to the percentage for such Collateral Asset or Reference Obligation set forth in the S&P Recovery Rate Matrix attached as a schedule to the Indenture (determined in accordance with procedures prescribed by S&P for such Credit Default Swap, Reference Obligation or Delivered Obligation on the date of its purchase by the Issuer or, in the case of a Defaulted Obligation, the S&P Rating immediately prior to default).

"Sale Proceeds" means all amounts representing Proceeds (including accrued interest) from the sale, assignment, termination or other disposition of any CDS Transaction, Collateral Securities, Delivered Obligation or Eligible Investment received during such Due Period, net of any reasonable amounts expended by the Liquidation Agent or the Trustee in connection with such sale or other disposition.

"Secured Note Redemption Price" means the Class S Note Redemption Price, the Class A Note Redemption Price, the Class B Note Redemption Price, the Class C Note Redemption Price and the Class D Note Redemption Price, as applicable.

"Senior Funding" means the Senior Swap and the Class A Notes.

"Senior Principal Allocation" means, if the Senior Overcollateralization Test is satisfied on the Determination Date relating to the current Payment Date and was satisfied on each Determination Date relating to each preceding Payment Date, then any Principal Proceeds available for payment to the Senior Funding will be allocated *pro rata* based on the Outstanding Notional Amount of the Senior Swap and the Outstanding Principal Amount of the Class A Notes on the Determination Date relating to such Payment Date (i) to reduce the Outstanding Notional Amount of the Senior Swap and (ii) to the payment of the Class A Notes, *provided*, that such amounts allocated to the Class A Notes will be paid (i) *first*, to the Class A-f Notes until such Class A-f Notes are paid in full, and *second*, to the Class A-b Notes until such Class A-b Notes are paid in full. If the Senior Overcollateralization Test was not satisfied on any Determination Date, including the one relating to the current Payment Date, then, unless otherwise specified in the Priority of Payments, any Principal Proceeds available for payment to the Senior Funding will be allocated *first* (i) to the reduction of the Outstanding Notional Amount of the Senior Swap, until reduced in full, and *second* (ii) *pro rata* to the Class A-f Notes and the Class A-b Notes, until such Class A Notes are paid in full.

"Servicer" means, with respect to any Issue of Reference Obligation or Collateral Asset, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cash flows from which payments to investors in such Reference Obligation or Collateral Asset are made.

"Single B Calculation Amount" means the sum of the products of (a) the Principal Balance of each Single B Rated Asset and (b) (i) when used in the context of the calculation of the Senior Overcollateralization Ratio, 60%, (ii) when used in the context of the calculation of the Class E Interest Diversion Test, 70% and (iii) otherwise, 80%.

"Single B Rated Asset" means any Collateral Asset or Reference Obligation, that is not a Triple C Rated Asset, with an Actual Rating from S&P less than "BB-" or with an Actual Rating from Moody's less than "Ba3."

"Statistical Loss Amount" means, as of any Determination Date, the sum of, for each Reference Obligation and Collateral Asset, the product of (i) the Principal Balance of such Reference Obligation or Collateral Asset and (ii) the Moody's "Idealized" Cumulative Expected Loss Rate as set forth in the Indenture for such Reference Obligation and Collateral Asset. For purposes of the calculation of the Statistical Loss Amount on any Determination Date with respect to Single B Rated Assets, Deferred Interest PIK Bonds, Double B Rated Assets, Triple C Rated Assets, Defaulted Obligations and the principal amount of any Reference Obligations and Collateral Assets expected to be paid in full after the April 12, 2042 Payment Date, the principal amount thereof expected to be paid after the Payment Date related to such Determination Date shall be excluded.

"Step-Down Bond" means a security which by the terms of the related underlying instrument provides for a decrease, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage



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of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of calculation.

"Super Majority" means with respect to any Class of Notes and the Senior Swap, the Holders of more than 66-2/3% of the Aggregate Outstanding Amount of such Class of Notes and the Outstanding Notional Amount of the Senior Swap.

"Tax Event" means (i) the adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in withholding tax payments representing in excess of 3% of the aggregate premium and interest due and payable on the Credit Default Swap and Pledged Assets during the Due Period in which such event occurs as a result of the imposition of U.S. or other withholding tax with respect to which the obligors are not required to make gross-up payments that cover the full amount of such withholding taxes on an after-tax basis or (ii) the adoption of, or change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in taxation of the Issuer's net income in an amount equal to 3% or more of the net income of the Issuer during any Due Period in which such event occurs.

"Total Redemption Amount" means the sum of (a) all amounts due as of the Redemption Date pursuant to clauses (i), (ii), (iii), (iv), (v), (xx) and (xxiii) of the Priority of Payments, (b) the Secured Note Redemption Prices and (c) the Income Note Face Amount as of the Redemption Date (or such lesser amount as is agreed to by the Holders of 100% of the Income Notes).

"Treasury" means the United States Department of the Treasury.

"Triple C Calculation Amount" means the sum of the products of (a) the Principal Balance of each Triple C Rated Asset and (b) (i) when used in the context of the calculation of the Senior Overcollateralization Ratio, 25% and (ii) otherwise, 50%.

"Triple C Rated Asset" means any Collateral Asset or Reference Obligation (other than a Defaulted Obligation) with an Actual Rating from S&P of less than "B-" or with an Actual Rating from Moody's of less than "B3."

"Unreimbursed Senior Swap Funding Amount" has the meaning set forth in the Senior Swap.

"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: (i) a payment by or on behalf of the Reference Entity 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 Reference Entity 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 (however described in the underlying instruments) attributable to the Reference Obligation; or (iii) if "Implied Writedown" (as defined in the related CDS Transaction) is applicable and 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" (as defined in the related CDS Transaction) being determined in respect of the Reference Obligation by the calculation agent thereunder.

"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 any date of determination, the sum of the Writedown Reimbursement Amounts in respect of all Writedown Reimbursements (if any) made during the



Confidential Treatment Requested by Goldman Sachs GS MBS-E-021821352

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Reference Obligation Calculation Period relating to such 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 the Issuer in respect of Writedowns occurring prior to such date.



Confidential Treatment Requested by Goldman Sachs GS MBS-E-021821353

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APPENDIX B

Reference Portfolio

| CUSIP | Name | Issuer | Original Face | Factor | Current Face | Total Debt Par | Tranche Par | Issue Date | Coupon Index | CouponMargin | Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 00442TDX7 | ACE 2005-HE7 M5 | ACE 2005-HE7 | 15,000,000 | 1.0000 | 15,000,000 | 1,797,611,469 | 21,571,000 | 11/25/2005 | synthetic sprd | 1.350% | 11/25/2035 |
| 02007SY85 | AMSI 2005-R11 M6 | AMSI 2005-R11 | 15,000,000 | 1.0000 | 15,000,000 | 1,830,242,381 | 15,580,000 | 12/01/2005 | synthetic sprd | 1.350% | 1/25/2036 |
| 040104NL1 | ARSI 2005-W2 M8 | ARSI 2005-W2 | 15,000,000 | 1.0000 | 15,000,000 | 2,750,000,000 | 27,500,000 | 9/27/2005 | synthetic sprd | 1.350% | 10/25/2035 |
| 07387BSU0 | BSABS 2005-HE11 M7 | BSABS 2005-HE11 | 15,000,000 | 1.0000 | 15,000,000 | 641,048,174 | 8,334,000 | 11/30/2005 | synthetic sprd | 1.350% | 11/25/2035 |
| 12667GWM8 | CWL 2005-BC3 M8 | CWL 2005-BC3 | 15,000,000 | 1.0000 | 15,000,000 | 949,999,828 | 11,400,000 | 12/28/2005 | synthetic sprd | 1.350% | 11/25/2035 |
| 32027HYG7 | FFML 2005-FF12 B2 | FFML 2005-FF12 | 15,000,000 | 1.0000 | 15,000,000 | 1,465,342,417 | 21,816,000 | 12/30/2005 | synthetic sprd | 1.350% | 11/25/2035 |
| 36242WKG4 | GSAMP 2005-HE4 M6 | GSAMP 2005-HE4 | 15,000,000 | 1.0000 | 15,000,000 | 1,500,000,100 | 18,518,000 | 8/25/2005 | synthetic sprd | 1.350% | 8/25/2035 |
| 437084QG4 | HEAT 2005-8 M8 | HEAT 2005-8 | 15,000,000 | 1.0000 | 15,000,000 | 1,500,000,100 | 15,000,000 | 11/1/2005 | synthetic sprd | 1.350% | 2/25/2036 |
| 46629LAM2 | JPMAC 2005-OPT1 M8 | JPMAC 2005-OPT1 | 15,000,000 | 1.0000 | 15,000,000 | 1,510,095,312 | 18,876,000 | 7/26/2005 | synthetic sprd | 1.350% | 8/25/2035 |
| 542514NU9 | LBMLT 2005-WL2 M8 | LBMLT 2005-WL2 | 15,000,000 | 1.0000 | 15,000,000 | 2,755,716,689 | 28,935,000 | 8/30/2005 | synthetic sprd | 1.350% | 10/25/2035 |
| 57643LMA1 | MABS 2005-HC2 M8 | MABS 2005-HC2 | 15,000,000 | 1.0000 | 15,000,000 | 902,767,590 | 8,578,000 | 11/29/2005 | synthetic sprd | 1.350% | 9/25/2035 |
| 59020UCS8 | MLMI 2005-AR1 B2 | MLMI 2005-AR1 | 15,000,000 | 1.0000 | 15,000,000 | 1,108,278,648 | 10,324,000 | 10/25/2005 | synthetic sprd | 1.350% | 8/25/2035 |
| 64352VHE7 | NCHET 2005-4 M8 | NCHET 2005-4 | 15,000,000 | 1.0000 | 15,000,000 | 1,465,342,417 | 19,313,000 | 12/28/2005 | synthetic sprd | 1.350% | 8/25/2035 |
| 64352VHB3 | NCHET 2005-HE3 B2 | NCHET 2005-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 1,465,342,417 | 23,900,000 | 8/17/2005 | synthetic sprd | 1.350% | 8/25/2035 |
| 76111XB23 | RAMP 2005-EFC4 M8 | RAMP 2005-EFC4 | 15,000,000 | 1.0000 | 15,000,000 | 733,092,475 | 8,797,000 | 9/29/2005 | synthetic sprd | 1.350% | 9/25/2035 |
| 761118QN9 | RASC 2005-KS11 M8 | RASC 2005-KS11 | 15,000,000 | 1.0000 | 15,000,000 | 1,380,000,196 | 18,560,000 | 11/29/2005 | synthetic sprd | 1.350% | 12/25/2035 |
| 81375WGK6 | SABR 2005-HE1 B2 | SABR 2005-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 1,240,138,748 | 14,925,000 | 1/19/2005 | synthetic sprd | 1.350% | 10/25/2035 |
| 863576DH1 | SAIL 2005-HE3 M8 | SAIL 2005-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 2,370,277,347 | 20,147,000 | 8/30/2005 | synthetic sprd | 1.350% | 9/25/2035 |
| 86359DEW4 | SASC 2005-WF4 M8 | SASC 2005-WF4 | 15,000,000 | 1.0000 | 15,000,000 | 1,962,205,522 | 14,127,000 | 12/21/2005 | synthetic sprd | 1.350% | 11/25/2035 |
| 86364VAK6 | SOAIC 2005-4 M8 | SOAIC 2005-4 | 15,000,000 | 1.0000 | 15,000,000 | 1,324,263,728 | 11,113,000 | 11/23/2005 | synthetic sprd | 1.350% | 11/25/2035 |
| 0042211L5 | ACE 2005-HE7 M9 | ACE 2005-HE7 | 15,000,000 | 1.0000 | 15,000,000 | 1,797,611,469 | 19,774,000 | 11/28/2005 | synthetic sprd | 2.450% | 11/25/2035 |
| 02007SY93 | AMSI 2005-R11 M9 | AMSI 2005-R11 | 15,000,000 | 1.0000 | 15,000,000 | 1,830,242,381 | 14,640,000 | 12/20/2005 | synthetic sprd | 2.450% | 1/25/2036 |
| 040104AN9 | ARSI 2005-W2 M9 | ARSI 2005-W2 | 15,000,000 | 1.0000 | 15,000,000 | 2,750,000,000 | 16,500,000 | 9/27/2005 | synthetic sprd | 2.450% | 10/25/2035 |
| 07387BSV8 | BSABS 2005-HE11 M9 | BSABS 2005-HE11 | 15,000,000 | 1.0000 | 15,000,000 | 641,048,174 | 7,052,000 | 11/30/2005 | synthetic sprd | 2.450% | 11/25/2035 |
| 12667GWN6 | CWL 2005-BC3 B | CWL 2005-BC3 | 15,000,000 | 1.0000 | 15,000,000 | 949,999,828 | 11,875,000 | 12/28/2005 | synthetic sprd | 2.450% | 11/25/2035 |
| 12667GYH5 | CWL 2005-BC3 M9 | CWL 2005-BC3 | 15,000,000 | 1.0000 | 15,000,000 | 949,999,828 | 11,400,000 | 12/28/2005 | synthetic sprd | 2.450% | 11/25/2035 |
| 32027HY15 | FFML 2005-FF12 B3 | FFML 2005-FF12 | 15,000,000 | 1.0000 | 15,000,000 | 1,465,342,417 | 19,762,000 | 8/25/2005 | synthetic sprd | 2.450% | 8/25/2035 |
| 36242WKH4 | GSAMP 2005-HE4 B1 | GSAMP 2005-HE4 | 15,000,000 | 1.0000 | 15,000,000 | 1,500,000,100 | 12,750,000 | 11/1/2005 | synthetic sprd | 2.450% | 2/25/2036 |
| 437084QH2 | HEAT 2005-8 B1 | HEAT 2005-8 | 15,000,000 | 1.0000 | 15,000,000 | 1,500,000,100 | 27,557,000 | 8/30/2005 | synthetic sprd | 2.450% | 2/25/2036 |
| 46629LAN0 | JPMAC 2005-OPT1 M9 | JPMAC 2005-OPT1 | 15,000,000 | 1.0000 | 15,000,000 | 1,510,095,312 | 15,101,000 | 7/26/2005 | synthetic sprd | 2.450% | 8/25/2035 |
| 542514NV7 | LBMLT 2005-WL2 M9 | LBMLT 2005-WL2 | 15,000,000 | 1.0000 | 15,000,000 | 2,755,716,689 | 27,557,000 | 8/30/2005 | synthetic sprd | 2.450% | 10/25/2035 |
| 57643LMY9 | MABS 2005-HC2 M9 | MABS 2005-HC2 | 15,000,000 | 1.0000 | 15,000,000 | 902,767,590 | 9,027,000 | 11/29/2005 | synthetic sprd | 2.450% | 9/25/2035 |
| 59020UGM8 | MLMI 2005-AR1 B3 | MLMI 2005-AR1 | 15,000,000 | 1.0000 | 15,000,000 | 1,108,278,648 | 11,083,000 | 10/25/2005 | synthetic sprd | 2.450% | 8/25/2035 |
| 64352VHF4 | NCHET 2005-4 B3 | NCHET 2005-4 | 15,000,000 | 1.0000 | 15,000,000 | 1,465,342,417 | 15,818,000 | 12/28/2005 | synthetic sprd | 2.450% | 8/25/2035 |
| 64352VHC1 | NCHET 2005-HE3 B3 | NCHET 2005-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 1,465,342,417 | 22,900,000 | 8/17/2005 | synthetic sprd | 2.450% | 8/25/2035 |
| 76111XB49 | RAMP 2005-EFC4 M9 | RAMP 2005-EFC4 | 15,000,000 | 1.0000 | 15,000,000 | 733,092,475 | 9,184,000 | 9/29/2005 | synthetic sprd | 2.450% | 9/25/2035 |
| 761118QP4 | RASC 2005-KS11 M9 | RASC 2005-KS11 | 15,000,000 | 1.0000 | 15,000,000 | 1,380,000,196 | 15,180,000 | 11/29/2005 | synthetic sprd | 2.450% | 12/25/2035 |
| 81375WGL4 | SABR 2005-HE1 B3 | SABR 2005-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 1,240,138,748 | 14,343,000 | 1/19/2005 | synthetic sprd | 2.450% | 10/25/2035 |
| 863576DF8 | SAIL 2005-HE3 M9 | SAIL 2005-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 2,370,277,347 | 18,960,000 | 8/30/2005 | synthetic sprd | 2.450% | 9/25/2035 |
| 86359DEX6 | SASC 2005-WF4 M9 | SASC 2005-WF4 | 15,000,000 | 1.0000 | 15,000,000 | 1,962,205,522 | 14,127,000 | 12/21/2005 | synthetic sprd | 2.450% | 11/25/2035 |
| 86364VAL4 | SOAIC 2005-4 M9 | SOAIC 2005-4 | 15,000,000 | 1.0000 | 15,000,000 | 1,324,263,728 | 11,113,000 | 11/23/2005 | synthetic sprd | 2.450% | 11/25/2035 |
| 0042211N9 | ACE 2006-HE1 M8 | ACE 2006-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 2,266,736,540 | 31,850,000 | 2/7/2006 | synthetic sprd | 1.450% | 2/25/2036 |
| 07387UHZ7 | BSABS 2006-HE3 M8 | BSABS 2006-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 784,431,580 | 11,305,000 | 3/30/2006 | synthetic sprd | 1.450% | 5/25/2036 |
| 14453YFF2 | CARR 2006-NC1 M8 | CARR 2006-NC1 | 15,000,000 | 1.0000 | 15,000,000 | 1,441,051,750 | 15,852,000 | 4/28/2006 | synthetic sprd | 1.450% | 4/25/2036 |
| 12667GYJ1 | CWL 2006-8 M8 | CWL 2006-8 | 15,000,000 | 1.0000 | 15,000,000 | 1,574,818,744 | 22,048,000 | 6/28/2006 | synthetic sprd | 1.450% | 6/25/2036 |
| 94342TAK3 | FFML 2006-FF4 M8 | FFML 2006-FF4 | 15,000,000 | 1.0000 | 15,000,000 | 1,574,818,744 | 18,238,000 | 3/30/2006 | synthetic sprd | 1.450% | 3/25/2036 |
| 36244UGC2 | GSAMP 2006-HE3 M8 | GSAMP 2006-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 1,599,286,271 | 22,348,000 | 5/26/2006 | synthetic sprd | 1.450% | 5/25/2036 |
| 437084XY9 | HEAT 2006-4 M8 | HEAT 2006-4 | 15,000,000 | 1.0000 | 15,000,000 | 1,600,000,100 | 16,000,000 | 5/1/2006 | synthetic sprd | 1.450% | 6/25/2036 |



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**Footnote Exhibits - Page 3163**

| CUSIP | Name | Issuer | Original Face | Factor | Current Face | Year1 Debt Par | Tranche Par | Issue Date | Coupon Index | Coupon/Margin | Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 46626LFY3 | JPMAC 2006-FRE1 M8 | JPMAC 2006-FRE1 | 15,000,000 | 1.0000 | 15,000,000 | 1,011,142,520 | 14,174,000 | 1/27/2006 | synthetic spot | 1.450% | 5/25/2036 |
| 54251HEY9 | LBMLT 2006-1 M8 | LBMLT 2006-1 | 15,000,000 | 1.0000 | 15,000,000 | 2,446,422,254 | 7,826,000 | 2/7/2006 | synthetic spot | 1.450% | 2/25/2036 |
| 57643LH97 | MABS 2006-HE1 M8 | MABS 2006-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 815,188,720 | 11,887,000 | 2/24/2006 | synthetic spot | 1.450% | 1/25/2036 |
| 59020UJH3 | MLMI 2006-HE1 B2A | MLMI 2006-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 781,325,835 | 8,251,000 | 2/7/2006 | synthetic spot | 1.450% | 12/25/2036 |
| 617499KX8 | MSAC 2006-WMC2 B2 | MSAC 2006-WMC2 | 15,000,000 | 1.0000 | 15,000,000 | 2,602,987,083 | 27,331,000 | 6/29/2006 | synthetic spot | 1.450% | 7/25/2036 |
| 61745H1D6 | MSC 2006-HE2 B2 | MSC 2006-HE2 | 15,000,000 | 1.0000 | 15,000,000 | 2,268,949,639 | 29,469,000 | 4/28/2006 | synthetic spot | 1.450% | 3/25/2036 |
| 75156TAL4 | RAMP 2006-NC2 M8 | RAMP 2006-NC2 | 15,000,000 | 1.0000 | 15,000,000 | 760,001,320 | 7,500,000 | 3/2/2006 | synthetic spot | 1.450% | 4/25/2036 |
| 76110HXR7 | RASC 2006-KS3 M8 | RASC 2006-KS3 | 15,000,000 | 1.0000 | 15,000,000 | 1,520,002,640 | 12,150,000 | 3/29/2006 | synthetic spot | 1.450% | 3/25/2036 |
| 81375WAN7 | SABR 2006-OP1 M8 | SABR 2006-OP1 | 15,000,000 | 1.0000 | 15,000,000 | 1,239,750,972 | 11,337,000 | 1/26/2006 | synthetic spot | 1.450% | 10/25/2035 |
| 86360WAM4 | SAIL 2006-4 M7 | SAIL 2006-4 | 15,000,000 | 1.0000 | 15,000,000 | 2,446,422,254 | 19,571,000 | 6/30/2006 | synthetic spot | 1.450% | 7/25/2036 |
| 86360UAN8 | SASC 2006-WF2 | SASC 2006-WF2 | 15,000,000 | 1.0000 | 15,000,000 | 1,298,180,814 | 12,342,000 | 6/30/2006 | synthetic spot | 1.450% | 7/25/2036 |
| 83612CAW9 | SVHE 2006-OPT5 M8 | SVHE 2006-OPT5 | 15,000,000 | 1.0000 | 15,000,000 | 3,100,000,000 | 38,755,000 | 6/15/2006 | synthetic spot | 1.450% | 7/25/2036 |
| 004421YC4 | ACE 2006-NC1 M9 | ACE 2006-NC1 | 15,000,000 | 1.0000 | 15,000,000 | 1,324,265,729 | 13,243,000 | 1/30/2006 | synthetic spot | 2.650% | 12/25/2035 |
| 00438AHR4 | ABS 2006-HE1 M9 | ABS 2006-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 2,268,736,945 | 22,692,000 | 3/7/2006 | synthetic spot | 2.650% | 4/25/2036 |
| 02147JAU0 | AHL 2006-2 M9 | AHL 2006-2 | 15,000,000 | 1.0000 | 15,000,000 | 759,741,320 | 7,500,000 | 3/29/2006 | synthetic spot | 2.650% | 3/25/2036 |
| 14453YGG0 | CARR 2006-NC1 M9 | CARR 2006-NC1 | 15,000,000 | 1.0000 | 15,000,000 | 1,441,951,750 | 14,415,000 | 2/9/2006 | synthetic spot | 2.650% | 12/25/2035 |
| 045457AN1 | CWL 2006-9 M9 | CWL 2006-9 | 15,000,000 | 1.0000 | 15,000,000 | 1,898,999,998 | 17,000,000 | 6/28/2006 | synthetic spot | 2.650% | 12/25/2046 |
| 36235HGJ7 | FFML 2006-FF4 B1 | FFML 2006-FF4 | 15,000,000 | 1.0000 | 15,000,000 | 1,524,818,744 | 12,861,000 | 6/30/2006 | synthetic spot | 2.650% | 6/25/2036 |
| 362446AP0 | GSAMP 2006-HE3 M9 | GSAMP 2006-HE3 | 15,000,000 | 1.0000 | 15,000,000 | 1,596,298,371 | 15,156,000 | 5/26/2006 | synthetic spot | 2.650% | 5/25/2036 |
| 43706AYZ6 | HEAT 2006-4 B1 | HEAT 2006-4 | 15,000,000 | 1.0000 | 15,000,000 | 1,600,000,100 | 11,200,000 | 5/1/2006 | synthetic spot | 2.650% | 5/25/2036 |
| 45254NPW5 | JPMAC 2006-FRE1 M9 | JPMAC 2006-FRE1 | 15,000,000 | 1.0000 | 15,000,000 | 1,011,142,520 | 11,134,000 | 2/27/2006 | synthetic spot | 2.650% | 5/25/2036 |
| 54251HEZ6 | LBMLT 2006-1 M9 | LBMLT 2006-1 | 15,000,000 | 1.0000 | 15,000,000 | 2,446,422,254 | 20,000,000 | 2/7/2006 | synthetic spot | 2.650% | 2/25/2036 |
| 57643LM35 | MABS 2006-NC1 M9 | MABS 2006-NC1 | 15,000,000 | 1.0000 | 15,000,000 | 815,188,720 | 7,778,000 | 2/24/2006 | synthetic spot | 2.650% | 12/25/2035 |
| 59020UJG6 | MLMI 2006-HE1 B2A | MLMI 2006-HE1 | 15,000,000 | 1.0000 | 15,000,000 | 781,325,835 | 5,074,000 | 2/7/2006 | synthetic spot | 2.650% | 12/25/2036 |
| 617499AG6 | MSAC 2006-WMC2 B3 | MSAC 2006-WMC2 | 15,000,000 | 1.0000 | 15,000,000 | 2,602,987,083 | 26,030,000 | 6/29/2006 | synthetic spot | 2.650% | 7/25/2036 |
| 61745YEE4 | MSC 2006-HE2 B3 | MSC 2006-HE2 | 15,000,000 | 1.0000 | 15,000,000 | 2,268,949,639 | 23,802,000 | 4/28/2006 | synthetic spot | 2.650% | 3/25/2036 |
| 75156YAM2 | RAMP 2006-NC2 M9 | RAMP 2006-NC2 | 15,000,000 | 1.0000 | 15,000,000 | 760,001,320 | 7,500,000 | 3/2/2006 | synthetic spot | 2.650% | 4/25/2036 |
| 76110HAU1 | RASC 2006-KS3 M9 | RASC 2006-KS3 | 15,000,000 | 1.0000 | 15,000,000 | 1,520,002,640 | 11,100,000 | 3/29/2006 | synthetic spot | 2.650% | 3/25/2036 |
| 81375WAP2 | SABR 2006-OP1 B3 | SABR 2006-OP1 | 15,000,000 | 1.0000 | 15,000,000 | 1,239,750,972 | 12,347,000 | 1/26/2006 | synthetic spot | 2.650% | 10/25/2035 |
| 86360UAN8 | SAIL 2006-4 M8 | SAIL 2006-4 | 15,000,000 | 1.0000 | 15,000,000 | 2,446,422,254 | 18,348,000 | 6/30/2006 | synthetic spot | 2.650% | 7/25/2036 |
| 86360UAP3 | SASC 2006-WF2 M9 | SASC 2006-WF2 | 15,000,000 | 1.0000 | 15,000,000 | 1,298,180,814 | 10,189,000 | 6/30/2006 | synthetic spot | 2.650% | 7/25/2036 |
| 83612CAP4 | SVHE 2006-OPT5 M9 | SVHE 2006-OPT5 | 15,000,000 | 1.0000 | 15,500,000 | 3,100,000,000 | 34,100,000 | 6/15/2006 | synthetic spot | 2.650% | 7/25/2036 |
| 04541GT31 | ABSHE 2005-HE8 M9 | ABSHE 2005-HE8 | 13,000,000 | 1.0000 | 13,000,000 | 1,304,817,880 | 15,726,000 | 11/16/2005 | synthetic spot | 1.150% | 12/25/2035 |
| 04541GU46 | ABSHE 2005-HE9 M8 | ABSHE 2005-HE9 | 13,000,000 | 1.0000 | 13,000,000 | 1,742,456,453 | 8,665,000 | 12/7/2005 | synthetic spot | 1.150% | 1/25/2036 |
| 12667JL75 | AMIT 2005-2 M8 | AMIT 2005-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,158,349,680 | 14,479,000 | 5/31/2005 | synthetic spot | 1.150% | 7/25/2035 |
| 03072SAA2 | AMSI 2005-R3 M8 | AMSI 2005-R3 | 13,000,000 | 1.0000 | 13,000,000 | 2,000,000,183 | 4277,000 | 4/27/2005 | synthetic spot | 1.150% | 5/25/2035 |
| 14453EAA4 | CARR 2006-RFC1 M8 | CARR 2006-RFC1 | 13,000,000 | 1.0000 | 13,000,000 | 768,451,096 | 10,764,000 | 5/24/2006 | synthetic spot | 1.150% | 5/25/2036 |
| 12667D8C1 | CWL 2005-10 M6 | CWL 2005-10 | 13,000,000 | 1.0000 | 13,000,000 | 500,000,000 | 6,000,000 | 8/25/2005 | synthetic spot | 1.150% | 8/25/2035 |
| 32027NU76 | FFML 2005-FF7 M8 | FFML 2005-FF7 | 13,000,000 | 1.0000 | 13,000,000 | 893,997,514 | 10,728,000 | 9/29/2005 | synthetic spot | 1.150% | 10/25/2035 |
| 33736PCF0 | FHLT 2006-2 M7 | FHLT 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,000,000,000 | 11,500,000 | 4/28/2006 | synthetic spot | 1.150% | 4/25/2036 |
| 33736PCG8 | FHLT 2006-2 M8 | FHLT 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 883,091,365 | 13,272,000 | 4/28/2006 | synthetic spot | 1.150% | 2/25/2036 |
| 36241HAJ3 | GSAMP 2006-HE1 M8 | GSAMP 2006-HE1 | 13,000,000 | 1.0000 | 13,000,000 | 952,420,856 | 13,026,000 | 3/17/2006 | synthetic spot | 1.150% | 3/25/2036 |
| 45430KAF8 | HASC 2006-OPT4 M7 | HASC 2006-OPT4 | 13,000,000 | 1.0000 | 13,000,000 | 959,855,418 | 13,435,000 | 4/28/2006 | synthetic spot | 1.150% | 3/25/2036 |
| 46628RAN5 | JPMAC 2006-ACC1 M8 | JPMAC 2006-ACC1 | 13,000,000 | 1.0000 | 13,000,000 | 718,094,602 | 7,545,000 | 5/2/2006 | synthetic spot | 1.150% | 5/25/2036 |
| 46628LGF9 | JPMAC 2006-HE1 M8 | JPMAC 2006-HE1 | 13,000,000 | 1.0000 | 13,000,000 | 819,338,045 | 7,123,000 | 3/28/2006 | synthetic spot | 1.150% | 2/25/2036 |
| 61744C7Z8 | MSHE 2006-2 B2 | MSHE 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,599,999,945 | 14,444,000 | 3/30/2006 | synthetic spot | 1.150% | 2/25/2036 |
| 61744C7Y1 | MSHE 2006-2 M8 | MSHE 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,599,779,843 | 23,224,000 | 12/6/2005 | synthetic spot | 1.150% | 12/25/2035 |
| 65537WCU8 | NHEL 2005-2 M8 | NHEL 2005-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,850,000,000 | 13,500,000 | 5/27/2005 | synthetic spot | 1.150% | 10/25/2035 |
| 65488YAM0 | NHEL 2006-2 M7 | NHEL 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,021,102,080 | 8,127,000 | 6/15/2006 | synthetic spot | 1.150% | 6/25/2036 |
| 65402CAN4 | OOMLT 2006-2 M8 | OOMLT 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,499,998,876 | 12,000,000 | 6/29/2006 | synthetic spot | 1.150% | 7/25/2036 |
| 69121PDP5 | OWHT 2006-2 B2 | OWHT 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 585,852,346 | 9,981,000 | 3/4/2006 | synthetic spot | 1.150% | 2/25/2036 |
| 73496AAL3 | RASC 2006-EMX2 M8 | RASC 2006-EMX2 | 13,000,000 | 1.0000 | 13,000,000 | 519,000,007 | 5,850,000 | 3/30/2006 | synthetic spot | 1.150% | 3/25/2036 |
| 81375WCZ2 | SABR 2006-FR1 B2 | SABR 2006-FR1 | 13,000,000 | 1.0000 | 13,000,000 | 326,727,613 | 3,380,000 | 2/23/2006 | synthetic spot | 1.150% | 12/25/2035 |
| 81375WCY5 | SABR 2006-OP1 B2 | SABR 2006-OP1 | 13,000,000 | 1.0000 | 13,000,000 | 1,319,193,830 | 11,213,000 | 3/24/2006 | synthetic spot | 1.150% | 1/25/2036 |
| 86359BHK2 | SASC 2005-WMC1 M4 | SASC 2005-WMC1 | 13,000,000 | 1.0000 | 13,000,000 | 335,067,033 | 8,544,000 | 3/11/2005 | synthetic spot | 1.150% | 1/25/2035 |



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**Footnote Exhibits - Page 3164**

| CUSIP | Name | Issuer | Original Face | Factor | Current Face | Total Deal Par | Tranche Par | Issue Date | Coupon Index | Coupon/Margin | Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 86358AKK8 | SAST 2005-2 B2 | SAST 2005-2 | 13,000,000 | 1.0000 | 13,000,000 | 982,000,000 | 9,800,000 | 6/7/2005 | synthetic sprd | 1.150% | 10/25/2035 |
| 84751PKL3 | SURF 2005-HC1 B2A | SURF 2005-HC1 | 13,000,000 | 1.0000 | 13,000,000 | 1,500,000,000 | 12,000,000 | 2/21/2006 | synthetic sprd | 1.150% | 12/25/2035 |
| 04541GWC8 | ABSHE 2005-HE3 M9 | ABSHE 2005-HE3 | 13,000,000 | 1.0000 | 13,000,000 | 783,878,881 | 7,055,000 | 4/4/2005 | synthetic sprd | 2.100% | 4/25/2035 |
| 00437AAN2 | ACCR 2006-2 M9 | ACCR 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,400,000,000 | 21,700,000 | 6/29/2006 | synthetic sprd | 2.100% | 9/25/2036 |
| 00442TGD1 | ACE 2006-ASP2 M6 | ACE 2006-ASP2 | 13,000,000 | 1.0000 | 13,000,000 | 561,798,074 | 5,618,000 | 3/30/2006 | synthetic sprd | 2.100% | 3/25/2036 |
| 00972AAM5 | AMSI 2005-R8 M9 | AMSI 2005-R8 | 13,000,000 | 1.0000 | 13,000,000 | 1,418,191,359 | 10,629,000 | 9/28/2005 | synthetic sprd | 2.100% | 10/25/2035 |
| 07387UEB3 | BSABS 2005-EC1 M8 | BSABS 2005-EC1 | 13,000,000 | 1.0000 | 13,000,000 | 704,118,272 | 8,857,000 | 12/29/2005 | synthetic sprd | 2.100% | 12/25/2035 |
| 07387UEF4 | BSABS 2005-EC1 M9 | BSABS 2005-EC1 | 13,000,000 | 1.0000 | 13,000,000 | 469,412,182 | 6,341,000 | 1/30/2006 | synthetic sprd | 2.100% | 12/25/2035 |
| 14453FAN9 | CARR 2006-HC2 M9 | CARR 2006-HC2 | 13,000,000 | 1.0000 | 13,000,000 | 941,444,817 | 8,473,000 | 6/21/2006 | synthetic sprd | 2.100% | 6/25/2036 |
| 12498QAN8 | CBASS 2006-CB4 B3 | CBASS 2006-CB4 | 13,000,000 | 1.0000 | 13,000,000 | 320,638,704 | 5,208,000 | 6/1/2006 | synthetic sprd | 2.100% | 5/25/2036 |
| 17307GUZ8 | CMLTI 2005-OPT4 M9 | CMLTI 2005-OPT4 | 13,000,000 | 1.0000 | 13,000,000 | 697,044,148 | 7,778,000 | 9/8/2005 | synthetic sprd | 2.100% | 7/25/2035 |
| 12667J3B4 | ECR 2005-2 B | ECR 2005-2 | 13,000,000 | 1.0000 | 13,000,000 | 1,400,041,323 | 14,000,000 | 5/27/2005 | synthetic sprd | 2.100% | 4/25/2035 |
| 36244FCW6 | FHLT 2005-1 M8 | FHLT 2005-1 | 13,000,000 | 1.0000 | 13,000,000 | 787,546,371 | 7,875,000 | 3/31/2005 | synthetic sprd | 2.100% | 4/25/2035 |
| 36244FCX4 | FHLT 2005-1 M9 | FHLT 2005-1 | 13,000,000 | 1.0000 | 13,000,000 | 787,546,371 | 7,875,000 | 4/28/2005 | synthetic sprd | 2.100% | 4/25/2035 |
| 32027BAN4 | FFML 2006-FF8 M9 | FFML 2006-FF8 | 13,000,000 | 1.0000 | 13,000,000 | 847,984,524 | 5,934,000 | 8/29/2006 | synthetic sprd | 2.100% | 7/25/2036 |
| 35729PKE9 | FHLT 2005-8 M10 | FHLT 2005-8 | 13,000,000 | 1.0000 | 13,000,000 | 882,886,992 | 13,259,000 | 5/6/2005 | synthetic sprd | 2.100% | 4/25/2035 |
| 31659YFJ9 | FMIC 2006-1 M9 | FMIC 2006-1 | 13,000,000 | 1.0000 | 13,000,000 | 933,000,000 | 9,330,000 | 3/23/2006 | synthetic sprd | 2.100% | 5/25/2036 |
| 31659EAN8 | FMIC 2006-2 M9 | FMIC 2006-2 | 13,000,000 | 1.0000 | 13,000,000 | 800,000,000 | 8,000,000 | 7/6/2006 | synthetic sprd | 2.100% | 7/25/2036 |
| 36818QAN8 | GEWMC 2005-1 B3 | GEWMC 2005-1 | 13,000,000 | 1.0000 | 13,000,000 | 1,027,918,852 | 11,823,000 | 2/24/2005 | synthetic sprd | 2.100% | 10/25/2035 |
| 36245MAP4 | GSAMP 2006-HE2 M9 | GSAMP 2006-HE2 | 13,000,000 | 1.0000 | 13,000,000 | 961,499,701 | 7,692,000 | 6/27/2006 | synthetic sprd | 2.100% | 6/25/2036 |
| 40555BBN4 | GSAMC 2006-OPT4 M9 | GSAMC 2006-OPT4 | 13,000,000 | 1.0000 | 13,000,000 | 344,844,497 | 6,554,000 | 8/8/2006 | synthetic sprd | 2.100% | 8/25/2036 |
| 66938PKZ8 | OOML T 2006-1 M9 | OOML T 2006-1 | 13,000,000 | 1.0000 | 13,000,000 | 374,801,733 | 3,375,000 | 5/5/2006 | synthetic sprd | 2.100% | 5/25/2036 |
| 73316PKB5 | POPLR 2006-A M6 | POPLR 2006-A | 13,000,000 | 1.0000 | 13,000,000 | 1,075,399,884 | 5,375,000 | 5/27/2005 | synthetic sprd | 1.150% | 6/25/2035 |
| 76112BVK5 | RAMP 2005-EFC2 M9 | RAMP 2005-EFC2 | 13,000,000 | 1.0000 | 13,000,000 | 702,518,131 | 7,727,000 | 7/28/2005 | synthetic sprd | 2.100% | 7/25/2035 |
| 76110W3Q8 | RASC 2005-EMX2 M9 | RASC 2005-EMX2 | 13,000,000 | 1.0000 | 13,000,000 | 641,966,198 | 6,419,000 | 6/29/2005 | synthetic sprd | 2.100% | 6/25/2035 |
| 32027DAP1 | FFML 2006-FF12 M9 | FFML 2006-FF12 | 13,000,000 | 1.0000 | 13,000,000 | 1,048,648,742 | 8,823,000 | 9/28/2006 | synthetic sprd | 2.100% | 9/25/2036 |
| 83611MAL5 | SPMD 2006-OP2 M8 | SPMD 2006-OP2 | 13,000,000 | 1.0000 | 13,000,000 | 1,400,000,000 | 13,300,000 | 4/7/2006 | synthetic sprd | 2.100% | 5/25/2036 |
| 94977EUM9 | WFHET 2006-1 M9 | WFHET 2006-1 | 13,000,000 | 1.0000 | 13,000,000 | 1,998,234,535 | 5,481,000 | 5/5/2006 | synthetic sprd | 2.100% | 5/25/2036 |
| 75156EUA9 | RAMP 2006-RZ2 M9 | RAMP 2006-RZ2 | 13,000,000 | 1.0000 | 13,000,000 | 374,801,733 | 3,375,000 | 5/5/2006 | synthetic sprd | 2.100% | 5/25/2036 |
| 38243HDC4 | GSAA 2005-9 B2 | GSAA 2005-9 | 15,500,000 | 1.0000 | 15,500,000 | 1,075,399,884 | 5,375,000 | 5/27/2005 | synthetic sprd | 1.150% | 6/25/2035 |
| 38234YC20 | GSAA 2005-8 B2 | GSAA 2005-8 | 15,500,000 | 1.0000 | 15,500,000 | 803,883,576 | 3,919,000 | 6/29/2005 | synthetic sprd | 1.150% | 6/25/2035 |
| 38242DWY5 | GSAA 2005-3 B3 | GSAA 2005-3 | 15,500,000 | 1.0000 | 15,500,000 | 383,548,822 | 1,918,000 | 2/24/2005 | synthetic sprd | 1.150% | 3/25/2035 |
| 38233AE39 | GSAA 04-5 B3 | GSAA 04-5 | 15,500,000 | 1.0000 | 15,500,000 | 1,000,000,000 | 5,000,000 | 2/24/2005 | synthetic sprd | 2.100% | 3/25/2035 |
| 38234HAL1 | GSAA 04-6 B3 | GSAA 04-6 | 15,500,000 | 1.0000 | 15,500,000 | 1,304,784,526 | 7,828,000 | 4/28/2006 | synthetic sprd | 1.150% | 5/25/2036 |
| 38238HAK1 | GSAA 06-12 B2 | GSAA 06-12 | 15,500,000 | 1.0000 | 15,500,000 | 1,035,238,369 | 5,177,000 | 7/24/2006 | synthetic sprd | 2.100% | 8/25/2036 |
| 38239TAJ8 | GSAA 06-14 B1 | GSAA 06-14 | 15,500,000 | 1.0000 | 15,500,000 | 1,332,768,180 | 12,661,000 | 8/25/2006 | synthetic sprd | 1.150% | 9/25/2036 |
| 38225AAL3 | GSAA 06-16 B2 | GSAA 06-16 | 15,500,000 | 1.0000 | 15,500,000 | 1,462,206,105 | 7,282,000 | 9/26/2006 | synthetic sprd | 2.100% | 10/25/2036 |



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**Footnote Exhibits - Page 3165**

| CUSIP | Name | Moody's | Moody's Notch | S&P | S&P Notch | Asset Type | Avg Life | Servicer |
|---|---|---|---|---|---|---|---|---|
| 004421UK7 | ACE 2005-HE7 M6 | Ba2 | Ba2 | A | A | RMBS Midprime | 4.30 | Litton Loan Servicing LP |
| 00072SW5 | AMSI 2005-R11 M6 | Ba2 | Ba2 | A- | A- | RMBS Subprime | 4.30 | Ameriquest Mortgage Company |
| 04541WHK1 | AMSI 2005-R9 M9 | Ba2 | Ba2 | A- | A- | RMBS Subprime | 4.01 | Ameriquest Mortgage Company |
| 07387GNU3 | BSABS 2004-HE11 M7 | Ba2 | Ba2 | BBB- | BBB- | RMBS Subprime | 4.19 | Select Portfolio Servicing |
| 12667GNN6 | CWL 2005-BC5 B | Ba2 | Ba2 | BBB- | BBB- | RMBS Subprime | 4.02 | Countrywide Home Loans Servicing LP |
| 32027NYD0 | FFML 2005-FF12 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.61 | National City Home Loan Services, Inc. |
| 362341NX4 | GSAMP 2005-HE4 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 3.87 | JP Morgan Chase Bank, N.A. |
| 437084QG4 | HEAT 2005-8 M8 | Ba2 | Ba2 | A- | A- | RMBS Midprime | 4.31 | Select Portfolio Servicing |
| 46628LAK2 | JPMAC 2005-OPT1 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 3.90 | Option One Mortgage Corporation |
| 84251HJ9 | LBMLT 2005-WL2 M6 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 3.99 | Long Beach Mortgage Company |
| 57643LMA1 | MABS 2005-AR1 B2 | Ba2 | Ba2 | A+ | A+ | RMBS Midprime | 4.37 | Ocwen Loan Servicing, LLC |
| 61744CGD7 | MSAC 2005-HE3 B3 | Ba2 | Ba2 | A- | A- | RMBS Midprime | 3.72 | Wilshire Credit Corporation |
| 64352VNS1 | NCHET 2005-4 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Midprime | 3.92 | New Century Mortgage Corporation |
| 761118RD1 | RAMP 2005-EFC4 M6 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.29 | Residential Funding Corporation |
| 761179VP4 | RASC 2005-KS11 M6 | Ba2 | Ba2 | A | A | RMBS Subprime | 4.36 | Residential Funding Corporation |
| 81375WDH6 | SABR 2005-HE1 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.12 | Countrywide HomeLoans Servicing LP** and HomEq Servicing Corporation |
| 86358EXE1 | SAIL 2005-HE3 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 3.97 | National City Home Loan Services, Inc. |
| 86359RDH1 | SASC 2005-WF4 M8 | Ba2 | Ba2 | BB | BB | RMBS Subprime | 4.32 | Option One Mortgage Corporation |
| 93611MAM8 | SVHE 2005-4 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.25 | Wells Fargo Bank, N.A. |
| 004421UJ5 | ACE 2005-HE7 M5 | Ba3 | Ba3 | BBB+ | BBB+ | RMBS Midprime | 4.30 | Countrywide Home Loans Servicing LP, JPMorgan Chase Bank N.A., National City Home Loan Services, Inc. |
| 00072SW39 | AMSI 2005-R11 M5 | Ba3 | Ba3 | BBB+ | BBB+ | RMBS Subprime | 4.29 | Litton Loan Servicing LP |
| 04541WH9 | ARSI 2005-W2 M9 | Ba3 | Ba3 | BBB+ | BBB+ | RMBS Subprime | 4.00 | Ameriquest Mortgage Company |
| 07387RKN6 | BSABS 2005-HE11 M6 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 4.19 | EMC Mortgage Corporation |
| 12667GNM8 | CWL 2005-BC5 B | Ba3 | Ba3 | BB | BB | RMBS Subprime | 4.02 | Countrywide Home Loans Servicing LP |
| 32027NYE5 | FFML 2005-FF12 B3 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.61 | National City Home Loan Services, Inc. |
| 362341NL2 | GSAMP 2005-HE4 B3 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 3.87 | JP Morgan Chase Bank, N.A. |
| 437084QH2 | HEAT 2005-8 B1 | Ba3 | Ba3 | BBB- | BBB- | RMBS Midprime | 4.31 | Select Portfolio Servicing |
| 46628LAL0 | JPMAC 2005-OPT1 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 3.90 | Option One Mortgage Corporation |
| 84251HN5 | LBMLT 2005-WL2 M6 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 3.92 | Long Beach Mortgage Company |
| 57643LMP9 | MABS 2005-AR2 M9 | Ba3 | Ba3 | A- | A- | RMBS Midprime | 4.37 | Ocwen Loan Servicing, LLC |
| 59020UG96 | MLMI 2005-AR1 B3 | Ba3 | Ba3 | BBB+ | BBB+ | RMBS Midprime | 3.72 | Wilshire Credit Corporation |
| 61744CVA1 | MSAC 2005-HE5 B3 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.01 | Countrywide Home Loans Servicing LP |
| 64352VNC1 | NCHET 2005-4 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 3.92 | New Century Mortgage Corporation |
| 761118DH9 | RAMP 2005-EFC4 M9 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.29 | Residential Funding Corporation |
| 761179VN2 | RASC 2005-KS11 M8 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 4.36 | Residential Funding Corporation |
| 81375WDJ4 | SABR 2005-HE1 B3 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.12 | Countrywide HomeLoans Servicing LP and HomEq Servicing Corporation |
| 86358EXG6 | SAIL 2005-HE3 M9 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 3.95 | Option One Mortgage Corporation |
| 86359RDP8 | SASC 2005-WF4 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 4.31 | Wells Fargo Bank, N.A. |
| 93611MKN7 | SVHE 2005-4 M9 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.25 | Countrywide Home Loans Servicing LP, JPMorgan Chase Bank N.A., National City Home Loan Services, Inc. |
| 004421VB6 | ACE 2006-HE1 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.39 | Saxon Mortgage Services, Inc. |
| 040104RQ8 | ARSI 2006-W1 M8 | Ba2 | Ba2 | BBB- | BBB- | RMBS Subprime | 4.47 | Ameriquest Mortgage Company |
| 07387UH27 | BSABS 2006-HE3 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.56 | Wells Fargo Bank, N.A. |
| 14453YFF2 | CARR 2006-NC1 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.57 | New Century Mortgage Corporation |
| 12667GNP1 | CWL 2006-8 M8 | Ba2 | Ba2 | BBB- | BBB- | RMBS Subprime | 4.69 | Countrywide Home Loans Servicing LP |
| 32027NAG7 | FFML 2006-FF4 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Midprime | 4.73 | National City Home Loan Services, Inc. |
| 362341AK6 | GSAMP 2006-HE3 M8 | Ba2 | Ba2 | A- | A- | RMBS Midprime | 4.79 | Litton Loan Servicing LP |
| 437084VY9 | HEAT 2006-4 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 4.68 | Wells Fargo Bank, N.A. |
| 46628LFV7 | JPMAC 2006-FRE1 M8 | Ba2 | Ba2 | BB | BB | RMBS Midprime | 4.35 | JP Morgan Chase Bank, N.A. |
| 84251HV9 | LBMLT 2006-1 M8 | Ba2 | Ba2 | A- | A- | RMBS Midprime | 4.55 | Washington Mutual Bank |
| 57643LNF7 | MABS 2006-NC1 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.46 | Wells Fargo Bank, N.A. |



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**Footnote Exhibits - Page 3166**

| Cusip | Name | Moodys | Moodys Watch | S&P | S&P Watch | Asset Type | Avg Life | Servicer |
|---|---|---|---|---|---|---|---|---|
| 59020U3N3 | MLMI 2006-HE1 B2A | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.47 | Wilshire Credit Corporation |
| 617451KP9 | MSAC 2006-WMC2 B2 | Ba2 | Ba2 | BBB | BBB | RMBS Midprime | 4.98 | Wells Fargo Bank, N.A. |
| 617451FS4 | MSAC 2006-HE2 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.93 | Wells Fargo Bank, N.A. |
| 75156TAL4 | RAMP 2006-RZ2 M9 | Ba2 | Ba2 | BB | BB | RMBS Midprime | 4.56 | Residential Funding Corporation |
| 761118AB77 | RASC 2006-KS3 M9 | Ba2 | Ba2 | A- | A- | RMBS Subprime | 4.66 | Residential Funding Corporation |
| 81375WJA7 | SABR 2006-OP1 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 4.17 | Option One Mortgage Corporation |
| 86360WAA4 | SAIL 2006-4 M7 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.05 | Option One Mortgage Corporation |
| 86360LAB8 | SASC 2006-WF2 M6 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 5.32 | Wells Fargo Bank, N.A. |
| 83612CAA9 | SVHE 2006-OPT5 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.86 | Option One Mortgage Corporation |
| 60041YAC4 | ACE 2006-HE1 M8 | Ba3 | Ba3 | BBB- | BBB- | RMBS Midprime | 5.00 | Saxon Mortgage Services, Inc. |
| 07387UJA0 | BSABS 2006-HE10 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 4.47 | Ameriquest Mortgage Company |
| 14453YFG0 | CARR 2006-NC1 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 4.00 | Wells Fargo Bank, N.A. |
| 04542TAH1 | CWL 2006-4 M8 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 5.00 | New Century Mortgage Corporation |
| 39233HGJ7 | FFML 2006-FF4 B1 | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 4.72 | Countrywide Home Loans Servicing LP |
| 362449KP0 | GSAMP 2006-HE3 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 4.79 | National City Home Loan Services, Inc. |
| 47006AYZ8 | HEAT 2006-4 B1 | Ba3 | Ba3 | BB | BB | RMBS Subprime | 4.68 | Litton Loan Servicing LP |
| 46628LFW5 | JPMAC 2006-FRE1 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.35 | Wells Fargo Bank, N.A. |
| 54541NAW6 | LBALT 2006-1 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 4.54 | JP Morgan Chase Bank, N.A. |
| 57643LWX5 | MABS 2006-HE3 M9 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.45 | Washington Mutual Bank |
| 59020UCD0 | MLMI 2006-HE1 B3A | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 4.45 | Wells Fargo Bank, N.A. |
| 617449AQ6 | MSAC 2006-WMC2 B3 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.98 | Wilshire Credit Corporation |
| 617451FE4 | MSC 2006-HE2 B3 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.93 | Wells Fargo Bank, N.A. |
| 75156TAM2 | RAMP 2006-NC2 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.56 | Residential Funding Corporation |
| 761113AB04 | RASC 2006-KS3 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 4.68 | Residential Funding Corporation |
| 81375WJP2 | SABR 2006-OP1 B3 | Ba3 | Ba3 | BB | BB | RMBS Subprime | 4.16 | Option One Mortgage Corporation |
| 86360LAA6 | SAIL 2006-4 M8 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 4.89 | Option One Mortgage Corporation |
| 86360WAA4 | SASC 2006-WF2 M6 | Ba3 | Ba3 | BBB- | BBB- | RMBS Subprime | 5.39 | Wells Fargo Bank, N.A. |
| 83612CAP4 | SVHE 2006-OPT5 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 4.88 | Option One Mortgage Corporation |
| 04541GTS1 | ABSHE 2005-HE6 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 3.68 | Option One Mortgage Corporation |
| 04544PAN9 | ABSHE 2006-HE5 M9 | Ba3 | Ba3 | BB | BB | RMBS Subprime | 5.00 | Option One Mortgage Corporation |
| 126673L75 | AMIT 2005-2 M8 | Ba2 | Ba2 | A | A | RMBS Subprime | 2.57 | Aames Capital Corporation |
| 03072SA02 | AMSI 2005-R3 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 3.11 | Ameriquest Mortgage Company |
| 14455EAM4 | CARR 2006-RFC1 M8 | Ba2 | Ba2 | A | A | RMBS Subprime | 4.70 | HomeComings Financial Network, Inc. |
| 12556YAF1 | CWL 2005-14 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.32 | Countrywide Home Loans Servicing LP |
| 32027NJT0 | FFML 2005-FF7 M8 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 3.99 | Countrywide Home Loans Servicing LP |
| 35729PPJ3 | FHLT 2006-1 M7 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 4.57 | Fremont Investment & Loan |
| 35729PQF0 | FHLT 2006-3 M7 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 4.55 | Fremont Investment & Loan |
| 362401AA3 | GSAMP 2006-HE1 M8 | Ba2 | Ba2 | A- | A- | RMBS Midprime | 4.75 | Litton Loan Servicing LP |
| 40430KAP6 | HASC 2006-OPT4 M7 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.82 | Option One Mortgage Corporation |
| 46628RAH5 | JPMAC 2006-ACC1 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.57 | Accredited Home Lenders, Inc.and JP Morgan Chase, N.A. |
| 46628LGP3 | JPMAC 2006-HE1 M8 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 4.42 | JP Morgan Chase Bank, N.A. and RealMAE Mortgage Corporation |
| 617446YT8 | MSHEL 2006-2 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Midprime | 4.68 | Homeq Servicing Corporation |
| 64352VQG9 | NCHET 2005-C M8 | Ba2 | Ba2 | BBB- | BBB- | RMBS Subprime | 4.41 | JP Morgan Chase Bank, National Association |
| 65537WCA8 | NHEL 2005-3 M7 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 4.48 | New Century Mortgage, Inc. |
| 65885DAA0 | NHEL 2006-2 M7 | Ba2 | Ba2 | A | A | RMBS Subprime | 4.68 | NovaStar Mortgage, Inc. |
| 68402CAA4 | OOMLT 2006-2 M8 | Ba2 | Ba2 | BB | BB | RMBS Subprime | 4.68 | Option One Mortgage Corporation |
| 69119FDP5 | OWNIT 2006-2 B2 | Ba2 | Ba2 | A- | A- | RMBS Midprime | 4.61 | Litton Loan Servicing LP |
| 75406AAL3 | RASC 2006-EMX2 M8 | Ba2 | Ba2 | A- | A- | RMBS Subprime | 4.70 | Residential Funding Corporation |
| 81375WDJ2 | SABR 2005-EC1 B2 | Ba2 | Ba2 | BBB+ | BBB+ | RMBS Subprime | 2.59 | Countrywide Home Loans Servicing LP |
| 81375WCH2 | SABR 2005-OP1 B2 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 2.72 | Option One Mortgage Corporation |
| 86359BBK2 | SASC 2005-WMC1 M4 | Ba2 | Ba2 | BBB | BBB | RMBS Midprime | 3.03 | Aurora Loan Services |
| 86358HSK8 | SAST 2005-4 B2 | Ba2 | Ba2 | BBB | BBB | RMBS Subprime | 2.88 | Saxon Mortgage Services, Inc. |



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**Footnote Exhibits - Page 3167**

| CUSIP | Name | Moodys | Moodys Watch | S&P | S&P Watch | Asset Type | Avg Life | Servicer |
|---|---|---|---|---|---|---|---|---|
| 84731PKL2 | SURF 2006-BC1 B2A | Ba2 | Ba2 | BBB+ | BBB- | RMBS Subprime | 4.62 | Wilshire Credit Corporation |
| 04541GRC8 | ABSHE 2005-HE3 M9 | Ba2 | Ba3 | BBB- | BBB- | RMBS Midprime | 3.12 | Countrywide Home Loans Servicing LP |
| 04542TAN2 | ACCR 2006-2 M9 | Ba3 | Ba3 | BBB- | BBB- | RMBS Midprime | 4.87 | Accredited Home Lenders, Inc. |
| 00077GAD1 | ACE 2006-ASP2 M9 | Ba3 | Ba3 | A | A | RMBS Midprime | 4.72 | Ocwen Loan Servicing, LLC |
| 03072SN85 | AMS 2005-R8 M8 | Ba3 | Ba3 | BBB | BBB | RMBS Subprime | 3.79 | Ameriquest Mortgage Company |
| 073479SK0 | BSABS 2005-EC1 M8 | Ba3 | Ba3 | BBB- | BBB- | RMBS Subprime | 3.31 | EMC Mortgage Corporation |
| 073479JB5 | BSABS 2006-PC1 M8 | Ba3 | Ba3 | BBB+ | BBB- | RMBS Subprime | 4.12 | EMC Mortgage Corporation |
| 14453FAH9 | CARR 2006-NC2 M9 | Ba3 | Ba3 | BB- | BBB- | RMBS Subprime | 4.88 | New Century Mortgage Corporation |
| 12498GAN8 | CBASS 2006-CB4 B3 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.94 | Litton Loan Servicing LP |
| 17307GUZ9 | CMLTI 2005-OPT4 M9 | Ba3 | Ba3 | BB | BB | RMBS Subprime | 3.72 | Option One Mortgage Corporation |
| 12497JJ94 | EQR 2005-2 B | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 2.74 | ECC Capital Corporation |
| 29444GCW6 | EMLT 2005-1 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 3.68 | Saxon Mortgage Services, Inc. |
| 85859DBY0 | FFML 2005-FF10 M9 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 3.83 | National City Home Loan Services, Inc. |
| 35729PNE9 | FHLT 2005-B M10 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.94 | National City Home Loan Services, Inc. |
| 31693TFJ9 | FMIC 2006-1 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 3.31 | Financial Investment & Loan |
| 31693FAN8 | FMIC 2006-2 M9 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.19 | Fieldstone Servicing Corp |
| 36791GAN8 | GEVMC 2005-1 B3 | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 4.42 | Fieldstone Servicing Corp |
| 362463AP9 | GSAMP 2006-HE2 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.37 | Litton Loan Servicing LP |
| 46629BBB4 | JPMAC 2006-CW2 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 4.88 | Ocwen Loan Servicing, LLC |
| 48660KDC6 | OOMLT 2006-1 M9 | Ba3 | Ba3 | A | A | RMBS Subprime | 4.81 | Countrywide Home Loans Servicing LP |
| 73316PKS5 | POPE 2004-W1 M8 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.45 | Option One Mortgage Corporation |
| 761118VX5 | RAMP 2005-EFC2 M8 | Ba3 | Ba3 | BB | BB | RMBS Midprime | 4.51 | Equity One, Inc. |
| 761118VQ8 | RAMP 2005-EFC2 M6 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.19 | HomeComings Financial Network, Inc. |
| 76110WQG8 | RASC 2005-EMX2 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Subprime | 3.78 | Residential Funding Corporation |
| 32027GAP1 | FFML 2006-FF12 M9 | Ba3 | Ba3 | BB- | BB- | RMBS Midprime | 4.00 | National City Home Loan Services, Inc. |
| 83611MMG9 | SVHE 2006-OPT2 M8 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 4.63 | Option One Mortgage Corporation |
| 94975EAM8 | WFHET 2006-1 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Subprime | 4.63 | Wells Fargo Bank, N.A. |
| 73156QAM9 | RAMP 2006-RZ2 M9 | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 4.61 | Residential Funding Corporation |
| 32027DVC4 | GSAA 2005-4 B2 | Ba2 | Ba2 | BB | BB | RMBS Prime | 3.90 | Countrywide Home Loans Servicing LP |
| 36242CCD1 | GSAA 2005-6 B2 | Ba2 | Ba2 | BB+ | BB+ | RMBS Prime | 3.97 | Countrywide Home Loans Servicing LP |
| 36242DWY5 | GSAA 2005-3 B1 | Ba3 | Ba3 | BB+ | BB+ | RMBS Midprime | 1.44 | Wells Fargo Bank, N.A. |
| 362334CB8 | GSAA 06-3 B3 | Ba3 | Ba3 | BB- | BB- | RMBS Prime | 3.34 | Countrywide Home Loans Servicing LP |
| 362334AC0 | GSAA 05-8 B1 | Ba2 | Ba2 | BB+ | BB+ | RMBS Midprime | 3.79 | Aviva Mortgage LLC |
| 362281AK1 | GSAA 06-12 B2 | Ba3 | Ba3 | A- | A- | RMBS Prime | 3.72 | Countrywide Home Loans Servicing LP |
| 362387AJ9 | GSAA 06-14 B1 | Ba2 | Ba2 | BBB | BBB | RMBS Prime | 4.06 | Countrywide Home Loans Servicing LP |
| 362256AL3 | GSAA 06-16 B2 | Ba3 | Ba3 | BB+ | BB+ | RMBS Prime | 3.75 | Countrywide Home Loans Servicing LP |



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# Footnote Exhibits - Page 3168

| CUSIP | Name | FICO | Avg LTV | %IO | % Fixed | % 2nd Lien | % Hybrid | Avg. Loan Balance | %Occupancy | %Refinance | %Cash Out | %Purchase | %Neg Am |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 004421UK7 | ACE 2005-HE7 M8 | 639 | no info | 29.98% | 14.92% | 7.69% | 85.08% | 154,213.00 | 95.78% | 2.24% | 42.11% | 55.65% | 0.00% |
| 03072SV85 | AMSI 2005-R11 M8 | 624 | 77.69% | 20.52% | 19.34% | 0.00% | 80.66% | 179,277.34 | 96.67% | 3.42% | 93.91% | 2.67% | 0.00% |
| 040104NL1 | ARSI 2005-W2 M8 | 618 | 79.63% | 10.01% | 19.94% | 1.25% | 80.06% | 187,210.51 | 91.00% | 4.80% | 53.15% | 42.05% | 0.00% |
| 0738793U0 | BSABS 2005-HE11 M7 | 628 | 80.42% | 30.03% | 23.84% | 3.55% | 76.16% | 134,448.00 | 90.56% | 5.90% | 60.10% | 34.00% | 0.00% |
| 126670NM6 | CWL 2005-BC5 M8 | 619 | 78.60% | 30.74% | 23.70% | 0.00% | 76.30% | 189,856.00 | 97.62% | 8.74% | 59.36% | 30.90% | 0.00% |
| 32027NYD7 | FFML 2005-FF12 B2 | 656 | 80.13% | 65.65% | 10.37% | 0.00% | 89.63% | 213,743.00 | 96.85% | 2.75% | 28.51% | 68.74% | 0.00% |
| 362341KK4 | GSAMP 2005-HE4 B2 | 627 | 78.97% | 29.41% | 15.87% | 4.61% | 84.13% | 169,726.00 | 93.53% | 3.26% | 44.68% | 52.04% | 0.00% |
| 437084QG4 | HEAT 2005-8 M6 | 627 | 80.66% | 29.80% | 9.90% | 2.60% | 90.10% | 188,451.62 | 95.28% | 5.09% | 47.95% | 46.96% | 0.00% |
| 46626LAM2 | JPMAC 2005-OPT1 M8 | 613 | 78.75% | 20.73% | 18.44% | 0.96% | 83.56% | 183,776.96 | 93.12% | 9.17% | 62.27% | 28.56% | 0.00% |
| 542514NJ9 | LBMLT 2005-WL2 M8 | 629 | 81.02% | 9.33% | 8.44% | 0.00% | 91.56% | 197,250.24 | 90.15% | 3.66% | 39.74% | 56.60% | 0.00% |
| 57643LMX1 | MABS 2005-NC2 M8 | 657 | 80.19% | 100.00% | 0.00% | 0.00% | 100.00% | 287,097.00 | 94.86% | 8.60% | 28.10% | 63.40% | 0.00% |
| 59020UG58 | MLMI 2005-AR1 B2 | 632 | 86.68% | 46.44% | 16.46% | 0.00% | 83.54% | 210,980.00 | 93.80% | 3.42% | 61.69% | 34.89% | 0.00% |
| 61744CUZ7 | MSAC 2005-HE5 B2 | 638 | no info | 25.01% | 12.09% | 5.65% | 87.91% | 171,809.77 | 95.99% | 7.01% | 60.24% | 32.75% | 0.00% |
| 64352VNB3 | NCHET 2005-4 M8 | 626 | 80.99% | 39.27% | 18.24% | 2.31% | 81.78% | 205,009.38 | 89.68% | 7.44% | 51.95% | 40.61% | 0.00% |
| 76112BD31 | RAMP 2005-EFC4 M8 | 630 | 84.06% | 26.32% | 13.57% | 0.00% | 86.43% | 168,326.00 | 97.03% | 3.29% | 54.58% | 42.13% | 0.00% |
| 76110W7L4 | RASC 2005-KS11 M8 | 619 | 80.62% | 17.34% | 19.93% | 0.00% | 80.07% | 150,869.00 | 91.36% | 16.23% | 42.05% | 41.72% | 0.00% |
| 81375WGK6 | SABR 2005-HE1 B2 | 651 | 81.93% | 51.55% | 11.56% | 8.62% | 88.44% | 215,896.00 | 96.72% | 4.17% | 42.25% | 53.57% | 0.00% |
| 86358EXE1 | SAIL 2005-HE3 M8 | 628 | no info | 33.19% | 19.53% | 3.68% | 80.47% | 194,125.00 | 89.17% | 4.07% | 58.33% | 37.59% | 0.00% |
| 863576DN1 | SASC 2005-WF4 M8 | 617 | no info | 14.55% | 25.57% | 4.91% | 74.43% | 141,399.00 | 98.23% | 6.35% | 70.69% | 22.96% | 0.00% |
| 83611MKM9 | SVHE 2005-4 M8 | 629 | 83.23% | 41.06% | 17.02% | 3.35% | 82.98% | 183,146.00 | 94.56% | 4.79% | 53.75% | 41.46% | 0.00% |
| 004421UL5 | ACE 2005-HE7 M9 | 639 | no info | 29.98% | 14.92% | 7.69% | 85.08% | 154,213.00 | 95.78% | 2.24% | 42.11% | 55.65% | 0.00% |
| 03072SV93 | AMSI 2005-R11 M9 | 624 | 77.69% | 20.52% | 19.34% | 0.00% | 80.66% | 179,277.34 | 96.67% | 3.42% | 93.91% | 2.67% | 0.00% |
| 040104NM9 | ARSI 2005-W2 M9 | 618 | 79.63% | 10.01% | 19.94% | 1.25% | 80.06% | 187,210.51 | 91.00% | 4.80% | 53.15% | 42.05% | 0.00% |
| 0738793V8 | BSABS 2005-HE11 M8 | 627 | 80.43% | 29.85% | 23.05% | 3.33% | 76.95% | 135,781.00 | 90.34% | 5.87% | 58.71% | 34.42% | 0.00% |
| 126670NN4 | CWL 2005-BC5 B | 619 | 78.60% | 30.74% | 23.70% | 0.00% | 76.30% | 189,856.00 | 97.62% | 8.74% | 59.38% | 30.90% | 0.00% |
| 32027NYE5 | FFML 2005-FF12 B3 | 656 | 80.13% | 65.65% | 10.37% | 0.00% | 89.63% | 213,743.00 | 96.85% | 2.75% | 28.51% | 68.74% | 0.00% |
| 362341KL2 | GSAMP 2005-HE4 B3 | 627 | 78.97% | 29.41% | 13.97% | 4.61% | 88.03% | 169,726.00 | 93.53% | 3.26% | 44.68% | 52.04% | 0.00% |
| 437084QH2 | HEAT 2005-8 B1 | 627 | 80.66% | 29.80% | 9.90% | 2.60% | 90.10% | 188,451.62 | 95.28% | 5.09% | 47.85% | 46.96% | 0.00% |
| 46626LAN0 | JPMAC 2005-OPT1 M9 | 613 | 78.75% | 20.73% | 18.44% | 0.96% | 83.56% | 183,776.96 | 93.12% | 9.17% | 82.27% | 28.56% | 0.00% |
| 542514NK6 | LBMLT 2005-WL2 M9 | 629 | 81.02% | 9.33% | 8.44% | 0.00% | 91.56% | 197,250.24 | 90.15% | 3.66% | 39.74% | 56.60% | 0.00% |
| 57643LMY9 | MABS 2005-NC2 M9 | 657 | 80.19% | 100.00% | 0.00% | 0.00% | 100.00% | 287,097.00 | 94.86% | 8.60% | 28.10% | 83.40% | 0.00% |
| 59020UG66 | MLMI 2005-AR1 B3 | 632 | 86.68% | 46.44% | 16.46% | 0.00% | 83.54% | 210,980.00 | 93.80% | 3.42% | 61.69% | 34.89% | 0.00% |
| 61744CVA1 | MSAC 2005-HE5 B3 | 638 | no info | 25.01% | 12.09% | 5.65% | 87.91% | 171,809.77 | 95.99% | 7.01% | 60.24% | 32.75% | 0.00% |
| 64352VNC1 | NCHET 2005-4 M9 | 626 | 80.99% | 39.27% | 18.24% | 2.31% | 81.78% | 205,009.38 | 89.68% | 7.44% | 51.95% | 40.61% | 0.00% |
| 76112BD49 | RAMP 2005-EFC4 M9 | 630 | 84.06% | 26.32% | 13.57% | 0.00% | 86.43% | 168,326.00 | 97.03% | 3.29% | 54.58% | 42.13% | 0.00% |
| 76110W7M2 | RASC 2005-KS11 M9 | 619 | 80.62% | 17.34% | 19.93% | 0.00% | 80.07% | 150,869.00 | 91.38% | 16.23% | 42.05% | 41.72% | 0.00% |
| 81375WGL4 | SABR 2005-HE1 B3 | 651 | 81.93% | 51.55% | 11.56% | 8.62% | 88.44% | 215,896.00 | 96.72% | 4.17% | 42.25% | 53.57% | 0.00% |
| 86358EXF8 | SAIL 2005-HE3 M9 | 628 | no info | 33.19% | 19.53% | 3.68% | 80.47% | 194,125.00 | 89.17% | 4.07% | 58.33% | 37.59% | 0.00% |
| 863576DP6 | SASC 2005-WF4 M9 | 617 | no info | 14.55% | 25.57% | 4.91% | 74.43% | 141,399.00 | 98.23% | 6.35% | 70.69% | 22.98% | 0.00% |
| 83611MKN7 | SVHE 2005-4 M9 | 629 | 83.23% | 41.06% | 17.02% | 3.35% | 82.98% | 183,146.00 | 94.56% | 4.79% | 53.75% | 41.46% | 0.00% |
| 004421VB8 | ACE 2006-NC1 M8 | 627 | no info | 27.88% | 22.77% | 4.24% | 77.23% | 192,062.00 | 89.83% | 6.30% | 48.95% | 46.75% | 0.00% |
| 040104RQ6 | ARSI 2006-W1 M8 | 623 | 82.48% | 28.60% | 13.22% | 1.25% | 86.78% | 217,730.19 | 90.58% | 3.45% | 51.28% | 45.29% | 0.00% |
| 07387UHZ7 | BSABS 2006-HE3 M8 | 613 | 80.75% | 32.75% | 12.54% | 2.83% | 87.46% | 198,407.00 | 91.46% | 6.87% | 60.47% | 32.66% | 0.00% |
| 144531FF2 | CARR 2006-NC1 M8 | 630 | 81.17% | 52.61% | 13.62% | 0.63% | 86.38% | 211,741.88 | 93.24% | 8.78% | 47.83% | 42.41% | 0.00% |
| 045427AM3 | CWL 2006-8 M8 | 614 | 79.35% | 28.23% | 37.32% | no info | 62.68% | 178,548.41 | 96.87% | 4.31% | 55.53% | 40.16% | 0.00% |
| 362334GC2 | FFML 2006-FF4 M8 | 652 | 82.68% | 52.65% | 13.94% | 0.00% | 86.06% | 207,119.00 | 96.07% | 3.39% | 34.39% | 62.22% | 0.00% |
| 36244KAN5 | GSAMP 2006-HE3 M8 | 627 | 77.19% | 23.08% | 14.88% | 8.56% | 85.02% | 152,030.00 | 94.33% | 4.70% | 38.38% | 56.92% | 0.00% |
| 437084VY9 | HEAT 2006-4 M8 | 621 | 79.48% | 20.02% | 18.36% | no info | 81.64% | 158,250.42 | 94.10% | 5.93% | 56.38% | 37.71% | 0.00% |
| 46628LFV7 | JPMAC 2006-FRE1 M8 | 627 | 81.80% | 14.26% | 12.03% | 8.02% | 87.97% | 204,276.00 | 93.09% | 0.94% | 43.95% | 55.11% | 0.00% |
| 542514RV8 | LBMLT 2006-1 M8 | 633 | 79.68% | 7.58% | 8.67% | 0.00% | 91.33% | 253,993.08 | 89.56% | 3.66% | 33.16% | 63.18% | 0.00% |
| 57643LNP7 | MABS 2006-NC1 M8 | 627 | 80.39% | 26.97% | 20.07% | 2.52% | 79.93% | 190,066.00 | 89.21% | 6.75% | 54.56% | 38.69% | 0.00% |
| 59020U3N3 | MLMI 2006-HE1 B2A | 630 | 82.85% | 31.98% | 22.71% | 20.09% | 77.29% | 161,947.00 | 93.85% | 5.02% | 48.64% | 46.44% | 0.00% |
| 61749KAP8 | MSAC 2006-WMC2 B2 | 643 | 82.03% | 13.82% | 18.74% | 8.78% | 81.26% | 207,840.00 | 95.74% | 2.12% | 38.99% | 58.89% | 0.00% |
| 617451FD6 | MSC 2006-HE2 B2 | 630 | no info | 10.21% | 14.10% | 7.28% | 85.90% | 184,147.00 | 96.60% | 5.53% | 45.74% | 48.73% | 0.00% |

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Footnote Exhibits - Page 3169



| CUSIP | Name | FICO | Avg LTV | WAC | % Fixed | % 2nd Lien | % Hybrid | Avg Loan Balance | %Occupancy | %Refinance | %Cash Out | %Purchase | %Neg Am |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 75158FAL4 | RAMP 2006-NC1 M8 | 625 | 80.82% | 10.55% | 22.09% | 0.00% | 77.91% | 168,276.00 | 89.23% | 6.17% | 56.93% | 36.90% | 0.00% |
| 76110A8T7 | RASC 2006-KS3 M8 | 622 | 81.25% | 10.41% | 19.14% | 0.00% | 80.86% | 156,678.00 | 95.51% | 4.97% | 56.04% | 34.99% | 0.00% |
| 81375WJN7 | SABR 2006-OP1 B2 | 622 | no info | 22.65% | 15.87% | 0.86% | 84.13% | 160,847.56 | 93.49% | 5.28% | 56.44% | 39.28% | 0.00% |
| 86360WAM4 | SAIL 2006-4 M7 | 621 | no info | 10.08% | 17.18% | 4.30% | 82.82% | 165,557.34 | 97.29% | 5.84% | 54.53% | 39.63% | 0.00% |
| 86359AAL2 | SASC 2006-WF2 M8 | 611 | 82.17% | 10.82% | 26.02% | 4.37% | 73.98% | 132,000.00 | 96.75% | 8.85% | 61.91% | 31.44% | 0.00% |
| 83612CAA4 | SOUND 2006-2 M8 | 650 | 80.00% | 9.79% | 14.56% | 4.54% | 85.44% | 168,788.00 | 93.43% | 7.13% | 61.99% | 30.68% | 0.00% |
| 00442YVC4 | ACE 2006-HE1 M8 | 627 | no info | 27.66% | 22.77% | 4.24% | 77.23% | 162,062.00 | 89.63% | 8.39% | 46.95% | 45.75% | 0.00% |
| 04010HRR4 | ARSI 2006-W1 M8 | 623 | 82.45% | 28.80% | 13.22% | 1.25% | 86.78% | 217,720.19 | 90.56% | 3.45% | 51.26% | 45.28% | 0.00% |
| 07387UJA0 | BSABS 2006-HE3 M9 | 613 | 80.75% | 32.73% | 12.54% | 2.63% | 87.46% | 166,407.00 | 91.49% | 8.87% | 60.41% | 32.68% | 0.00% |
| 14453YFD9 | CARR 2006-NC1 M8 | 630 | 81.17% | 52.61% | 13.82% | 0.63% | 86.38% | 211,741.88 | 93.24% | 8.76% | 55.53% | 40.15% | 0.00% |
| 04542YAN1 | CWL 2006-8 M9 | 614 | 79.35% | 28.23% | 37.32% | no info | 62.68% | 170,144.41 | 96.07% | 3.38% | 54.39% | 42.23% | 0.00% |
| 36244HAP0 | FFML 2006-FF11 M9 | 652 | 80.00% | 23.00% | 11.84% | 0.00% | 88.16% | 207,113.00 | 94.33% | 4.70% | 58.04% | 36.92% | 0.00% |
| 36244HAP0 | GSAMP 2006-HE3 M9 | 627 | 77.58% | 23.00% | 11.84% | 6.58% | 88.16% | 153,000.00 | 94.33% | 4.70% | 58.04% | 36.92% | 0.00% |
| 437084VZ8 | HEAT 2006-4 B1 | 627 | 79.48% | 20.02% | 16.35% | no info | 83.64% | 158,250.42 | 94.10% | 5.83% | 56.36% | 37.71% | 0.00% |
| 46816LFW5 | JPMAC 2006-FRE1 M9 | 627 | 81.80% | 14.26% | 12.03% | 0.02% | 87.97% | 204,278.00 | 92.09% | 0.84% | 43.95% | 55.11% | 0.00% |
| 54251HRW6 | LBALT 2006-1 M9 | 633 | 79.68% | 7.58% | 8.97% | 0.00% | 91.33% | 253,993.08 | 89.58% | 3.89% | 53.18% | 43.19% | 0.00% |
| 57643LNQ5 | MABS 2006-NC1 M9 | 627 | 80.39% | 28.97% | 20.07% | 2.52% | 79.93% | 190,068.00 | 89.21% | 6.13% | 54.54% | 39.33% | 0.00% |
| 59020UCG8 | MLMI 2006-HE1 B2A | 620 | 82.65% | 31.98% | 22.71% | 20.05% | 77.29% | 161,600.00 | 92.65% | 5.57% | 49.45% | 45.00% | 0.00% |
| 61744CRC7 | MSAC 2006-HE2 B3 | 645 | 81.57% | 31.74% | 20.75% | 6.73% | 79.25% | 207,740.00 | 93.74% | 2.12% | 58.89% | 38.99% | 0.00% |
| 61745YFE4 | MSC 2006-HE2 B2 | 630 | no info | 10.21% | 14.10% | 7.26% | 85.90% | 164,147.00 | 98.60% | 5.53% | 45.74% | 48.73% | 0.00% |
| 75158TAM2 | RAMP 2006-NC2 M9 | 625 | 80.82% | 19.55% | 22.09% | 0.00% | 77.91% | 168,278.00 | 89.23% | 0.17% | 59.93% | 39.90% | 0.00% |
| 76110ABU4 | RASC 2006-KS3 M9 | 622 | 81.25% | 18.41% | 19.14% | 0.00% | 80.86% | 156,678.00 | 95.51% | 4.97% | 56.04% | 34.99% | 0.00% |
| 81375WJP2 | SABR 2006-OP1 B3 | 622 | no info | 22.65% | 15.87% | 0.86% | 84.13% | 160,857.56 | 93.49% | 5.28% | 56.44% | 39.28% | 0.00% |
| 86360WAN2 | SAIL 2006-4 M8 | 621 | no info | 19.08% | 17.18% | 4.30% | 82.82% | 165,557.34 | 97.29% | 5.84% | 54.53% | 39.63% | 0.00% |
| 86362LAA6 | SASC 2006-WF2 M8 | 611 | 82.17% | 19.08% | 26.02% | 4.37% | 73.98% | 132,000.00 | 96.75% | 8.85% | 61.91% | 31.44% | 0.00% |
| 83612CAB2 | SOUND 2006-2 M9 | 650 | 80.00% | 10.79% | 14.56% | 4.54% | 85.44% | 168,788.00 | 93.43% | 7.13% | 61.99% | 30.68% | 0.00% |
| 04541GTS1 | ABSHE 2006-HE8 M8 | 614 | 79.25% | 10.21% | 14.10% | 5.26% | 85.90% | 181,888.00 | 93.66% | 7.24% | 56.92% | 33.84% | 0.00% |
| 04544PAN9 | ABSHE 2006-HE5 M8 | 608 | 80.92% | 10.24% | 5.26% | 5.26% | 94.72% | 181,888.00 | 93.66% | 7.24% | 56.92% | 33.84% | 0.00% |
| 126673LY5 | AMIT 2005-2 M9 | 599 | 78.26% | 10.49% | 0.00% | 0.00% | 100.00% | 177,496.00 | 98.32% | 8.10% | 54.51% | 39.39% | 0.00% |
| 03072SAN2 | AMSI 2005-R9 M8 | 619 | 77.62% | 10.42% | 20.00% | 0.00% | 80.00% | 176,710.00 | 97.00% | 4.62% | 64.65% | 30.73% | 0.00% |
| 14438EAB4 | CARR 2006-NC1 M8 | 613 | no info | 14.14% | 13.47% | 7.76% | 86.53% | 165,600.53 | 89.44% | 9.50% | 53.32% | 37.14% | 0.00% |
| 12669GVC1 | CWL 2006-17 M9 | 650 | 80.00% | 10.54% | 10.00% | 0.00% | 100.00% | 217,423.84 | 97.83% | 1.77% | 67.83% | 30.41% | 0.00% |
| 32027NUT6 | FFML 2005-FF7 M8 | 656 | 82.56% | 10.46% | 21.40% | 0.00% | 78.40% | 223,723.00 | 97.45% | 4.75% | 40.49% | 54.76% | 0.00% |
| 35729PPJ3 | FHLT 2006-1 M7 | 619 | 81.25% | 10.45% | 11.01% | no info | 88.99% | 215,388.00 | 92.52% | 0.93% | 53.02% | 46.05% | 0.00% |
| 35729PGF0 | FHLT 2006-2 M7 | 625 | 81.25% | 14.60% | 9.97% | 4.33% | 90.03% | 221,167.91 | 93.26% | 0.38% | 49.76% | 49.86% | 0.00% |
| 362341SK3 | GSAMP 2006-HE1 M8 | 632 | 79.70% | 37.79% | 15.99% | 3.33% | 84.01% | 156,938.00 | 94.20% | 7.74% | 51.37% | 40.89% | 0.00% |
| 40430HAP6 | HASC 2006-OPT4 M7 | 621 | 79.70% | 19.92% | 16.30% | 4.03% | 83.50% | 199,471.50 | 92.82% | 6.17% | 60.66% | 33.18% | 0.00% |
| 40430HAR2 | HASC 2006-OPT4 M8 | 614 | 82.81% | 7.20% | 13.48% | 0.00% | 86.51% | 199,471.50 | 92.82% | 6.17% | 60.66% | 33.18% | 0.00% |
| 45660LQT0 | JPMAC 2006-NC1 M8 | 641 | 81.69% | 32.69% | 12.25% | 0.00% | 82.75% | 175,605.00 | 82.30% | 1.71% | 38.00% | 59.29% | 0.00% |
| 64352VPQ0 | NCHET 2005-C M8 | 622 | 81.09% | 33.68% | 21.98% | 3.09% | 78.02% | 194,706.15 | 89.73% | 8.90% | 51.31% | 39.79% | 0.00% |
| 66987WCU9 | NHEL 2005-2 M8 | 633 | 81.98% | no info | 17.80% | 3.28% | 82.10% | 154,311.11 | 92.84% | 3.96% | 59.21% | 41.23% | 0.00% |
| 66988VAW0 | NHEL 2006-2 M7 | 624 | 81.24% | 17.21% | 16.78% | 3.15% | 83.22% | 169,393.00 | 93.37% | 3.12% | 56.68% | 39.20% | 0.00% |
| 66493CAH4 | OOMLT 2006-2 M8 | 607 | 81.27% | 10.07% | 19.37% | 4.51% | 84.63% | 169,394.19 | 92.70% | 7.74% | 54.89% | 33.82% | 0.00% |
| 69121KVP3 | OOMLT 2006-3 B2 | 636 | 79.42% | 10.03% | 22.73% | 1.74% | 77.26% | 165,000.00 | 96.84% | 3.74% | 33.85% | 62.31% | 0.00% |
| 73149WAL3 | RAMC 2006-EFC2 M8 | 618 | 84.62% | 34.02% | 22.32% | 0.00% | 77.68% | 151,547.00 | 95.46% | 1.27% | 71.52% | 27.21% | 0.00% |
| 81375WCQ2 | SABR 2005-EC1 B2 | 616 | no info | 15.66% | 15.81% | 1.74% | 84.19% | 200,677.00 | 95.67% | 7.67% | 68.68% | 23.45% | 0.00% |
| 81375WJC2 | SABR 2005-OP1 B2 | 623 | no info | 22.65% | 15.66% | 0.86% | 84.12% | 160,888.00 | 93.49% | 5.28% | 56.44% | 36.30% | 0.00% |
| 863596BK2 | SASC 2005-WMC1 M4 | 644 | no info | 71.60% | 14.30% | 11.33% | 83.70% | 227,473.00 | 96.80% | 13.53% | 36.54% | 49.93% | 0.00% |
| 86359BKS0 | SAST 2005-2 B2 | 606 | 78.61% | 41.34% | 14.10% | 0.00% | 85.90% | 177,784.39 | 98.64% | 4.18% | 75.19% | 20.63% | 0.00% |
| 84751PCL2 | SURF 2006-BC1 B2A | 612 | 81.36% | 30.64% | 19.38% | 8.44% | 80.62% | 144,946.00 | 96.51% | 3.22% | 52.34% | 45.37% | 0.00% |
| 04541YAQ2 | ABSHE 2006-HE9 M8 | 645 | 80.00% | 9.77% | 13.13% | 0.00% | 86.87% | 194,146.00 | 95.06% | 8.01% | 40.92% | 51.07% | 0.00% |
| 00442YVC2 | ACE 2006-ASP2 M8 | 645 | no info | 9.45% | 51.02% | 1.61% | 49.00% | 175,350.00 | 85.59% | 3.42% | 71.09% | 24.72% | 0.00% |
| 00441XC1 | ACE 2006-ASP1 M9 | 631 | 78.78% | 62.67% | 8.82% | 4.71% | 83.48% | 161,472.43 | 97.70% | 5.12% | 23.36% | 71.50% | 0.00% |
| 03072SAM5 | AMSI 2005-R8 M9 | 619 | 78.23% | 20.65% | 21.39% | 0.00% | 78.61% | 178,847.08 | 97.72% | 3.92% | 63.62% | 2.26% | 0.00% |

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## Footnote Exhibits - Page 3170

| CUSIP | Name | FICO | Avg LTV | %ID | % Fixed | % 2nd Lien | % Hybrid | Avg Loan Balance | %Occupancy | %Refinance | %Cash Out | %Purchase | %Neg Am |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 07397R5G0 | BSABS 2005-EC1 M9 | 821 | 82.16% | 20.19% | 18.26% | 4.35% | 60.74% | 218,488.00 | 93.93% | 10.49% | 68.45% | 21.06% | 0.00% |
| 07387UBE0 | BSABS 2006-PC1 M8 | 604 | 82.76% | 15.85% | 28.14% | 0.00% | 71.86% | 238,747.00 | 91.50% | 4.60% | 70.31% | 29.69% | 0.00% |
| 14453FAH9 | CARR 2006-NC2 M9 | 623 | 80.82% | 13.88% | 11.60% | 1.01% | 88.40% | 211,078.74 | 90.41% | 6.34% | 44.42% | 43.24% | 0.00% |
| 12498CAH6 | CBASS 2006-CB4 B3 | 634 | no info | 22.65% | 14.20% | 2.48% | 85.80% | 206,000.00 | 93.64% | 2.75% | 54.26% | 42.98% | 0.00% |
| 17307GDJ2 | CMLTI 2006-AR7 M9 | 618 | no info | 20.34% | 16.73% | 0.00% | 83.27% | 164,617.37 | 92.39% | 8.44% | 64.70% | 26.86% | 0.00% |
| 12667JBL7 | ECR 2006-2 B | 619 | 78.75% | 18.38% | 15.48% | 0.00% | 84.52% | 218,823.00 | 94.64% | 8.03% | 67.99% | 23.98% | 0.00% |
| 29445FCW6 | EMLT 2005-1 M9 | 639 | 88.08% | 17.53% | 18.05% | 2.02% | 81.95% | 156,132.00 | 98.02% | 4.42% | 64.82% | 30.66% | 0.00% |
| 863590B73 | FFML 2005-FF3 M9 | 648 | 82.05% | 65.35% | 8.20% | 0.00% | 91.80% | 223,655.84 | 97.09% | 5.87% | 44.24% | 49.79% | 0.00% |
| 32027BAA4 | FFML 2006-FF8 M9 | 650 | 82.17% | 36.10% | 16.44% | 0.00% | 83.56% | 184,531.00 | 96.29% | 3.99% | 52.54% | 46.43% | 0.00% |
| 35728PKE8 | FHLT 2005-B M10 | 620 | 78.97% | 25.85% | 11.31% | 3.21% | 88.69% | 212,197.00 | 91.58% | 3.27% | 53.02% | 43.71% | 0.00% |
| 31659FFJ9 | FMIC 2006-1 M9 | 644 | no info | 34.04% | 11.04% | 1.15% | 88.96% | 197,188.67 | 91.58% | 1.85% | 38.01% | 60.03% | 0.00% |
| 31659FGA8 | FMIC 2006-2 M9 | 644 | 84.14% | 42.81% | 11.54% | 2.11% | 88.46% | 191,153.78 | 99.08% | 0.42% | 34.50% | 65.08% | 0.00% |
| 30791GAN6 | GEFMC 2005-1 B3 | 646 | no info | 21.27% | 17.66% | 10.58% | 82.14% | 195,326.00 | 94.55% | 3.12% | 43.80% | 52.86% | 0.00% |
| 362483AP9 | GSAMP 2006-NC2 M9 | 626 | 79.31% | 11.45% | 11.79% | 1.30% | 88.21% | 223,221.00 | 8.22% | 7.56% | 49.17% | 43.27% | 0.00% |
| 46626BBB4 | JPMAC 2006-CW2 M9 | 614 | 78.62% | 32.51% | 24.30% | 1.90% | 75.70% | 176,513.63 | 97.57% | 3.82% | 53.90% | 43.18% | 0.00% |
| 66389FKZ8 | OOMLT 2006-1 M9 | 625 | 80.31% | 8.72% | 23.33% | 4.69% | 77.67% | 198,860.02 | 91.84% | 6.11% | 68.33% | 31.56% | 0.00% |
| 73318PKB9 | POPLR 2006-A M9 | 615 | no info | 10.35% | 34.89% | 0.00% | 65.02% | 165,002.37 | 92.54% | 8.07% | 74.38% | 18.85% | 0.00% |
| 76110W7K3 | RAMP 2005-EFC2 M9 | 621 | 86.04% | 72.97% | 11.54% | 0.00% | 88.46% | 164,119.00 | 97.34% | 14.81% | 49.38% | 37.05% | 0.00% |
| 76110W7Q2 | RAMP 2005-EFC7 M9 | 618 | 84.08% | 18.64% | 23.25% | 0.00% | 74.75% | 151,547.49 | 95.48% | 1.27% | 71.52% | 27.21% | 0.00% |
| 32027GAP1 | FFML 2006-FF13 M9 | 658 | 82.87% | 31.72% | 16.89% | 0.00% | 83.11% | 198,903.00 | 96.63% | 2.86% | 24.29% | 72.75% | 0.00% |
| 83611MAU5 | SVHE 2006-OPT2 M8 | 622 | 77.70% | 18.94% | 15.61% | 4.18% | 84.39% | 201,099.00 | 89.00% | 4.68% | 63.36% | 31.95% | 0.00% |
| 84971EAG8 | WFHET 2006-1 M9 | 613 | no info | 3.23% | 5.98% | no info | 93.02% | 182,405.00 | 96.90% | 5.83% | 51.14% | 43.03% | 0.00% |
| 75156UAH9 | RAMP 2006-RZ2 M9 | 661 | 100.40% | 15.81% | 20.74% | 0.00% | 79.26% | 147,886.00 | 78.48% | 4.65% | 24.44% | 70.64% | 0.00% |
| 362420HC4 | GSAA 2005-8 B2 | 714 | 77.06% | 90.89% | 0.00% | 0.00% | 100.00% | 287,137.00 | 89.44% | 11.72% | 23.32% | 64.96% | 0.00% |
| 362420HD2 | GSAA 2005-8 B3 | 709 | 77.70% | 89.50% | 0.00% | 0.00% | 100.00% | 280,746.00 | 89.09% | 11.17% | 20.95% | 67.88% | 0.00% |
| 362421DW3 | GSAA 2005-9 B2 | 710 | 77.70% | 89.50% | 0.00% | 0.00% | 100.00% | 228,296.00 | 76.98% | 4.23% | 27.01% | 68.74% | 0.00% |
| 362334CB8 | GSAA 06-3 B3 | 706 | 76.09% | 90.46% | 0.00% | 0.00% | 100.00% | 259,598.00 | 83.62% | 10.34% | 15.68% | 74.00% | 0.00% |
| 362349AJ3 | GSAA 06-4 B1 | 700 | 76.68% | 75.57% | 0.00% | 0.00% | 100.00% | 249,667.00 | 78.02% | 7.84% | 13.87% | 72.44% | 0.00% |
| 362381AA1 | GSAA 06-12 B2 | 710 | 77.34% | 90.11% | 0.00% | 0.00% | 100.00% | 303,587.00 | 82.41% | 8.35% | 22.77% | 68.88% | 0.00% |
| 362967AJ9 | GSAA 06-14 B1 | 712 | 77.56% | 88.72% | 0.00% | 0.00% | 100.00% | 272,966.00 | 78.54% | 8.54% | 22.44% | 67.62% | 0.00% |
| 362256AL3 | GSAA 06-16 B2 | 705 | 76.65% | 84.97% | 0.00% | 0.00% | 100.00% | 273,041.00 | 78.90% | 10.08% | 22.79% | 67.13% | 0.00% |



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ANNEX A-1

FORM OF INCOME NOTES PURCHASE AND TRANSFER LETTER

The Bank of New York Trust Company, National Association
601 Travis Street, 16th Floor
Houston, Texas 77002
Attention: Global Corporate Trust - Hudson Mezzanine Funding 2006-1, Ltd.

Re: Hudson Mezzanine Funding 2006-1, Ltd.
Income Notes

Dear Sirs:

Reference is hereby made to the Income Notes due 2042 (the "Income Notes") issued by Hudson Mezzanine Funding 2006-1, Ltd. (the "Issuer"), described in the Issuer's Offering Circular dated December 3, 2006 ("Offering Circular") to be purchased and held by us in definitive certificated form. We (the "Purchaser") are purchasing U.S. $[ ] principal amount of Income Notes (the "Purchaser's Income Notes"). Terms defined or referenced in the Offering Circular and not otherwise defined or referenced herein shall have the meanings set forth in the Offering Circular.

The Purchaser hereby represents, warrants and covenants for the benefit of the Issuer that:

(a) (i) The Purchaser is (check one) (x) __ a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) (a "Qualified Institutional Buyer") (y) __ an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account; (ii) The Purchaser is a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act") (a "Qualified Purchaser"); (iii) The Purchaser, in the case of clause (y) above, is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below; (iv) The Purchaser is aware that the sale of the Purchaser's Income Notes to the Purchaser is being made in reliance on an exemption from registration under the Securities Act; (v) With respect to any transferee, the Purchaser also understands that, in conjunction with any transfer of the Purchaser's ownership of any Purchaser's Income Notes purchased hereunder, it will not transfer or cause the transfer of such Purchaser's Income Notes without obtaining from the transferee a certificate substantially in the form of this Income Note Purchase and Transfer Letter; (vi) The Purchaser will provide notice of the transfer restrictions described to any subsequent transferees.

(b) The Purchaser is purchasing the Purchaser's Income Notes in an amount equal to or exceeding the minimum permitted number thereof for its own account (or, if the Purchaser is a Qualified Institutional Buyer, for the account of another Qualified Institutional Buyer with respect to which the Purchaser exercises sole investment discretion) for investment purposes only and not for sale in connection with any distribution thereof, but nevertheless subject to the understanding that the disposition of its property shall at all times be and remain within its control (subject to the restrictions set forth in the Offering Circular, the certificate in respect of the Purchaser's Income Notes and the Fiscal Agency Agreement).

(c) The Purchaser understands that the Purchaser's Income Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only in accordance with the restrictions on transfer set forth herein and in the Fiscal Agency Agreement. The Purchaser understands and agrees that any purported transfer of Income Notes to a purchaser that does not comply with the requirements herein



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will not be permitted or registered by the Income Notes Transfer Agent. The Purchaser further understands that the Issuer has the right to compel any beneficial owner of Income Notes that is a U.S. Person and is not (a) either a Qualified Institutional Buyer or an Accredited Investor with a net worth of U.S.$10 million or more and (b) a Qualified Purchaser, to sell its interest in such Income Notes, or the Issuer may sell such Income Notes on behalf of such owner.

(d) If the Purchaser or any account for which the Purchaser is purchasing the Purchaser's Income Notes is a U.S. Person (as defined in Regulation S under the Securities Act) the following representations shall be true and correct: The Purchaser (or if the Purchaser is acquiring the Purchaser's Income Notes for any account, each such account) is acquiring the Purchaser's Income Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The Purchaser and each such account: (a) was not formed for the specific purpose of investing in the Income Notes (except when each beneficial owner of the Purchaser and each such account is a Qualified Purchaser), (b) to the extent the Purchaser is a private investment company formed before April 30, 1996, the Purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made; and (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the Purchaser agrees: (i) that neither it nor such account shall hold the Purchaser's Income Notes for the benefit of any other person and such purchaser of such account shall be the sole beneficial owner thereof for all purposes; and (ii) that neither it nor such account shall sell participation interests in the Purchaser's Income Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Purchaser's Income Notes. The Purchaser understands and agrees that any purported transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (d) will not be permitted or registered by the Income Notes Transfer Agent.

(e) In connection with the purchase of the Purchaser's Income Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent, is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent other than in the Offering Circular and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Senior Swap Counterparty, the Liquidation Agent, the Collateral Put Provider, the Administrator or the Fiscal Agent has given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Purchaser's Income Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and the Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuers, the Initial Purchaser, the Senior Swap Counterparty, the Liquidation Agent, the Collateral Put Provider, the Administrator or the Fiscal Agent; (v) the Purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Purchaser's Income Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the Purchaser is a sophisticated investor.

(f) The certificates in respect of the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT DECEMBER 5, 2006 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY,



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NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN EACH CASE IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A



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QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE INCOME NOTES TRANSFER AGENT WITH AN INCOME NOTE PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE TRUSTEE OR INCOME NOTES TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY



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PURCHASE OR TRANSFER OF INCOME NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(g) The certificates in respect of the Regulation S Income Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT DECEMBER 5, 2006 (THE "FISCAL AGENCY AGREEMENT) BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR



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PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT), THAT (i) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" AS DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF THE PURCHASER OR TRANSFEREE IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), SUCH PURCHASER OR TRANSFEREE



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ALSO IS DEEMED TO REPRESENT AND WARRANT THAT ITS PURCHASE AND HOLDING OF THE INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF AN INCOME NOTE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(h) With respect to Income Notes transferred or purchased on or after the Closing Date, the Purchaser understands and agrees that the representations and agreements made in this paragraph (g) will be deemed made on each day from the date hereof through and including the date on which the Purchaser disposes of the Income Notes.

(x) The Purchaser is __ is not __ [check one] (i) an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a "plan" as described in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or (iii) an entity whose underlying assets include assets of any such employee benefit plan or other plan (for purposes of ERISA or Section 4975 of the Code) by reason of a plan's investment in the entity (such persons and entities described in clauses (i) through (iii) being referred to herein as "Benefit Plan Investors"); and (y) if the Purchaser is a Benefit Plan Investor (or another employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or section 4975 of the Code ("Similar Law")), the Purchaser's purchase and holding of an Income Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of an employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not available.

The Purchaser is _____ is not _____ [check one] the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (any such person described in this paragraph being referred to as a "Controlling Person").

If the Purchaser is an insurance company acting on behalf of its general account or any other entity holding plan assets of Benefit Plan Investors ____ [check if true], then (i) not more than ____% [complete by entering a percentage], (the "Maximum Percentage") of the assets of such general account or entity constitutes assets of Benefit Plan Investors for purposes of the "plan assets" regulations under ERISA, and (ii) without limiting the remedies that may otherwise be available, the Purchaser agrees that it shall (x) immediately notify the Issuer if the Maximum Percentage is exceeded, and (y) dispose of all or a portion of its Income Notes as may be instructed by the Issuer (including, in the discretion of the Issuer, a disposition back to the Issuer or an affiliate thereof (or other person designated by the Issuer) for the then value of the Income Notes as reasonably determined by the Issuer, in any case in which the Purchaser cannot otherwise make a disposition it has been instructed by the Issuer to make).

(i) The Purchaser understands and acknowledges that the Income Notes Transfer Agent will not register any purchase or transfer of Income Notes either to a proposed initial purchaser or to a proposed subsequent transferee of Income Notes that has, in either case, represented that it is a Benefit Plan Investor or a Controlling Person if, after giving effect to such proposed transfer, persons that have represented that they are Benefit Plan Investors would own 25% or more of the total value of the outstanding Income Notes. For purposes of this determination, Income Notes held by the Liquidation Agent, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding. The Purchaser understands and agrees that any purported purchase



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or transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (i) will not be permitted or registered by the Income Notes Transfer Agent.

(j) The purchaser is not purchasing the Purchaser's Income Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The Purchaser understands that an investment in the Purchaser's Income Notes involves certain risks, including the risk of loss of its entire investment in the Purchaser's Income Notes under certain circumstances. The Purchaser has had access to such financial and other information concerning the Issuers and the Purchaser's Income Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Purchaser's Income Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(k) The Purchaser is not purchasing the Purchaser's Income Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan.

(l) The Purchaser agrees to treat the Purchaser's Income Notes as equity for United States federal, state and local income tax purposes.

(m) The Purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Income Notes Transfer Agent may require further identification of the Purchaser before the purchase application can proceed. The Issuer and the Income Notes Transfer Agent, as applicable, shall be held harmless and indemnified by the Purchaser against any loss arising from the failure to process the application if such information as has been required from the Purchaser has not been provided by the Purchaser.

(n) The Purchaser agrees to complete any other instrument of transfer as required under Cayman Islands law.

(o) The Purchaser is not a member of the public in the Cayman Islands.

We acknowledge that you and other persons will rely upon our confirmation, acknowledgments, representations, warranties, covenants and agreements set forth herein, and we hereby irrevocably authorize you and such other persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.



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THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,
[ ]
By:_____
Name:
Title:

Receipt acknowledged as of date set forth above,

_____
(Signature and Addresses)



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ANNEX A-2

FORM OF CLASS E NOTES PURCHASE AND TRANSFER LETTER

The Bank of New York Trust Company,
National Association
601 Travis Street, 16th Floor
Houston, Texas 77002
Attention: Global Corporate Trust-Hudson Mezzanine Funding 2006-1, Ltd.

Re: Hudson Mezzanine Funding 2006-1, Ltd.
Class E Notes

Dear Sirs:

Reference is hereby made to the Class E Notes due 2042 (the "Class E Notes") issued by Hudson Mezzanine Funding 2006-1, Ltd. (the "Issuer"), described in the Issuer's Offering Circular dated December 3, 2006 ("Offering Circular") to be purchased and held by us in definitive certificated form. We (the "Purchaser") are purchasing U.S. $[ ] principal amount of Class E Notes (the "Purchaser's Class E Notes"). Terms defined or referenced in the Offering Circular and not otherwise defined or referenced herein shall have the meanings set forth in the Offering Circular.

The Purchaser hereby represents, warrants and covenants for the benefit of the Issuer that:

(a) (i) The Purchaser is a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) (a "Qualified Institutional Buyer") that is purchasing the Class E Notes for its own account; (ii) The Purchaser is a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act") (a "Qualified Purchaser"); (iii) The Purchaser is aware that the sale of the Purchaser's Class E Notes to the Purchaser is being made in reliance on an exemption from registration under the Securities Act; (iv) The Purchaser is acquiring not less than $250,000 of Class E Notes, (v) With respect to any transferee, the Purchaser also understands that, in conjunction with any transfer of the Purchaser's ownership of any Purchaser's Class E Notes purchased hereunder, it will not transfer or cause the transfer of such Purchaser's Class E Notes without obtaining from the transferee a certificate substantially in the form of this Class E Note Purchase and Transfer Letter; (vi) The Purchaser will provide notice of the transfer restrictions described to any subsequent transferees.

(b) The Purchaser is purchasing the Purchaser's Class E Notes in an amount equal to or exceeding the minimum permitted number thereof for its own account (or, for the account of another Qualified Institutional Buyer with respect to which the Purchaser exercises sole investment discretion) for investment purposes only and not for sale in connection with any distribution thereof, but nevertheless subject to the understanding that the disposition of its property shall at all times be and remain within its control (subject to the restrictions set forth in the Offering Circular, the certificate in respect of the Purchaser's Class E Notes and the Indenture).

(c) The Purchaser understands that the Purchaser's Class E Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only in accordance with the restrictions on transfer set forth herein and in the Indenture. The Purchaser understands and agrees that any purported transfer of Class E Notes to a purchaser that does not comply with the requirements herein will not be permitted or registered by the Note Transfer Agent. The Purchaser further understands that the Issuer has



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the right to compel any beneficial owner of Class E Notes that is a U.S. Person and is not (a) a Qualified Institutional Buyer and (b) a Qualified Purchaser, to sell its interest in such Class E Notes, or the Issuer may sell such Class E Notes on behalf of such owner.

(d) If the Purchaser or any account for which the Purchaser is purchasing the Purchaser's Class E Notes is a U.S. Person (as defined in Regulation S under the Securities Act) the following representations shall be true and correct: The Purchaser (or if the Purchaser is acquiring the Purchaser's Class E Notes for any account, each such account) is acquiring the Purchaser's Class E Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The Purchaser and each such account: (a) was not formed for the specific purpose of investing in the Class E Notes (except when each beneficial owner of the Purchaser and each such account is a Qualified Purchaser), (b) to the extent the Purchaser is a private investment company formed before April 30, 1996, the Purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made; and (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the Purchaser agrees: (i) that neither it nor such account shall hold the Purchaser's Class E Notes for the benefit of any other person and such purchaser of such account shall be the sole beneficial owner thereof for all purposes; and (ii) that neither it nor such account shall sell participation interests in the Purchaser's Class E Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Purchaser's Class E Notes. The Purchaser understands and agrees that any purported transfer of the Purchaser's Class E Notes to a Purchaser that does not comply with the requirements of this clause (d) will not be permitted or registered by the Note Transfer Agent.

(e) In connection with the purchase of the Purchaser's Class E Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent or the Administrator, is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent or the Administrator other than in the Offering Circular and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Senior Swap Counterparty, the Liquidation Agent, the Collateral Put Provider or the Administrator has given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Purchaser's Class E Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuers, the Initial Purchaser, the Senior Swap Counterparty, the Liquidation Agent, the Collateral Put Provider or the Administrator; (v) the Purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Purchaser's Class E Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the Purchaser is a sophisticated investor.

(f) The certificates in respect of the Class E Notes (other than the Regulation S Class E Notes) will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Indenture and applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER



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REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL NOT BE PERMITTED OR REGISTERED BY THE NOTE TRANSFER AGENT. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. EACH TRANSFEROR OF THE CLASS E NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT, TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A CLASS E NOTE THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL SUCH CLASS E NOTES, OR MAY SELL SUCH CLASS E NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF THE CLASS E NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE CLASS E NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE NOTE TRANSFER AGENT A CLASS E NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

WITH RESPECT TO THE CLASS E NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE NOTE TRANSFER AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND



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ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF CLASS E NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE TRANSFER AGENT WITH AN CLASS E NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE NOTE TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF CLASS E NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING CLASS E NOTES (OTHER THAN THE CLASS E NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE INDENTURE).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT

(g) The certificates in respect of the Regulation S Class E Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Indenture and applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND IS NOT A PLAN



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REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

WITH RESPECT TO THE CLASS E NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE NOTE TRANSFER AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF CLASS E NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT



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AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE TRANSFER AGENT WITH AN CLASS E NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE INDENTURE) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE NOTE TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF CLASS E NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING CLASS E NOTES (OTHER THAN THE CLASS E NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE INDENTURE).

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL. SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

(h) With respect to Class E Notes transferred or purchased on or after the Closing Date, the Purchaser understands and agrees that the representations and agreements made in this paragraph (g) will be deemed made on each day from the date hereof through and including the date on which the Purchaser disposes of the Class E Notes.

(x) The Purchaser is __ is not __ [check one] (i) an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a "plan" as described in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or (iii) an entity whose underlying assets include assets of any such employee benefit plan or other plan (for purposes of ERISA or Section 4975 of the Code) by reason of a plan's investment in the entity (such persons and entities described in clauses (i) through (iii) being referred to herein as "Benefit



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Plan Investors"); and (y) if the Purchaser is a Benefit Plan Investor (or another employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or section 4975 of the Code ("Similar Law")), the Purchaser's purchase and holding of an Class E Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of an employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not available.

The Purchaser is _____ is not _____ [check one] the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (any such person described in this paragraph being referred to as a "Controlling Person").

If the Purchaser is an insurance company acting on behalf of its general account or any other entity holding plan assets of Benefit Plan Investors ____ [check if true], then (i) not more than ____% [complete by entering a percentage], (the "Maximum Percentage") of the assets of such general account or entity constitutes assets of Benefit Plan Investors for purposes of the "plan assets" regulations under ERISA, and (ii) without limiting the remedies that may otherwise be available, the Purchaser agrees that it shall (x) immediately notify the Issuer if the Maximum Percentage is exceeded, and (y) dispose of all or a portion of its Class E Notes as may be instructed by the Issuer (including, in the discretion of the Issuer, a disposition back to the Issuer or an affiliate thereof (or other person designated by the Issuer) for the then value of the Class E Notes as reasonably determined by the Issuer, in any case in which the Purchaser cannot otherwise make a disposition it has been instructed by the Issuer to make).

(i) The Purchaser understands and acknowledges that the Note Transfer Agent will not register any purchase or transfer of Class E Notes either to a proposed initial purchaser or to a proposed subsequent transferee of Class E Notes that has, in either case, represented that it is a Benefit Plan Investor or a Controlling Person if, after giving effect to such proposed transfer, persons that have represented that they are Benefit Plan Investors would own 25% or more of the total value of the outstanding Class E Notes. For purposes of this determination, Class E Notes held by the Liquidation Agent, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding. The Purchaser understands and agrees that any purported purchase or transfer of the Purchaser's Class E Notes to a Purchaser that does not comply with the requirements of this clause (i) will not be permitted or registered by the Note Transfer Agent.

(j) The purchaser is not purchasing the Purchaser's Class E Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The Purchaser understands that an investment in the Purchaser's Class E Notes involves certain risks, including the risk of loss of its entire investment in the Purchaser's Class E Notes under certain circumstances. The Purchaser has had access to such financial and other information concerning the Issuers and the Purchaser's Class E Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Purchaser's Class E Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(k) The Purchaser is not purchasing the Purchaser's Class E Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan.

(l) The Purchaser agrees to treat the Purchaser's Class E Notes as equity for United States federal, state and local income tax purposes.

(m) The Purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Note Transfer Agent may require further identification of the Purchaser before the purchase application can proceed. The Issuer and the Note Transfer Agent, as applicable, shall be held harmless and indemnified by the Purchaser against any loss arising from the failure to process the application if such information as has been required from the Purchaser has not been provided by the Purchaser.



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(n) The Purchaser agrees to complete any other instrument of transfer as required under Cayman Islands law.

(o) The Purchaser is not a member of the public in the Cayman Islands.

We acknowledge that you and other persons will rely upon our confirmation, acknowledgments, representations, warranties, covenants and agreements set forth herein, and we hereby irrevocably authorize you and such other persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.



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THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,
[ ]
By: _____
Name:
Title:

Receipt acknowledged as of date set forth above,

_____
(Signature and Addresses)



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**REGISTERED OFFICES OF THE ISSUERS**

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**HUDSON MEZZANINE FUNDING 2006-1, LTD.**

**HUDSON MEZZANINE FUNDING 2006-1, CORP.**

U.S.$37,000,000
Class S Floating Rate Notes
Due 2012

U.S.$110,000,000
Class A-f Floating Rate Notes
Due 2042

U.S.$120,000,000
Class A-b Floating Rate Notes
Due 2042

U.S.$230,000,000
Class B Floating Rate Notes
Due 2042

U.S.$170,000,000
Class C Deferrable Floating Rate Notes
Due 2042

U.S.$84,000,000
Class D Deferrable Floating Rate Notes
Due 2042

U.S.$26,000,000
Class E Deferrable Floating Rate Notes
Due 2042

U.S.$60,000,000
Income Notes Due 2042

OFFERING CIRCULAR

**Goldman, Sachs & Co.**



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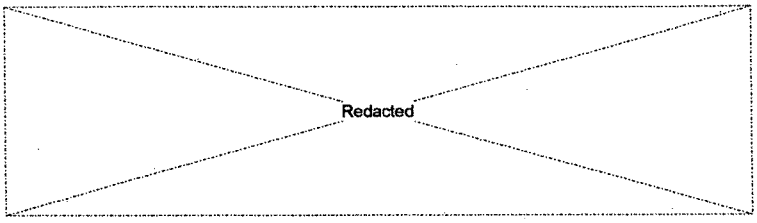
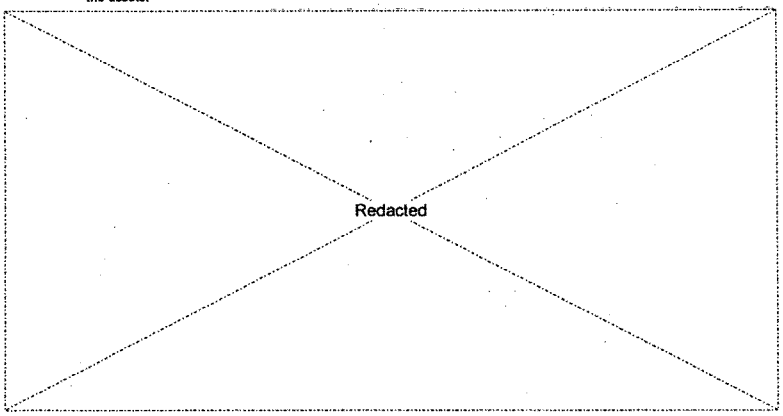
**To:** Petrick, Michael (FID)[Michael.Petrick@morganstanley.com]
**Subject:** 2/06 recap
**Sent:** Wed 2/6/2008 11:43:43 PM
**From:** Pearce, John (FID)




Hudson:
Went down the road again with Goldman on the liquidation agent assets (now ~$1bb of eligible assets post downgrades). They told me they will "continue to take my opinion under advisement" but provided no course of action. I broke my phone. Will talk to Rick Ostrander tomorrow but don't think there is any probable way for us to force them to liquidate the assets.

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*Wall Street & The Financial Crisis*
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**To:** David.Lehman@gs.com[David.Lehman@gs.com]
**Subject:** Re: cmbs
**Sent:** Thur 2/7/2008 2:36:14 AM
**From:** Pearce, John (FID)

What I can. [redacted].spoke with Ben re: Hudson today.

Goes without saying I remain very frustrated by the way GS is handling the liquidation agent role. There is almost $1bb of eligible assets in that deal now, every one of which has lost value since it was downgraded.

No good reason to wait other then to devalue our position. It's a shame...one day I hope I get the real reason why you are doing this to me.

Glad you asked?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Lehman, David A. <David.Lehman@gs.com>
To: Pearce, John (FID)
Sent: Wed Feb 06 21:08:46 2008
Subject: RE: cmbs

have you been doing much abs cdo sup snr lately?

---

From: Pearce, John (FID) [mailto:John.Pearce@morganstanley.com]
Sent: Wednesday, February 06, 2008 9:02 PM
To: Lehman, David A.
Subject: Re: cmbs

Ok--will keep an eye on it. Thanks.

----- Original Message -----
From: Lehman, David A. <David.Lehman@gs.com>
To: Pearce, John (FID)
Sent: Wed Feb 06 20:58:50 2008
Subject: cmbs

I am going to have the desk reach out to kyle tomorrow on the trades that might fit us - I will be on and off the desk, so I think kyle and our traders is the most efficient

---

Goldman, Sachs & Co.
One New York Plaza - 47th Floor | 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

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Fixed Income, Currency & Commodities

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**From:** Gill, Michelle
**Sent:** Friday, February 02, 2007 9:02 AM
**To:** Nichols, Matthew; Gasvoda, Kevin; Flamino, Marc
**Subject:** RE: Warehouse policy

Couple of things:
(1) New Century / Fremont - since they have both made changes to UW guidelines, seems like we should be giving them at least some benefit for those changes
(2) Accredited / Aames - they are not originated Aames G/L product, nor are they processing the Aames way, they have revamped both, that being said, we have no first hand knowledge: there, could we get comfrotable asking them for their diligence results from last couple whole loan sales since we have no personal experience

**From:** Nichols, Matthew
**Sent:** Friday, February 02, 2007 8:57 AM
**To:** Gasvoda, Kevin; Flamino, Marc
**Cc:** Gill, Michelle
**Subject:** RE: Warehouse policy

A few things:

1. We're way too low on the charges - we should be using actual performance where possible - NC is running a 10% drop rate at ~6 points / drop and 4% EPD rate at close to 20 points. That equates to something more like 1.25 rather than 0.35. Given Fremont is in the same place and Accredited still has a lot of that Aames production, I think we'd be kidding ourselves to think that any of these guys should be below a point.

2. MLN and other "B" list guys are a moot point - in this enviornment we would not lend to them - or if we did it would be at a much higher haircut.

3. We will still have the issue of market - take NC for example - they're trying to push someone into 1.75 premium for their production - we care closer to 1.25 - what't the appropriate starting mark to market?

4. I think we need to restate the economic rationale for each of these lines - don't want to blow up relationships, but I don't think we're making money off of NC right now and we're taking a lot of risk on the loans and warehouse side.

**From:** Gasvoda, Kevin
**Sent:** Friday, February 02, 2007 7:57 AM
**To:** Flamino, Marc
**Cc:** Nichols, Matthew; Gill, Michelle
**Subject:** RE: Warehouse policy

Ok. I need to get Dan's signoff first.

**From:** Flamino, Marc
**Sent:** Friday, February 02, 2007 7:56 AM
**To:** Gasvoda, Kevin
**Cc:** Nichols, Matthew; Gill, Michelle; Flamino, Marc
**Subject:** RE: Warehouse policy

I agree with the methodology below and also feel that NC and Accred should receive the lowest end of the range. They still may balk but harder for them to argue with the valuation approach. Also we need to combine this with some additional flexibility on the scratch and dent side for Accredited to make them feel more important to us. In both cases there are potential consequences with the marks but the market has changed.

I do not think that LH deserves the same level however I am sensitive to the capital needs issue for our perspective. Given their product mix I would think about them in the range of 1.5-2x New Cen and Accred (.50 -.75). I am not sure what that does to cash flow and liquidity. They should also (and we urge them to)



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put that Merrill deal in place asap.

Let's agree internally and make the calls to Kevin and Stu.

---

**From:** Gasvoda, Kevin
**Sent:** Friday, February 02, 2007 7:40 AM
**To:** Flamino, Marc
**Cc:** Nichols, Matthew; Gill, Michelle
**Subject:** Warehouse policy

Marc, let's discuss new more transparent mark policy whereby we mark on real loan bid side then have a transparent price adjustment related to potential epd and loan kicks. I think for our most credit worthy/largest clients, we should be on the low side and for our private/small guys we can be on the high side.

Decent range you can see below would be 35 bps to 2 points. I think New Cen/Accred get a 35 bp "charge" and if we had MLN (pre blow up) they'd be in the 3/4-7/8 range. We should not be giving lines to people we think we need a 2 point reserve but if we get material deterioration in company health we start working that direction.

Senderra is a moot point obviously. Lownhome is the big question. Do we give them the best client 35 bp charge? Without it, their capital needs are significant. Merrill apparently will give them a line to finance total trade price for all trades going to ML.

Thoughts? We need to give Cloyd and Stu clarity on our policy ASAP and face the consequences rather than mouse around w/ low ball marks.

Loan adjustments

| | Low | | High | |
|---|---|---|---|---|
| EPD rate | 2.00% | | 5.00% | |
| EPD loss | 10.00% | 20.00% | 10.00% | 20.00% |
| EPD adj | 0.20% | 0.40% | 0.50% | 1.00% |
| | | | | |
| Drop rate | 5.00% | | 12.00% | |
| Drop loss | 3.00% | 10.00% | 3.00% | 10.00% |
| Drop adj | 0.15% | 0.50% | 0.36% | 1.20% |
| | | | | |
| **Total adj** | **0.35%** | **0.90%** | **0.86%** | **2.20%** |

---

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**Kevin S. Gasvoda**
Managing Director
Fixed Income Currency & Commodities

Goldman Sachs



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**From:** Cassidy, John
**Sent:** Thursday, February 08, 2007 9:02 AM
**To:** Peterson, Linda; Hood, Kris; Gething, Christopher; Ozment, Joseph; O'Brien, Brian; Grehalva, Troy
**Subject:** New Century/Home 123

**Importance:** High

Given the current state of the company I am no longer comfortable with the practice of taking loans with trailing docs (specifically missing HUDs) that we need in order to conduct compliance testing regardless of the jurisdiction that the loan is originated in.

-----Original Message-----
From: Gasvoda, Kevin
Sent: Thursday, February 08, 2007 7:19 AM
To: Welch, Patrick; Wildermuth, David; Hemphill, Lee; Aberg, Peter (FICC 85B27); Akileswar, Subramanian; Altarescu, Howard; Anasetti, Marco; AnupamOberai; Arango, Carlos; Arkan, Canem; ArvinPrakash; Behrend, Robert B.; BrianO'Brien; Brosterman, Jonathan; CarolynWang; Carter, Lauren; Cassidy, John; Cawthon, Michael; Chakravorti, Rajarshi; Chan, Nancy Y.; ChristopherGething; Cohen, Jennifer L.; Conroy, Erin; DeAngelis, Matthew; Deliiska, Asseneta N.; Delikaris, Nickolas P; Dente, Michael; D'Urso, Joseph; Egeran, Sean N.; Erbst, Jared R.; Feingold, Jessica; Flamino, Marc; Gill, Michelle; Gorelik, Eugene; Gupta, Shashank; Heagle, Jonathan; Holen, Margaret; Hou, Edward D.; Iqbal, Farrukh; Jordanov, Nasko; JustinMahoney; KevinGasvoda; Kilman, James (FICC 85B27); Kong, Sarah C.; Koo, Simone; Larson, Erika L.; Larson, Stephanie; Lee, Insoo; Lei, Stephen; Liepold, Christina; LindaPeterson; Lyu, Michael; Marks, Aaron D.; Marschoun, Michael; Meyer, Guenter; Moliski, William; Muehlhauser, Eric; Murray, Kelli; Nanik, Manisha; Nestor, Genevieve; Nichols, Matthew; Nikodem, Paul; Noh, Suok; Okudo, Melkizedeck; Parkinson, David; Pinkos, Steve; Pohani, Anu N; Pouraghabagher, Dariush; Preisano, Anthony; Ribet, Barrie; Rosenblum, David J.; Rutherford, Malcolm; Shuey, William; Smith, Joan; Solan, Guy; Sparks, Daniel L; Thelwell, Aduke H.; Yao, Roger; Yukawa, Shin
Subject: FW: Piper/NEW: Ugly 4Q And Restatement, Rough Valuation Range - $19-$26

-----Original Message-----
From: Robert Napoli [mailto:robert.p.napoli@pjc.com]
Sent: Thursday, February 08, 2007 5:49 AM
To: Gasvoda, Kevin
Subject: Piper/NEW: Ugly 4Q And Restatement, Rough Valuation Range - $19-$26

Piper Jaffray & Co. — Company Note
February 8, 2007

New Century Financial Corporation — (NEW - $30.16)
Market Perform — Volatility: Medium

Ugly 4Q And Restatement, Rough Valuation Range - $19-$26

Robert P. Napoli, Sr Research Analyst
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Reason for Report:
Company Update

Piper Jaffray & Co.

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KEY POINTS:

* NEW took investors by surprise last night, announcing the need for a negative restatement, a loss in the fourth quarter, and a 20% lower loan origination outlook for 2007. The stock traded briefly at $25 in the after market. NEW released a tape recorded message, essentially reading the press release. Company representatives took calls last night, but gave little color.
* There were no real financial ranges provided, so we are doing our best in this note to give investors a framework to go by.

* The restatement is for the first three quarters of 2006 and relates to improper accounting for repurchase reserves. We believe NEW only reserved for the premium (gain) received when the loan was sold, and not for the 15%-20% loss that is typical on a repurchased loan, which is typical in the industry.
* NEW is delaying 4Q results, previously scheduled to be released on February 8, and has a goal of getting results to investors by March 1, with completed quarterly restatements.
* Fourth quarter loss expected. The loss is likely mostly due to a write-down to securitization residuals and acceleration in repurchases in 4Q.
* Lower origination outlook lowered to a decline of 20%. NEW had forecasted flat originations for 2007; it now forecasts a decline of 20%, in line with our expectations for the subprime market. The lowered forecast was blamed on the trend in early payment defaults and loan repurchases, changing secondary market demand for certain products, and potential regulatory changes.
* We very roughly estimate a book value hit of $2.40-$4.29 per share, resulting in tangible book value per share of a best case of $29 and a worst-case of $27.30. We estimate best/worst case scenarios for reserve increases, residual write down and an increased repurchase reserve. The following page lays out our logic.
* Liquidity seems okay with $1.6 billion of tangible book value under our worst-case analysis. We believe problems would have to accelerate in future quarters in order for liquidity to become an issue, unless we have materially underestimated the worst case scenario.
* Future dividends and REIT structure are likely in question. We suggest NEW immediately terminate the REIT structure and retain all capital until the market settles down. We believe NEW's strategy to "return $400 MM in capital to shareholders in '07" is history, due to the likely write-downs.
* Valuation range of 70%-90% of tangible book value seems likely, suggesting a valuation range of $19-$26 per share, on our rough analysis.

| | From | To | | |
|---|---|---|---|---|
| | (Previous) | (Current) | Price: | $30.16 |
| Changes | | | 52 Week High: | $51.97 |
| Rating | -- | MarketPerform | 52 Week Low: | $29.07 |
| Price Tgt | $33.00 | NA | 12-Month Price Target: | NA |
| FY07E Net Inc (mil) | $196.7 | NA | Shares Out (mil): | 56.5 |
| | | | Market Cap. (mil): | $1,704.0 |
| FY08E Net Inc (mil) | $248.6 | NA | Avg Daily Vol (000): | 1,487 |
| | | | Book Value/Share: | NA |
| FY07E EPS | $3.75 | NA | Div (ann): | $7.30 |



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| | | | |
|---|---|---|---|
| FY08E EPS | $4.95 | NA Est LT EPS Growth: | 8% |
| | | P/E to LT EPS Growth (FY07): | NA |
| | | Est Next Rep Date: | 03/01/2007 |
| | | Fiscal Year End: | Dec |

Unable to provide price target and estimates due to restatement

| Net Inc (mil) | 2006E | 2007E | 2008E |
|---|---|---|---|
| Mar | $101.2A | NA | NA |
| Jun | $103.0A | NA | NA |
| Sep | $63.5A | NA | NA |
| Dec | NA | NA | NA |
| FY | NA | NA | NA |
| CY | NA | NA | NA |

| EPS | 2006E | 2007E | 2008E |
|---|---|---|---|
| Mar | $1.78A | NA | NA |
| Jun | $1.81A | NA | NA |
| Sep | $1.12A | NA | NA |
| Dec | NA | NA | NA |
| FY | NA | NA | NA |
| CY | NA | NA | NA |
| FY P/E | NM | NM | NM |
| CY P/E | NM | NM | NM |

Unable to provide price target and estimates due to restatement

INVESTMENT RECOMMENDATION:
We are maintaining our Market Perform rating, as we expect the stock to trade in our range today.

RISKS TO ACHIEVEMENT OF TARGET PRICE:
Risks include the potential for volatile earnings, increasing competition, a weak economy, and credit quality, as well as regulatory or predatory lending issues.

COMPANY DESCRIPTION:
New Century Financial Corporation originates, sells, and services mortgage loans with a particular emphasis on the subprime or nonprime sector.

We believe that relaxed underwriting standards have been the main driver for the large number of loan repurchases reported by the subprime lenders.
Therefore, we have reviewed the securitization filings for both NEW and Accredited Home Lenders (LEND) to track key underwriting metrics over the past two years (the repurchase problems have resulted from '05 and '06 originations). We are assuming that the underwriting standards on the securitized loans are representative of the underwriting standards for all of NEW's and LEND's loans.

In general, NEW's underwriting standards have been less stringent than LEND's.
Some key takeaways comparing NEW to LEND:

* NEW has typically underwritten a higher percentage of Stated Income loans compared to LEND, on average.
* NEW has typically underwritten loans at higher LTVs compared to LEND, on average.
* NEW has typically underwritten loans at lower Credit Scores compared to LEND, on average.

It is also useful to compare both NEW's and LEND's underwriting metrics over time, as it paints a picture for how each has adjusted their underwriting standards in response to the spike in loan repurchases (again, assuming the underwriting standards on the securitized loans are representative of the standards for all loans originated). In general, both companies are doing fewer Stated Doc loans, but LEND is requiring lower LTVs, while NEW is requiring higher Credit Scores.

NEW has tightened up its underwriting (starting w/ June '06 securitization) by

* doing fewer Stated/Limited Doc loans
* requiring higher Credit Scores on average for Stated/Limited Doc loans
* but has kept LTV requirements pretty much the same

LEND has tightened up its underwriting (starting w/ June '06 securitization) by



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* doing fewer Stated/Alt Doc loans
* requiring lower LTVs on average
* even though Stated/Alt Doc Credit Scores are lower

Given NEW's less stringent underwriting standards, it is no surprise that its securitizations have performed worse than LEND's. Our analysis of static pool securitization data shows that NEW's securitizations have had much higher delinquency rates than LEND. We also included NovaStar Financial (NFI: not rated) for comparison.

Accredited Home Lenders (LEND) is currently rated Market Perform with a $30 price target, which is based on 1.0x projected tangible '07 book value. Risks include the potential for volatile earnings, increasing competition, a weak economy, and credit quality, as well as regulatory or predatory lending issues.

Important Research Disclosures

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Analyst Certification - Robert P. Napoli, Sr Research Analyst The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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* Outperform (OP): Expected to outperform the relevant broader market index over the next 12 months.
* Market Perform (MP): Expected to perform in line with the relevant broader market index over the next 12 months.
* Underperform (UP): Expected to underperform the relevant broader market



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index over the next 12 months.
* Suspended (SUS): No active analyst opinion or no active analyst coverage; however, an analyst investment opinion or analyst coverage is expected to resume.

* Volatility Rating: Our focus on growth companies implies that the stocks we recommend are typically more volatile than the overall stock market. We are not recommending the "suitability" of a particular stock for an individual investor. Rather, it identifies the volatility of a particular stock.

* Low: The stock price has moved up or down by more than 10% in a month in fewer than 8 of the past 24 months.
* Medium: The stock price has moved up or down by more than 20% in a month in fewer than 8 of the past 24 months.
* High: The stock price has moved up or down by more than 20% in a month in at least 8 of the past 24 months. All IPO stocks automatically get this volatility rating for the first 12 months of trading.

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MEMORANDUM

Goldman Sachs

**To:** GSI Risk Committee

**From:** Mitch Resnick
Peter Ostrem

**Cc:** Dan Sparks
Tim Saunders

**Date:** March 16, 2007

**Re:** **GSI Warehousing for Structured Product CDOs**

## I. Introduction

Goldman Sachs International (GSI) provides financing for the warehousing of financial assets to be securitized in connection with CDOs. These warehouses are collateralized by US dollar denominated mortgage and asset backed securities and single name credit default swaps with significant exposure to the US sub prime mortgage sector. The client base that purchase CDO product is global. In exchange for warehousing, structuring and placing the transaction Goldman Sachs earns carry during the warehousing period and receives a fee from the CDO upon closing.

To mitigate the risks during the warehousing period typically GSI will enter into a risk sharing arrangement with the asset manager for the first 20mm (facilitated by a $10mm deposit from the asset manager representing their share). This arrangement is collateralized by cash received upfront from the asset manager. GSI may also use synthetics or additional risk partners to hedge exposure during the warehousing period. GSI has the right to veto any assets suggested by the asset manager for purchase. In addition, assets purchased for the CDO are sold forward to the CDO at the time of purchase and the forward price covers hedge costs and trading gains or losses incurred during the warehouse period. GSI retains the right to unilaterally liquidate an asset or the warehouse, and will do so if economics warrant it. Additionally, Goldman Sachs will pursue equity and mezzanine debt commitments for the CDO during the warehouse period.

There has been significant deterioration within the sub prime mortgage sector driven by rising delinquencies and failing originators. This fact pattern coupled with increased media attention has pushed synthetic and cash spreads dramatically wider. CDO spreads have widened as well negating the arbitrage. As a result of this scenario, we have incurred losses within our CDO warehouses and determined, in some instances, to liquidate warehouses.

Inventory warehoused for CDO execution is marked to market by comparing asset and liability spreads, including the desired equity yield. To the extent that the current CDO liability spreads are wider than the transacted asset spreads on an aggregate basis, the estimated loss is recorded.

The following section details our current structured product CDO warehouses as of March 13th, 2007 and includes a summary of our pre sold risk in each warehouse both with regard to the warehouse and any pre sold liabilities or equity of the intended CDO take-out. Separately, we have offsetting hedges against the warehouse risk in the form of short positions on ABX 06-1 and 06-2 and single-name CDS shorts on AAA, AA, and A rated SP CDO liabilities. This information is detailed in section III.

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II. **Current Warehouse Overview**

Structured product CDO warehouses are currently $4.7bln in notional. After reducing for deposits received, recognized losses, and pre placed liabilities and equity GSI is long $2.3B warehouse risk (including catastrophic risk above any capped risk sold to third parties) and GSCO is long $710mm. Against the warehouse risk, GSI is short $2.2B of the ABX 06-1 and 06-2 across AAA, A, BBB, and BBB- tranches of the index and GSI is short $210mm of single-name CDS on structured product CDO AAA, AA, and A liabilities.

On a year to date basis through March 13, 2007, the CDO warehouses have incurred the following P&L:

| Warehouse | | |
|---|---|---|
| Greywolf | $ | (8,750,000) |
| GSC High Grade | | (40,926,020) |
| Hout Bay II | | (8,716,216) |
| Altius IV | | (7,719,360) |
| Anderson Funding / GSC Mezz | | (22,875,000) |
| Paramax | | (5,608,817) |
| Dillon Read | | (17,659,370) |
| Cohen | | (4,185,681) |
| Closed Warehouse | | (73,329,811) |
| Other (carry and hedge) | | 13,010,637 |
| Total | $ | (176,759,638) |

For each warehouse, we have provided a summary of our risk exposure, any risk we have presold, and the progress we have made in executing a CDO take-out.

A dedicated group within product control performs an independent price verification of the CDO warehouse inventory on a monthly basis. All cash positions held within the warehouse are independently verified via external price compares or fundamental analysis. For single name CDS, product control substantiates the marks by comparing them to recent trading activity. In addition, product control reviews for reasonableness the gains and losses incurred when assessing CDO execution via substantiation of transacted asset spreads, spread duration and review of liability spreads through comparison to available market data.



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**A. Greywolf**
Deal Size: **$1bln**
Ramped Amount: **$950mm**
Executed CDS:**$879mm**
Funded Bonds: **$71mm**
- Priced deal on 3/13/07 thereby transferring risk to GSCo.
- Equity is shared 50/50 between GS and Greywolf. BBBs sold to Greywolf. As sold to Greywolf (20) and Goldman (16). BSAM purchased senior AAAs (top 50%).
- Still marketing sub-AAAs, AAs, As, and equity to third parties.
- Recorded -$8.75mm as of 3/13.

| Greywolf - GS 50. 100% above $20mm | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | - | - | - | - | - |
| AA | - | - | - | - | - |
| A | - | - | 950,141,377 | - | 950,141,377 |
| BBB | | - | - | - | - |
| Total | - | - | 950,141,377 | - | 950,141,377 |

**B. GSC High Grade**
Deal Size: **$1bln**
Ramped Amount: **$820mm ($138mm [redacted]**
Executed CDS: **$174mm**
Funded Bonds: **$508mm**
- $138mm of warehouse assets held at [redacted]
[redacted] Goldman has $682mm of risk [redacted]
- Executing CDO take-out: Showing super seniors to [redacted] sub AAA notes to [redacted] and [redacted] mezz notes to [redacted] equity to [redacted] and [redacted] Will commence open marketing following Anderson, Greywolf, and Dillon Read closings.
- Recorded -$41mm as of 3/13

| GSC ABS II - GS 100% | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | - | - | - | 10,000,000 | 10,000,000 |
| AA | 87,012,000 | 43,243,000 | - | 68,269,000 | 198,524,000 |
| A | 53,945,000 | 302,182,000 | 212,333,396 | 41,536,000 | 609,996,396 |
| BBB | - | - | - | - | - |
| Total | 140,957,000 | 345,425,000 | 212,333,396 | 119,805,000 | 818,520,396 |



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**C. Hout Bay II**
Deal Size: **$500mm**
Ramped Amount: **$379mm**
Executed CDS: **$201mm**
Funded Bonds: **$178mm**
- 50% warehouse risk sold to Investec to a $10mm cap. Goldman has 100% risk above $20mm and 50% of risk on first $20mm.
- Executing CDO take-out: [redacted] committing to 50% equity, 50% BBBs, and 50% As. Discussing super seniors with [redacted] and [redacted]
- Recorded -$8.7mm as of 3/13

| Hout Bay II - GS 50%. 100% above $20mm | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | - | - | 4,993,468 | - | 4,993,468 |
| AA | - | - | 67,891,125 | - | 67,891,125 |
| A | - | 2,000,000 | 304,089,909 | - | 306,089,909 |
| BBB | - | - | - | - | - |
| Total | - | 2,000,000 | 376,974,502 | - | 378,974,502 |

**D. Altius IV**
Deal Size: **$1.5bln**
Ramped Amount: **$908mm**
Funded Bonds: **$908mm**
- 50% warehouse risk sold to [redacted] to a $3mm cap. Goldman has 100% risk above $6mm and 50% of risk on first $6mm.
- Executing CDO take-out: [redacted] looking at super senior (top 85%). [redacted]s approved to finalize super senior credit at 7bp and [redacted]s looking at funding at 16bp. $3mm equity sold to [redacted]
- Warehouse has no subprime RMBS assets.
- Recorded -$7.7mm as of 3/13

| Altius IV - GS 50, 100% above $6mm | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | 342,201,000 | | | 186,257,000 | 190,987,000 |
| AA | 30,589,000 | | | 202,163,000 | 118,580,000 |
| A | 29,825,000 | | | 117,125,000 | 76,611,000 |
| BBB | - | - | - | - | - |
| Total | 402,615,000 | - | - | 505,545,000 | 908,180,000 |



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**E. Anderson Funding / GSC Mezz deal**
Deal Size: **$305mm**
Ramped Amount: **$305mm**
Executed CDS: **$300mm**
Funded Bonds: **$5mm**
- Deal priced 3/12/07 thereby transferring risk to GSCo.
- Goldman is taking 100% of equity, GSC is taking 100% of BBBs,
- Goldman is marketing the remaining A, AA, AAA liabilities.
- Citi, Treasury and RBS looking at AAAs, 10+ accounts doing work on subordinate debt. Stark is looking at equity.
- Recorded -$22.9mm as of 3/13

| Anderson Funding - GS 60%, 100% above $10mm | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | | | | | - |
| AA | | | | | - |
| A | | | | | - |
| BBB | | 300,000,000 | 5,000,000 | | 305,000,000 |
| Total | - | 300,000,000 | 5,000,000 | - | 305,000,000 |

**F. Paramax**
Deal Size: **$1bln**
Ramped Amount: **$224mm**
Executed CDS: **$170mm**
Funded Bonds: **$54mm**
- 50% warehouse risk sold to [redacted] to a $10mm cap. Goldman has 100% risk above $20mm and 50% of risk on first $20mm.
- Discussing CDO take-out: [redacted] is considering commitment on super seniors in return for half the equity returns. [redacted] considering super seniors. [redacted] committed to 50% of equity. Will commence open marketing following Anderson, Greywolf, and Dillon read closings.
- Recorded -$5.6mm as of 3/13

| Paramax - GS 50%, 100% above $20mm | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | | | | | - |
| AA | | | | | - |
| A | | | 224,352,677 | | 224,352,677 |
| BBB | | | | | - |
| Total | - | - | 224,352,677 | - | 224,352,677 |



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[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

**G. Dillon Read**
Deal Size: **$1bln**
Ramped Amount: **$1bln**
- 50% warehouse risk sold to Dillon Read (no cap) and 90% of top $700mm sold to Natixis. Natixis is considering some equity.
- Executing CDO take-out: Dillon Read committed on 50% of the equity. Currently marketing in Asia and Europe. Target pricing date of April 9th.
- Recorded -$17.7mm as of 3/13

| Dillon Read - GS 50% | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | | | | | - |
| AA | | | | | - |
| A | | | 1,009,106,871 | | 1,009,106,871 |
| BBB | | | - | | - |
| Total | - | - | 1,009,106,871 | - | 1,009,106,871 |

**H. Cohen**
Deal Size: **$400mm**
Ramped Amount: **$70mm**
Executed CDS: **$20mm**
Funded Bonds: **$50mm**
- 50% warehouse risk sold to [redacted] (no cap).
- On hold. Given equal risk sharing this transaction makes sense to push through so long as Cohen agrees to primarily buy BBB securities from GS.
- Recorded -$4.2mm as of 3/13.

| Cohen - GS 50% | RMBS Prime | RMBS Subprime | CDO | CMBS/Other | Total |
|---|---|---|---|---|---|
| AAA | - | | - | - | - |
| AA | - | | - | - | - |
| A | - | | 19,896,741 | | 19,896,741 |
| BBB | | | 49,864,613 | | 49,864,613 |
| Total | - | - | 69,761,354 | - | 69,761,354 |



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III. **Hedges**

In 2006, we added $210mm of single-name CDS shorts on structured product CDO AAA, AA, and A rated liabilities. This is both a hedge against our warehouse exposure and a hedge against our structured product CDO take-out on the liability side. Additionally, in early 2007, we added $1.85bln of ABX 06-1 and 06-2 shorts in the AAA, A, BBB, and BBB- tranches and $100mm of CMBX BBB shorts. Details on all of our short positions (which are marked to market daily) are detailed below:

| Index | Tranche | Size |
|---|---|---|
| ABX 2006-1 | AAA | -500,000,000 |
| ABX 2006-1 | AAA | -200,000,000 |
| ABX 2006-1 | AAA | -250,000,000 |
| ABX 2006-1 | A | -750,000,000 |
| ABX 2006-1 | BBB | -25,000,000 |
| ABX 2006-2 | BBB | -75,000,000 |
| ABX 2006-2 | BBB- | -50,000,000 |
| CMBX | BBB | -100,000,000 |
| AAA CDS HG | AAA | -100,000,000 |
| AA CDS HG | AA | -60,000,000 |
| A CDS HG | A | -25,000,000 |
| A CDS Mezz | A | -25,000,000 |
| | | $ (2,160,000,000) |

Our net exposure after simply subtracting our notional of shorts vs. our notional of warehouse long positions (after subtracting out any pre sold risk), leaves Goldman (including GSI and GSCo) net long $800mm of warehouse risk.



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[redacted] = Redacted by the Permanent Subcommittee on Investigations

**From:** Black, Robert N
**Sent:** Monday, March 12, 2007 2:23 PM
**To:** Bieber, Matthew G.; Wisenbaker, Scott
**Cc:** Ostrem, Peter L; Chitson, Michele; Mishra, Deva R.; Lin, Shelly
**Subject:** RE: Anderson - some thoughts on the book...

Matt,

We will keep pushing the axe. Below is specific feedback to your inquiries.

Duquesne - Low delta account, Lauren should have more tangible feedback for us today
Teachers - too much New Century exposure. They are out
Old Lane - they would look at the equity in the mid to high 30s...is this a context where we trade?
FFTW - Candee coming back to us.
GM Pension - bandwith issue, they will focus on this trade after they clear [redacted] in que
Paramax - Did we counter their proposal ojn the [redacted]
FSI - Spencer getting feedback
Evergreen - Do not like the synthetic underlying
MetWest - Logging Checking
ADIA - Checking, low delta, they are looking for [redacted] now and more focused on Agency product.
MBIA -- Davilman Chscking

**From:** Bieber, Matthew G.
**Sent:** Saturday, March 10, 2007 2:40 PM
**To:** Wisenbaker, Scott; Black, Robert N
**Cc:** Ostrem, Peter L; Chitson, Michele; Mishra, Deva R.; Lin, Shelly
**Subject:** Anderson - some thoughts on the book...

Looks like we have a decent number of accounts looking at the deal. There are several outstanding run requests which should all go out Monday morning, if not before (Lehman Prop, DB Prop, Turnberry).

**Duquesne** - Lauren Karp mentioned they were looking at each of Anderson, Timberwolf and Point Pleasant but don't see any feedback in the sheet.
**Teachers** - At one point Gail mentioned they were looking at the deal - have they dropped?
**Old Lane** - do they still want call with GSC?
**FFTW** - pricing on [redacted] right at their bogey. We should press Candee to see what other info they need to put an order in
**TCW** - Had call with GSC last week. We should follow up to see where they stand.
**GM Pension** - what other runs do they need to see from us?
**A-1-a Notes (as default swap collateral)** - Peloton (for Broadwick), Clinton (Adirondack 2005-1, Adirondack 2005-2), Aladdin (Fortius I, Fortius II, Altius I, Altius III), GSC (2006-3g)
**Paramax** - what do they need from us?
**FSI** - what levels interest them?
**Turberry** - requested runs - are they looking at the [redacted] (looking at [redacted] tranche in TWOLF)
**IXIS** - would they have any interest further up the capital structure?
**Fidelity** - Have historically been interested in [redacted] (and expressed recent interest). Given [redacted] tranche, it may be equally attractive to them, especially at the spread we're talking the tranche. Possible to follow up with Nicole?
**ADIA** - would they be interested in [redacted] given the WAL profile?
**Evergreen** - Have participated in [redacted] tranches in the past ([redacted] Can we have sales see if there's interest in

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**Footnote Exhibits - Page 3210**

[redacted]
**Metwest** - Have participated in [redacted] in the past [redacted]. Can we have sales see if there's interest in [redacted]?

**MBIA** - Davilman has them focused at the moment on the [redacted] in Timberwolf, but we should see what they can do on the [redacted] in Anderson.

Also, is there any feedback from the sales force on managers with reinvestment periods? Looks like majority of feedback still centers around deals that are currently ramping.

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**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



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GS MBS-E-019164806

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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 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.



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**From:** Bieber, Matthew G.
**Sent:** Tuesday, March 13, 2007 6:51 AM
**To:** Ostrem, Peter L
**Subject:** Timberwolf -Greywolf
**Importance:** High

**My thoughts on topics Greg wants to discuss later this morning.....**

**From:** Greg Mount
**Sent:** Wednesday, March 07, 2007 3:04 PM
**To:** 'Ostrem, Peter L'; Bieber, Matthew G.
**Cc:** Joe Marconi
**Subject:** FW: Timberwolf I, Ltd. Preliminary Offering Circular
**Importance:** High

Pete / Matt –

Couple of things on this:

1) We will not be fully ramped and I want to use the remaining bucket strategically. Is it OK if we have 5% ramped post close?

We represented to BSAM that deal would be fully ramped upon closing. As long as they're ok (or get veto rights), I don't have any issue.

2) As we discussed, we didn't expect to close for 5 – 6 weeks. You indicated that you could do long settle or otherwise finance us for that time period. We need to discuss that, as we would like to mimic the current collateral posting, carry and other aspects of our current arrangement.

Thought we already went back to them on this and said that we could settle post close. Wed., April 11th is about 5 weeks from when we had this exchange, so we should propose to settle securities on that date.

3) We want to sell these securities. We want to make sure that we and you are on the same page and that we don't lose distribution momentum by pricing.

Still focused on selling the bonds....

We understand your urgency here. Do you have any more info re how that might unfold?

Thanks,
Greg

**From:** Sharp, Gaelyn [mailto:gsharp@orrick.com]
**Sent:** Wednesday, March 07, 2007 2:02 PM
**To:** dgerard@sidley.com; Greg Mount; Joe Marconi; Mark Matthews
**Cc:** matthew.bieber@gs.com; connie.kang@gs.com; Shimonov, Roman; West, Ariane; Saini, Rhea; Racic, Mark; Raff, Joshua E.; Moskowitz, Kara; Kim, Chris; Chang, Eunsu
**Subject:** RE: Timberwolf I, Ltd. Preliminary Offering Circular
**Importance:** High

As most of you are aware, the timing for this transaction has been accelerated and we are now targeting closing for

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the **end of next week**. In light of that schedule we will be moving straight to the black which we will need to finalize and print early next week. Please send us any comments you may have on the OC as soon as possible, including any updates to the Greywolf section and bios. We will be distributing first drafts of the Indenture, Glossary, CDS, and Collateral Management Agreement today and tomorrow and would greatly appreciate you immediate attention to those as well.

Thank you for your help -

Gaelyn Sharp
Orrick, Herrington & Sutcliffe LLP
212-[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

---

**From:** Moskowitz, Kara
**Sent:** Tuesday, March 06, 2007 7:36 PM
**To:** dgerard@sidley.com; greg.mount@greywolfcapital.com; joe.marconi@greywolfcapital.com; Mark Matthews
**Cc:** matthew.bieber@gs.com; connie.kang@gs.com; 'Shimonov, Roman'; 'Robertson, Andrew X'; Sharp, Gaelyn; Saini, Rhea
**Subject:** Timberwolf I, Ltd. Preliminary Offering Circular

In connection with the Timberwolf I, Ltd. transaction, attached please find an initial draft of the Preliminary Offering Circular. As we would like to print early next week, we would appreciate it if you could submit your comments by the end of the day on Thursday, March 8th.

Please note that this version is being distributed simultaneously to all parties, and that it therefore remains subject to revision and review in all respects.

Best regards,

Kara

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*email* kmoskowitz@orrick.com
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**From:** Birnbaum, Josh
**Sent:** Tuesday, May 15, 2007 9:21 AM
**To:** Swenson, Michael
**Subject:** RE: Goldman Sachs ABS Commentary 5/14 (external)

What a beautiful quote.

-----Original Message-----
From: Swenson, Michael
Sent: Tuesday, May 15, 2007 7:01 AM
To: Lehman, David A.; Sparks, Daniel L; Birnbaum, Josh
Subject: Re: Goldman Sachs ABS Commentary 5/14 (external)

I would characterize this as a great opportunity to be constructive on the market

----- Original Message -----
From: Lehman, David A.
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh
Sent: Tue May 15 06:55:07 2007
Subject: RE: Goldman Sachs ABS Commentary 5/14 (external)

Given the sizeable short interest in ABS/subprime mkt it does not surprise me that short covering is pushing spds tighter

Not sure I would enter new longs here

-----Original Message-----
From: Sparks, Daniel L
Sent: Tuesday, May 15, 2007 6:47 AM
To: Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Subject: FW: Goldman Sachs ABS Commentary 5/14 (external)

Is this a head fake or does this make you bullish on all spread product

-----Original Message-----
From: Chin, Edwin
Sent: Monday, May 14, 2007 10:20 PM
Subject: Goldman Sachs ABS Commentary 5/14 (external)

Incredible as it may seem, the subprime mortgage slump is already distant memory for some. It's been two months since the ABX market plunged amid worries about a housing meltdown, and already investors (and some dealers) are beginning to get "complacent" again. Blame it on the CDO bids, but with subprime production projected down 40-60% from last year's level, appetite for spread products triumphs any risk concern in the marketplace right now. ABX Index is trading higher as dealers short cover their single name positions after a month of range-bound trading. Flows continue to weigh toward better seller of protection - longs outpace shorts by 3 to 1 as CDO demand has been robust the last two weeks. While warehouse activities might be slow, many CDOs are still looking to finish up their ramp post-closing. Other notable trends/themes:

1) I estimate BWIC's hit ratio to be about 25%. Few names trade as CDOs all gravitate to the better 05/07 names in the market. While there were 500mm-1bn of single-name CDS out for the bid each day, reserve levels remained out of reach for most dealers, and the majority failed to trade.

2) With DOW at all time high, the bears have been largely standing on the sidelines. The protection buying euphoria has faded to a certain degree, but mostly because hedge funds have expanded their playground beyond subprime - already CMBS/CLOs are showing some cracks.



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3) The basis between seasoned 05/newer 07 production and weaker 06 names continues to expand.

4) Cash bonds are beginning to catch a bid in the market as many single names fail to trade because of tight levels. Flows have picked up last week as we sold over $200MM A3/BBB+ paper. We continue to recommend investors buying cash bonds outright and/or buying protection to take advantage of the inverted basis.

As for trade idea, at the current spread levels, there is no obvious fundamental trade. We recommend putting on basis trades and capital structure trades that provide positive carry. For example, buy weaker 05/06 single-As like WMC and NC that are trading north of +200bps while buy protection on single-As that are trading below +90bps. For those who believe in convergence and high correlation these paired trades can pick up significant spreads in most scenarios. Also, for those who might have missed the opportunity to buy protection back in December/January, this is a very good entry point to load up on single-name protection that trades significantly cheap to the index.

Closes were:

ABX.HE.07-1 Closes

| | Price | Spread | Change |
|---|---|---|---|
| AAA | 99-24 | 14 | -4bp |
| AA | 99-14 | 31 | +0bp |
| A | 95-16 | 196 | -4bp |
| BBB | 79-08 | 857 | +4bp |
| BBB- | 73-08 | 1229 | -20bp |

ABX.HE.06-2 Closes

| | Price | Spread | Change |
|---|---|---|---|
| AAA | 99-24 | 17 | -4bp |
| AA | 99-16 | 33 | +0bp |
| A | 96-16 | 159 | -4bp |
| BBB | 84-00 | 685 | -12bp |
| BBB- | 77-04 | 1055 | -44bp |

ABX.HE.06-1 Closes

| | Price | Spread | Change |
|---|---|---|---|
| AAA | 100-08 | 12 | -1bp |
| AA | 100-00 | 32 | +0bp |
| A | 98-28 | 97 | -4bp |
| BBB | 94-12 | 380 | +0bp |
| BBB- | 90-10 | 661 | -22bp |



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# CDO Platform Overview

Goldman Sachs

June 2007

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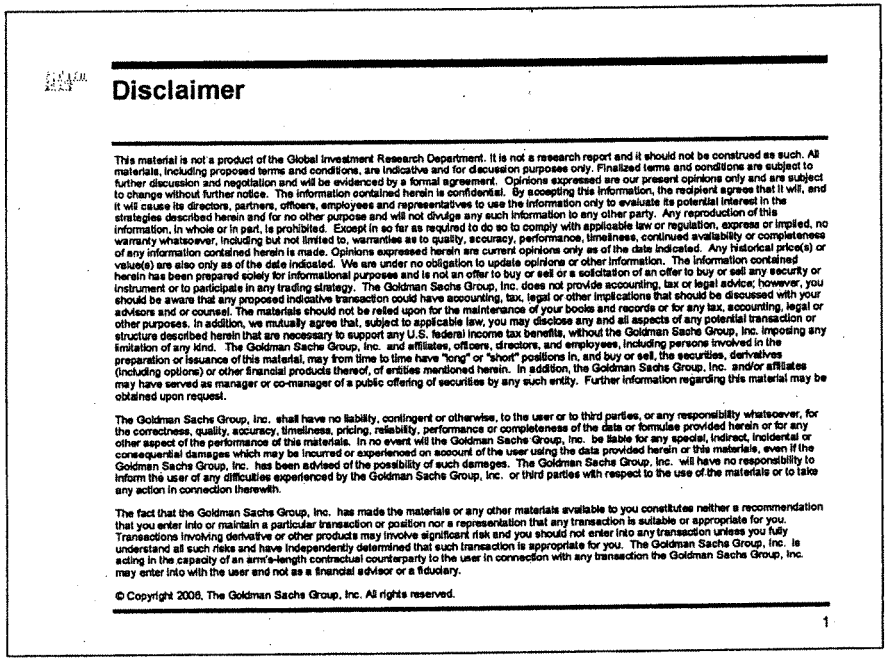

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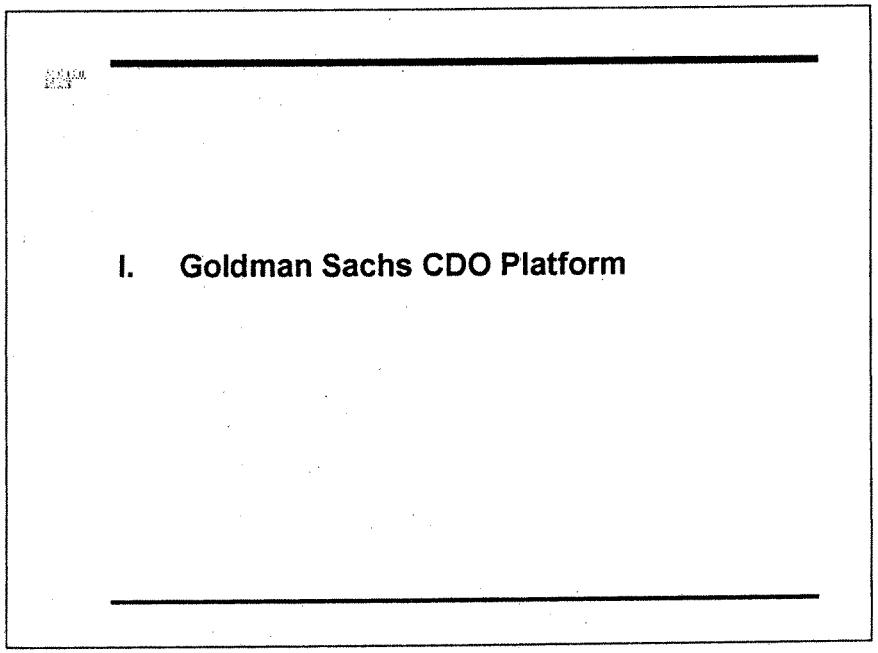


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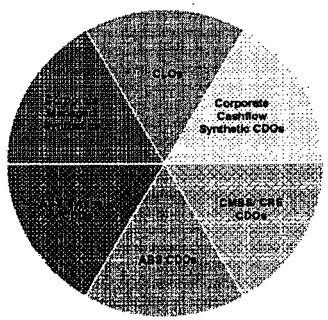
## Goldman Sachs CDO Platform

**Breakdown by Products**

- Goldman Sachs CDO business sits in the Fixed Income, Currency & Commodities Division
- Global business operating in North America, Europe, the Middle East & Asia
- Full spectrum of product capabilities across cash, synthetic and hybrid CDOs

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# Goldman Sachs European CLOs

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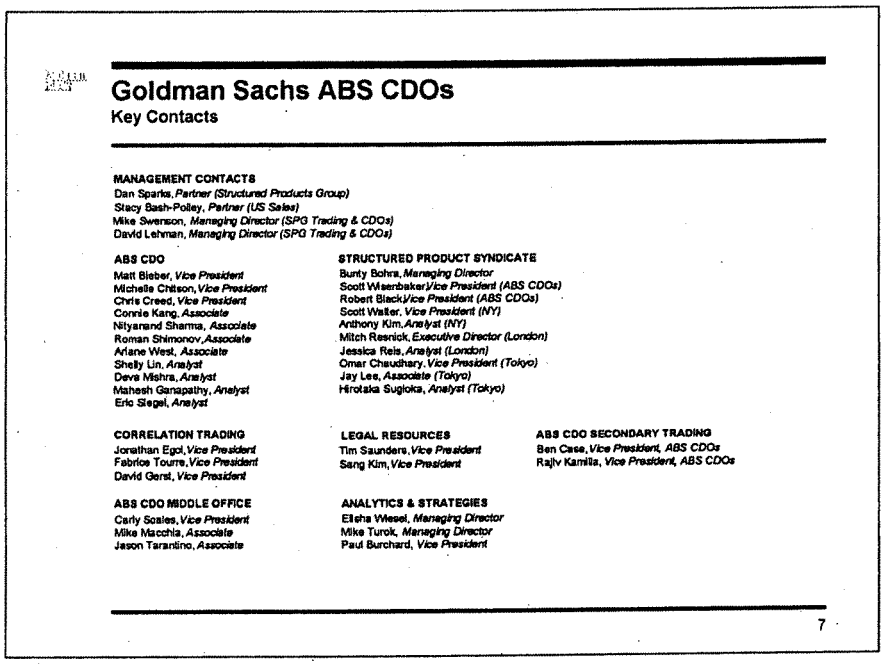

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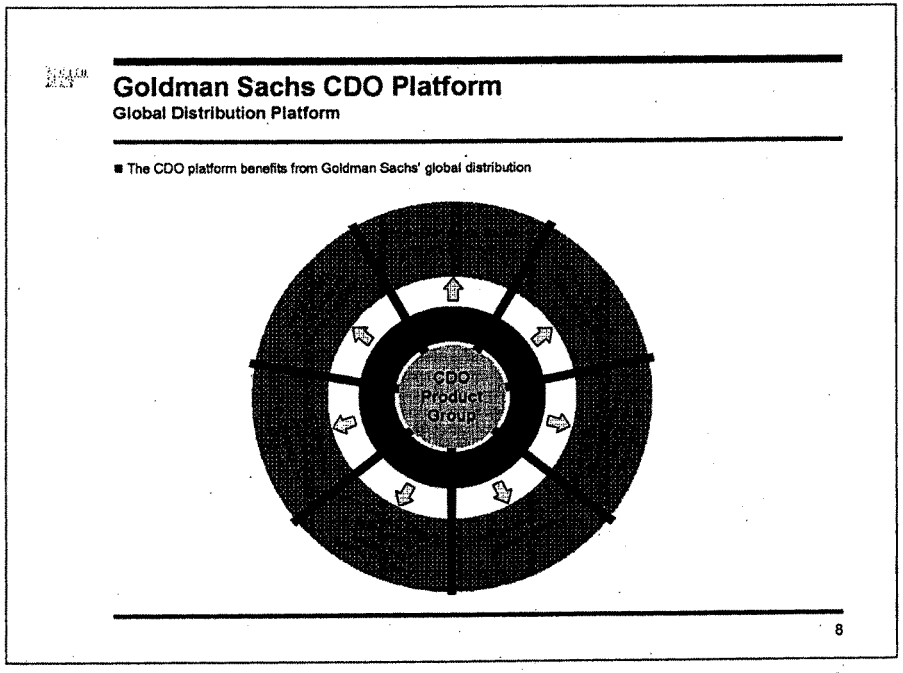


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# Goldman Sachs CDO Platform

## Global Bookrunners Collateralized Debt Obligations

| | | 2006 Issuance ($Mil.) | No. of Deals | Market Share (%) | 2005 Ranking | 2005 Issuance ($Mil.) | No. of Deals | Market Share (%) |
|---|---|---|---|---|---|---|---|---|
| 1 | Merrill Lynch | $54,153.50 | 87 | 12.2 | 2 | $27,327.10 | 45 | 11.3 |
| 2 | Deutsche Bank | 34,666.10 | 88 | 7.8 | 7 | 12,281.40 | 42 | 5.1 |
| 3 | Citigroup | 32,671.10 | 60 | 7.4 | 1 | 28,148.60 | 43 | 11.7 |
| 4 | Goldman Sachs | 32,440.30 | 51 | 7.3 | 5 | 14,539.60 | 30 | 6.0 |
| 5 | Credit Suisse | 25,364.70 | 43 | 5.7 | 10 | 11,178.90 | 32 | 4.6 |
| 6 | Bear Stearns | 23,091.90 | 46 | 5.2 | 6 | 12,963.60 | 39 | 5.4 |
| 7 | UBS | 21,937.70 | 70 | 4.9 | 13 | 7,142.00 | 18 | 3.0 |
| 8 | Banc of America | 21,858.80 | 51 | 4.9 | 12 | 10,072.90 | 34 | 4.2 |
| 9 | J.P. Morgan Chase | 20,608.40 | 43 | 4.6 | 8 | 11,791.60 | 26 | 4.9 |
| 10 | Wachovia | 19,519.70 | 44 | 4.4 | 4 | 17,325.70 | 32 | 7.2 |
| 11 | Morgan Stanley | 19,225.40 | 68 | 4.3 | 9 | 11,305.60 | 42 | 4.7 |
| 12 | Calyon | 18,744.70 | 65 | 4.2 | 16 | 2,698.00 | 36 | 1.1 |
| 13 | Barclays Capital | 17,837.60 | 82 | 4.0 | 3 | 17,705.80 | 18 | 7.3 |
| 14 | IXIS Securities | 17,759.50 | 27 | 4.0 | 14 | 6,664.60 | 12 | 2.8 |
| 15 | Royal Bank of Scotland | 16,348.50 | 26 | 3.7 | 15 | 4,044.00 | 12 | 1.7 |
| 16 | Lehman Brothers | 15,776.70 | 47 | 3.5 | 11 | 10,630.00 | 37 | 4.4 |
| 17 | BNP Paribas | 5,221.90 | 14 | 1.2 | 17 | 2,145.10 | 19 | 0.9 |
| 18 | Fortis Bank | 5,090.90 | 9 | 1.1 | 18 | 594.30 | 5 | 0.2 |
| | OTHERS | 23,042.00 | 42 | 5.2 | | 32,705.40 | 69 | 13.5 |
| | TOTAL | 445,279.10 | 965 | 100.0 | | 241,263.60 | 593 | 100.0 |

Source: Asset-Backed Alert as of January 2007

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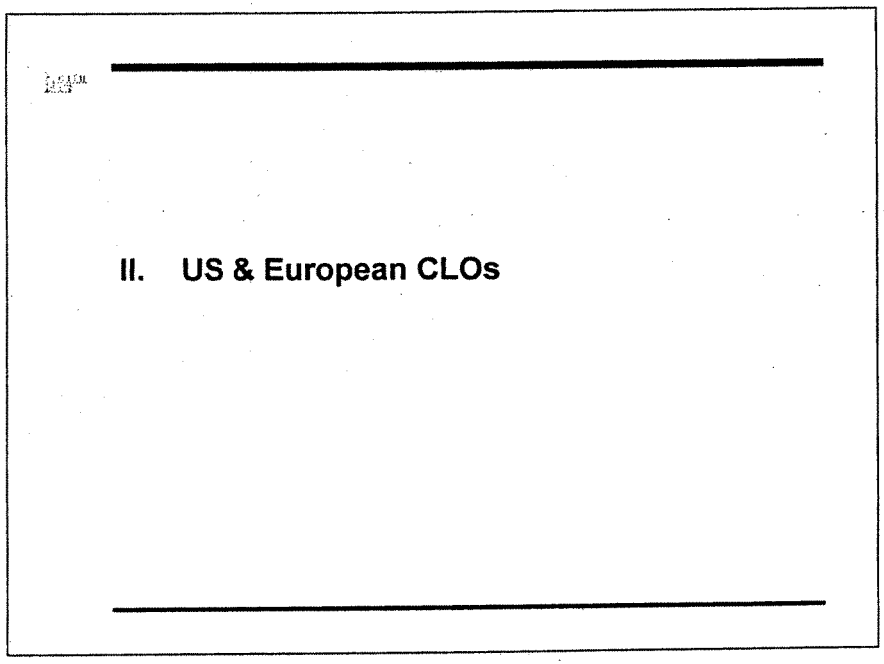


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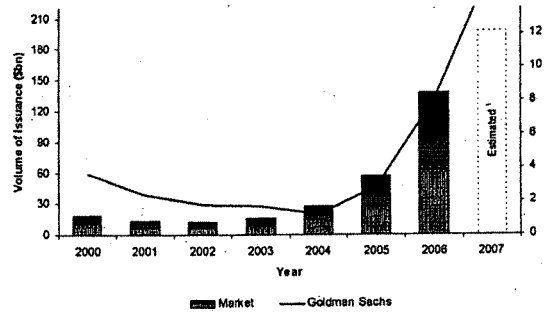
# U.S. & European CLOs

## Significant Growth and Expansion in CLOs

- The CLO market has experienced dramatic growth in transaction volume over the last 3 years
- From 2004 to 2006, the annual market growth rate has been approximately 125.0%, while Goldman Sachs has experienced an annual growth rate of 157.0% over the same time period
- In 2007 Goldman Sachs expects to originate $15.6 billion of CLOs in U.S. and Europe




¹ US CLO estimate from S&P Leveraged Lending Review Q4 2006; Euro CLO estimate interpolated from historical growth
Source: IFR, MCM, JPM, Bloomberg and Asset-Backed Alert







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## US & European CLOs
### Transaction Types

**Traditional Broadly Syndicated Leveraged Loan CLO Transactions**

- Continues to form the backbone of our pipeline
- Cash arbitrage transactions backed by traditional leveraged loans with ratings around B1
- Repeat mandates from franchise clients (Fidelity, Ares, etc) to first time collateral managers
- Trending towards larger 2nd Lien / High-yield Bond buckets in search of yield

**Middle Market CLO Transactions**

- Primary focus on "club" loan deals, typically in total loan issue sizes of $30mm - $150mm and ratings around B3
- Drawing spotlight as the sweet spot of cash arbitrage transactions
- More managers looking to expand into the middle market loan space
- Asset-sourcing capabilities of managers, warehousing risk are among Goldman's concerns and we typically enter into risk sharing agreements

**[illegible]**

- Provide for non-recourse, long duration term-financing vs. total return swap / repo agreements with mark-to-market risks
- Generally exhibit low-leverage structure to give manager room for ramp-up, trading flexibilities
- Manager typically commits to a significant portion of the equity

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## US & European CLOs
### What Differentiates Us From Our Competitors

- Goldman Sachs' CLO platform is a joint venture between Leveraged Finance and Structured Products
  - Goldman Sachs among the top five banks in volume of leveraged loan issuance
  - CLO managers benefit from preferential allocation process in the primary loan market
  - Secondary trading facilitates managers' asset acquisition during initial warehouse ramp-up and beyond
  - CLO business able to leverage strong manager relationships cultivated by Bank Loan Sales desk
  - CLO managers have access to the global resources and credit research of the Distressed Investing Group
- Creativity and opportunistic risk taking
  - Goldman Sachs and Zais Group, LLC. launched US EPICS, a $180 million CLO equity fund which closed in June 2005, and Euro EPICS, a €257 million CLO equity fund which closed in May 2006
  - Goldman Sachs developed a new risk management technology that allowed for the CLO equity funds to be offered in principal protected form, mitigating some potential risks associated with CDO investments
  - The fund provided leveraged exposure to a highly diversified pool of senior secured bank loans of varying management styles
- Ongoing customer service
  - Many of our issuers are satisfied repeat customers
  - We work closely with managers on an on-going basis to modify structural covenants as required to provide incremental flexibility in a changing market environment (including reducing coupon and spread constraints, changes in the fixed and floating collateral percentages, adjustment to swaps)
- Emphasis on transparency
  - All transactions on INTEX since May 2002
  - Goldman Sachs CDO Monthly transaction surveillance updates
  - "NORMA" – CDO analytical tool that we developed to analyze closed CDOs

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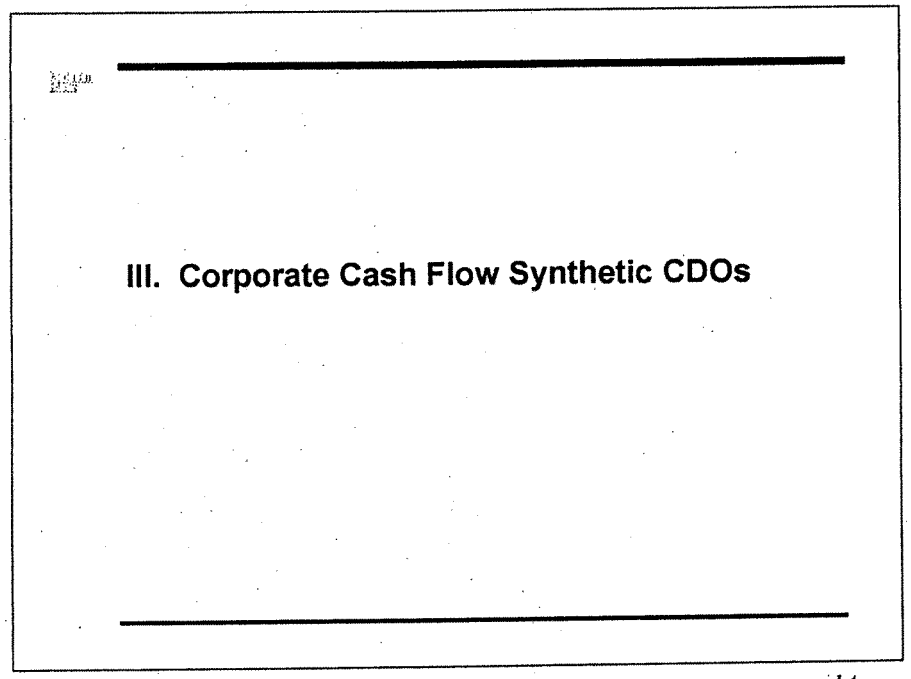






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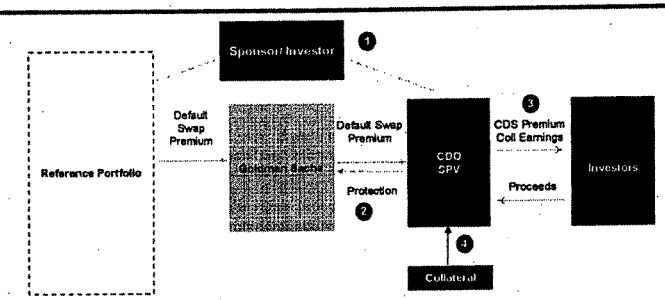
## Corporate Cash Flow Synthetic CDOs
### Structural Overview




1. Investor/ Sponsor will select a portfolio of Reference Entities subject to criteria of diversity, rating and spread and will undertake active discretionary management*
2. Goldman Sachs buys protection from the SPV on losses in the Reference Portfolio via a Portfolio Credit Default Swap referenced to the Reference Portfolio.
3. The SPV will pass through the CDS premium and interest proceeds on the high grade Collateral (#4 below) through the interest collection account. At maturity, principal proceeds will be released through the principal collection account.
4. Proceeds from issuance (net of upfront fees) are used to purchase high grade Collateral. This pays the LIBOR component of the note (and equity) coupon and collateralises the default swap exposure

* Investor/ Sponsor will sell protection on individual reference entities with Goldman Sachs or other CDS dealers and assign them to Goldman Sachs as swap counterparty to the CDO







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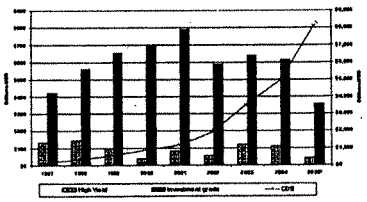
## Corporate Cash Flow Synthetic CDOs
### Overview

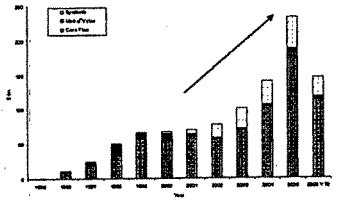
- Goldman Sachs is a leading arranger of corporate synthetics
  - Ranked #1 in Structured Credit by Institutional Investor End User Survey in 2006
  - Ranked Best Global Credit Derivative House by Euromoney in 2006
- Single name credit default swaps have grown to a multiple of the underlying cash market with much of the growth fueled by the CDO Market

**Growth of Single Name CDS Market (outstanding notional)**



Source: British Bankers Association Credit Derivatives Report 2003/2004; Standard and Poor's LCD; Bond Market Association

**Growth of Synthetic CDO Market**



Goldman, Sachs estimates. Synthetic issuance amounts refer to funded amounts.

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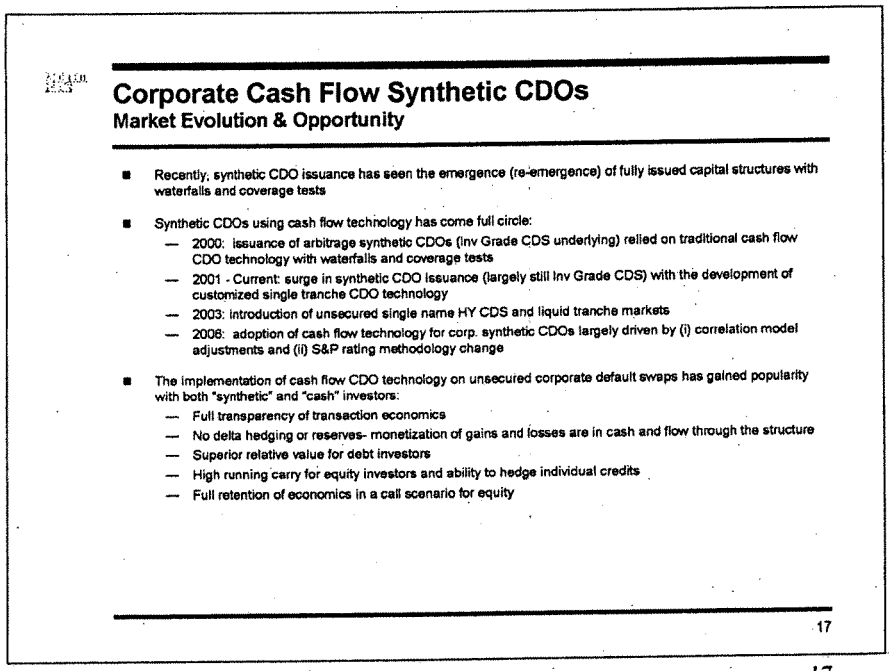

## Corporate Cash Flow Synthetic CDOs
### Market Evolution & Opportunity

- Recently, synthetic CDO issuance has seen the emergence (re-emergence) of fully issued capital structures with waterfalls and coverage tests
- Synthetic CDOs using cash flow technology has come full circle:
  - 2000: issuance of arbitrage synthetic CDOs (Inv Grade CDS underlying) relied on traditional cash flow CDO technology with waterfalls and coverage tests
  - 2001 - Current: surge in synthetic CDO issuance (largely still Inv Grade CDS) with the development of customized single tranche CDO technology
  - 2003: introduction of unsecured single name HY CDS and liquid tranche markets
  - 2006: adoption of cash flow technology for corp. synthetic CDOs largely driven by (i) correlation model adjustments and (ii) S&P rating methodology change
- The implementation of cash flow CDO technology on unsecured corporate default swaps has gained popularity with both "synthetic" and "cash" investors:
  - Full transparency of transaction economics
  - No delta hedging or reserves- monetization of gains and losses are in cash and flow through the structure
  - Superior relative value for debt investors
  - High running carry for equity investors and ability to hedge individual credits
  - Full retention of economics in a call scenario for equity

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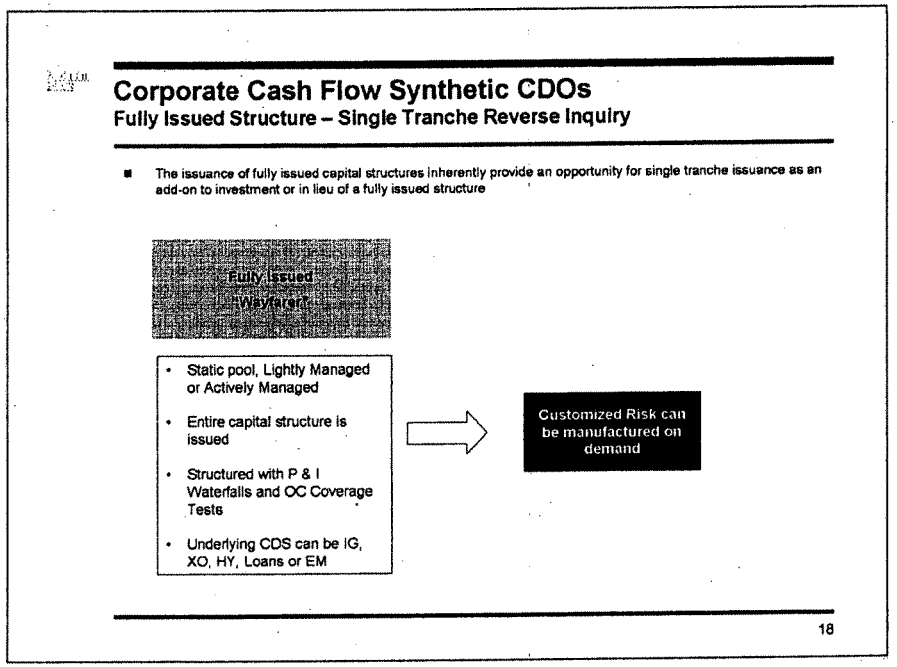






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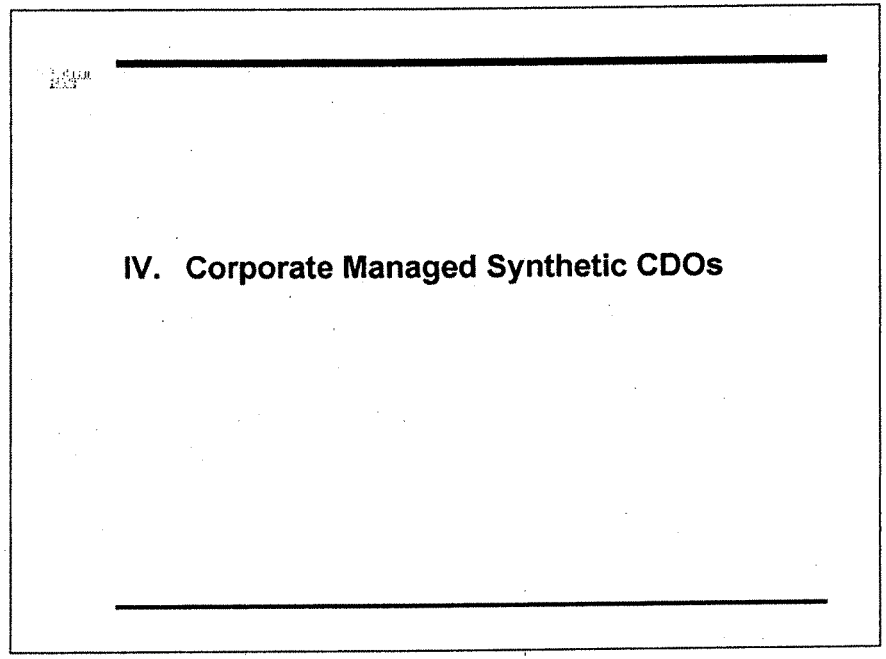


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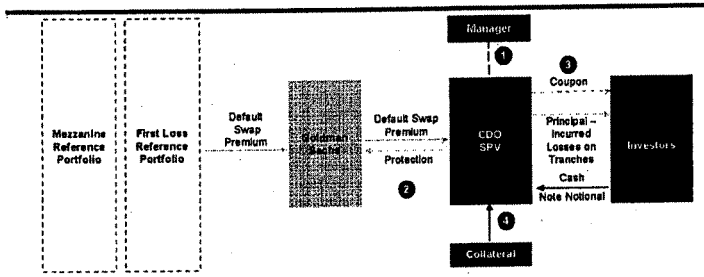
## Sample Transaction Structural Overview




| | |
|---|---|
| 1 | Manager will select a portfolio of Reference Entities subject to criteria of diversity, rating and spread and will undertake active management |
| 2 | Goldman Sachs buys protection from the SPV on losses in the Reference Portfolio that exceeds the agreed subordination via a Portfolio Credit Default Swap referenced to the Reference Portfolio |
| 3 | The SPV transfers exposure to the relevant tranche of risk via the issuance of a credit linked note which pays a credit contingent coupon and will redeem at par minus any Tranche Incurred Losses (i.e. losses above the agreed subordination) |
| 4 | Proceeds from the Notes are used to purchase high grade Collateral. This pays the LIBOR/EURIBOR component of the note coupon and collateralises the default swap exposure |

Note that Goldman Sachs may or may not hedge the exposures created with the market

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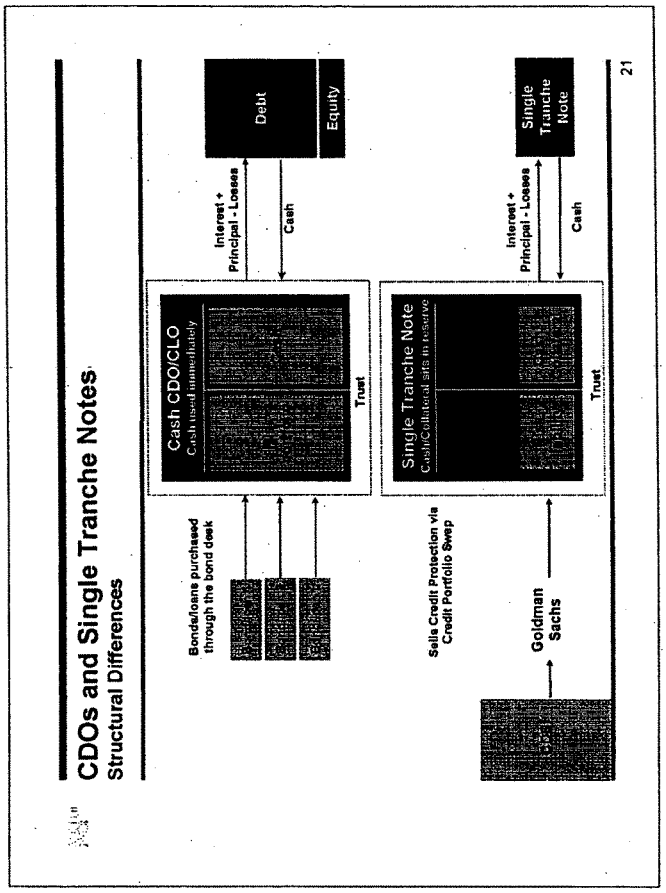
Footnote Exhibits 6/22/2007 Page 3239

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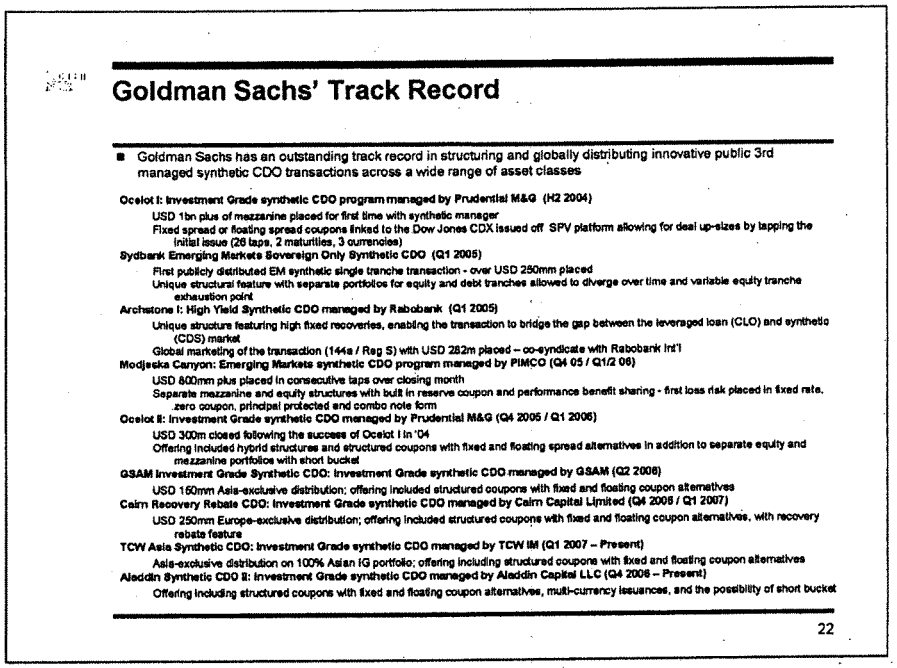

## Goldman Sachs' Track Record

- Goldman Sachs has an outstanding track record in structuring and globally distributing innovative public 3rd managed synthetic CDO transactions across a wide range of asset classes

**Ocelot I: Investment Grade synthetic CDO program managed by Prudential M&G (H2 2004)**
- USD 1bn plus of mezzanine placed for first time with synthetic manager
- Fixed spread or floating spread coupons linked to the Dow Jones CDX issued off SPV platform allowing for deal up-sizes by tapping the initial issue (26 taps, 2 maturities, 3 currencies)

**Sydbank Emerging Markets Sovereign Only Synthetic CDO (Q1 2005)**
- First publicly distributed EM synthetic single tranche transaction - over USD 250mm placed
- Unique structural feature with separate portfolios for equity and debt tranches allowed to diverge over time and variable equity tranche exhaustion point

**Archstone I: High Yield Synthetic CDO managed by Rabobank (Q1 2005)**
- Unique structure featuring high fixed recoveries, enabling the transaction to bridge the gap between the leveraged loan (CLO) and synthetic (CDS) market
- Global marketing of the transaction (144a / Reg S) with USD 282m placed – co-syndicate with Rabobank Int'l

**Modjeska Canyon: Emerging Markets synthetic CDO program managed by PIMCO (Q4 05 / Q1/2 06)**
- USD 800mm plus placed in consecutive taps over closing month
- Separate mezzanine and equity structures with built in reserve coupon and performance benefit sharing - first loss risk placed in fixed rate, zero coupon, principal protected and combo note form

**Ocelot II: Investment Grade synthetic CDO managed by Prudential M&G (Q4 2005 / Q1 2006)**
- USD 300m closed following the success of Ocelot I in '04
- Offering included hybrid structures and structured coupons with fixed and floating spread alternatives in addition to separate equity and mezzanine portfolios with short bucket

**GSAM Investment Grade Synthetic CDO: Investment Grade synthetic CDO managed by GSAM (Q2 2006)**
- USD 150mm Asia-exclusive distribution; offering included structured coupons with fixed and floating coupon alternatives

**Cairn Recovery Rebate CDO: Investment Grade synthetic CDO managed by Cairn Capital Limited (Q4 2006 / Q1 2007)**
- USD 250mm Europe-exclusive distribution; offering included structured coupons with fixed and floating coupon alternatives, with recovery rebate feature

**TCW Asia Synthetic CDO: Investment Grade synthetic CDO managed by TCW IM (Q1 2007 – Present)**
- Asia-exclusive distribution on 100% Asian IG portfolio; offering including structured coupons with fixed and floating coupon alternatives

**Aleddin Synthetic CDO II: Investment Grade synthetic CDO managed by Aladdin Capital LLC (Q4 2006 – Present)**
- Offering including structured coupons with fixed and floating coupon alternatives, multi-currency issuances, and the possibility of short bucket

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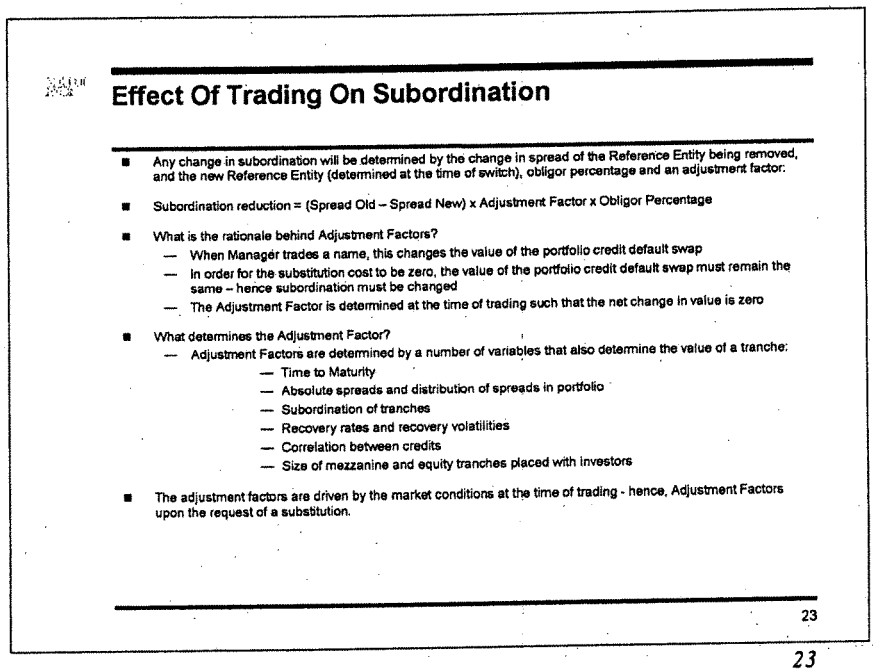






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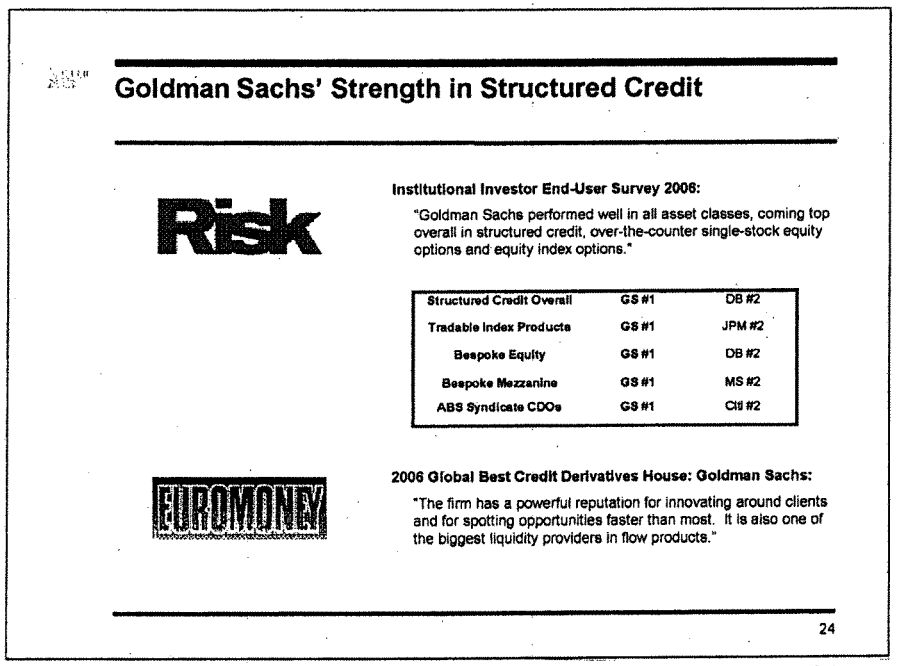

## Goldman Sachs' Strength in Structured Credit

Risk

**Institutional Investor End-User Survey 2006:**

"Goldman Sachs performed well in all asset classes, coming top overall in structured credit, over-the-counter single-stock equity options and equity index options."

| | | |
|---|---|---|
| Structured Credit Overall | GS #1 | DB #2 |
| Tradable Index Products | GS #1 | JPM #2 |
| Bespoke Equity | GS #1 | DB #2 |
| Bespoke Mezzanine | GS #1 | MS #2 |
| ABS Syndicate CDOs | GS #1 | Citi #2 |

EUROMONEY

**2006 Global Best Credit Derivatives House: Goldman Sachs:**

"The firm has a powerful reputation for innovating around clients and for spotting opportunities faster than most. It is also one of the biggest liquidity providers in flow products."

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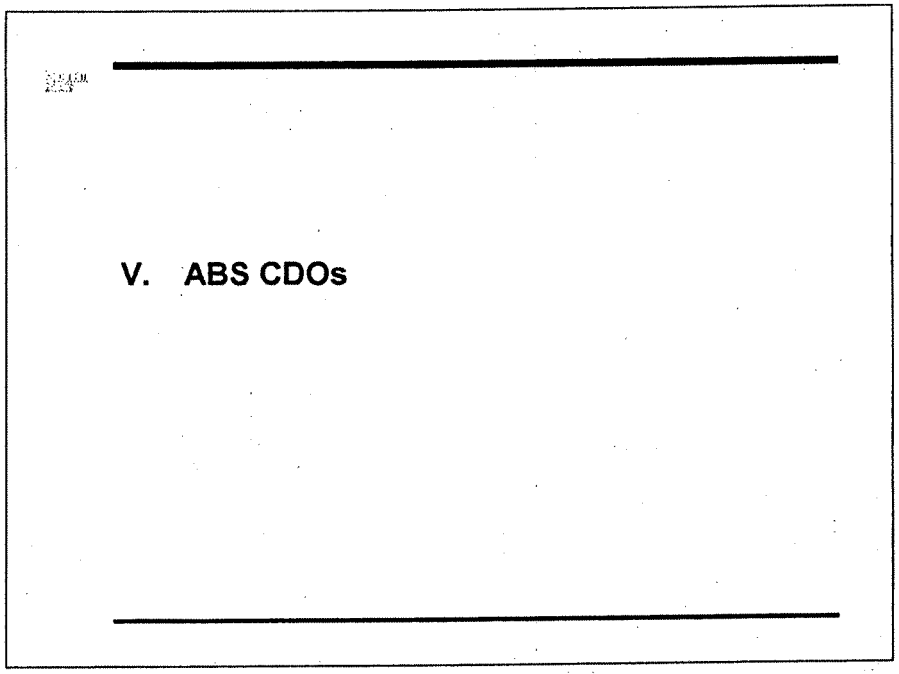


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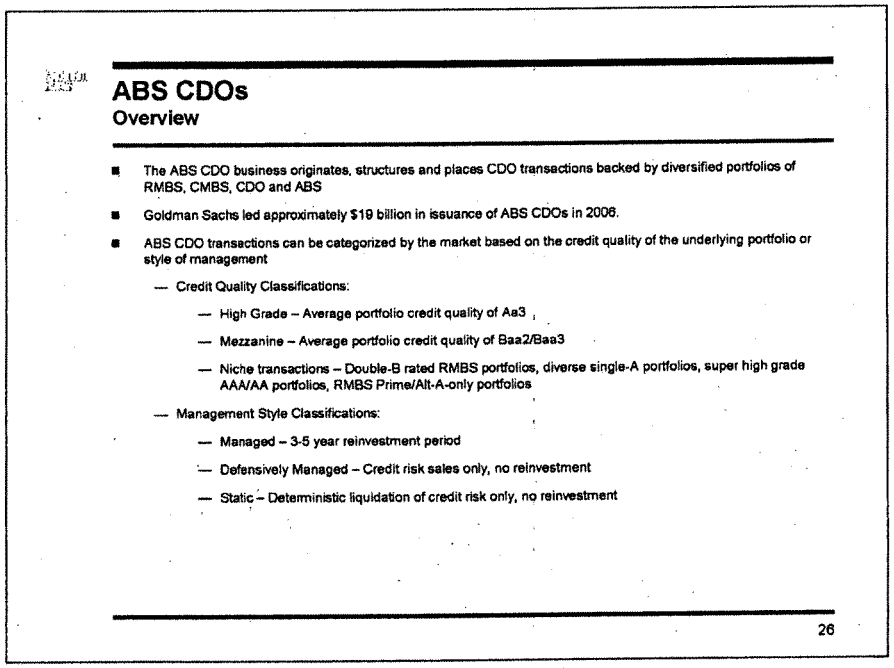

## ABS CDOs
### Overview

- The ABS CDO business originates, structures and places CDO transactions backed by diversified portfolios of RMBS, CMBS, CDO and ABS
- Goldman Sachs led approximately $19 billion in issuance of ABS CDOs in 2006.
- ABS CDO transactions can be categorized by the market based on the credit quality of the underlying portfolio or style of management
  - Credit Quality Classifications:
    - High Grade – Average portfolio credit quality of Aa3
    - Mezzanine – Average portfolio credit quality of Baa2/Baa3
    - Niche transactions – Double-B rated RMBS portfolios, diverse single-A portfolios, super high grade AAA/AA portfolios, RMBS Prime/Alt-A-only portfolios
  - Management Style Classifications:
    - Managed – 3-5 year reinvestment period
    - Defensively Managed – Credit risk sales only, no reinvestment
    - Static – Deterministic liquidation of credit risk only, no reinvestment

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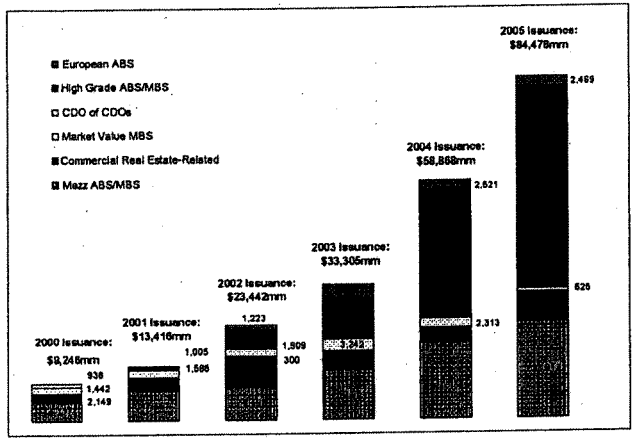
## ABS CDOs

### Issuance – Changing Composition (Deal Sizes)

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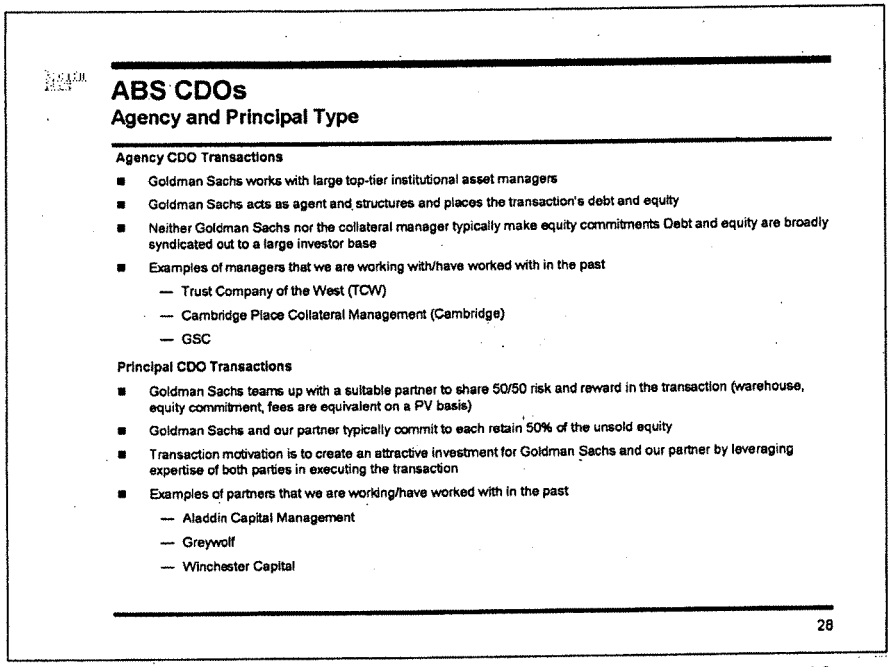

## ABS CDOs
### Agency and Principal Type

**Agency CDO Transactions**

- Goldman Sachs works with large top-tier institutional asset managers
- Goldman Sachs acts as agent and structures and places the transaction's debt and equity
- Neither Goldman Sachs nor the collateral manager typically make equity commitments Debt and equity are broadly syndicated out to a large investor base
- Examples of managers that we are working with/have worked with in the past
  - Trust Company of the West (TCW)
  - Cambridge Place Collateral Management (Cambridge)
  - GSC

**Principal CDO Transactions**

- Goldman Sachs teams up with a suitable partner to share 50/50 risk and reward in the transaction (warehouse, equity commitment, fees are equivalent on a PV basis)
- Goldman Sachs and our partner typically commit to each retain 50% of the unsold equity
- Transaction motivation is to create an attractive investment for Goldman Sachs and our partner by leveraging expertise of both parties in executing the transaction
- Examples of partners that we are working/have worked with in the past
  - Aladdin Capital Management
  - Greywolf
  - Winchester Capital

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## ABS CDOs
### Collateral Management Type

**Managed Transactions**

- Repayment of CDO liabilities locked-out for 3-5 years while Collateral Manager reinvests principal payments from portfolio in additional assets
- Annual discretionary trading of 10-15%
- Reinvestment and trading subject to pre-determined portfolio constraints
- Longer duration due to reinvestment period allows for higher transaction fees

**Defensively Managed Transactions**

- Collateral manager has discretion to make "credit risk" sales
- No reinvestment or substitution of principal proceeds, no discretionary trading
- Lower fee structure than managed transactions
- Risks and rewards of CDO transaction are shared 50/50 between Goldman and Collateral Manager (shared equity underwriting, warehouse risk sharing, fee arrangement)

**Static Transactions**

- No collateral manager
- 3rd party equity sponsor acts as silent partner that faces the Street assisting with sourcing collateral
- No reinvestment or substitution of principal proceeds, no discretionary trading
- Goldman acts as "liquidation agent", selling assets that are deemed "credit risk" based on pre-determined criteria within 1 year

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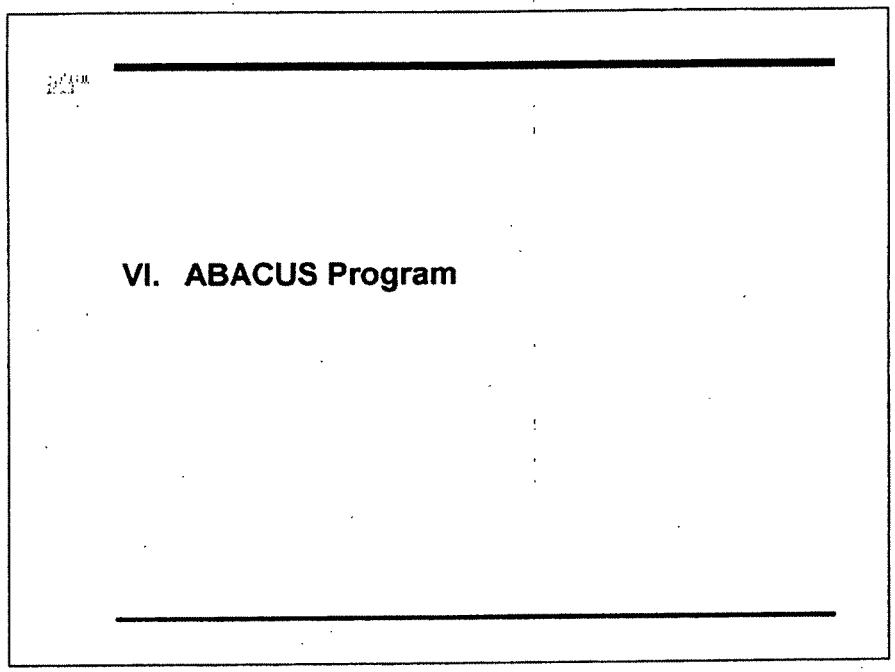


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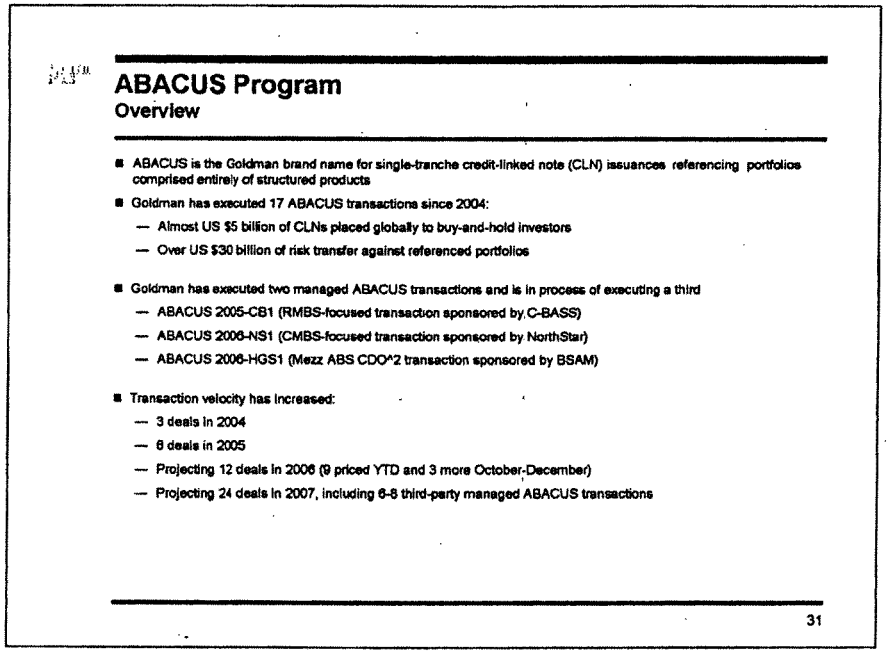

## ABACUS Program
### Overview

- ABACUS is the Goldman brand name for single-tranche credit-linked note (CLN) issuances referencing portfolios comprised entirely of structured products
- Goldman has executed 17 ABACUS transactions since 2004:
  - Almost US $5 billion of CLNs placed globally to buy-and-hold investors
  - Over US $30 billion of risk transfer against referenced portfolios
- Goldman has executed two managed ABACUS transactions and is in process of executing a third
  - ABACUS 2005-CB1 (RMBS-focused transaction sponsored by C-BASS)
  - ABACUS 2006-NS1 (CMBS-focused transaction sponsored by NorthStar)
  - ABACUS 2006-HGS1 (Mezz ABS CDO^2 transaction sponsored by BSAM)
- Transaction velocity has increased:
  - 3 deals in 2004
  - 6 deals in 2005
  - Projecting 12 deals in 2006 (9 priced YTD and 3 more October-December)
  - Projecting 24 deals in 2007, including 6-8 third-party managed ABACUS transactions

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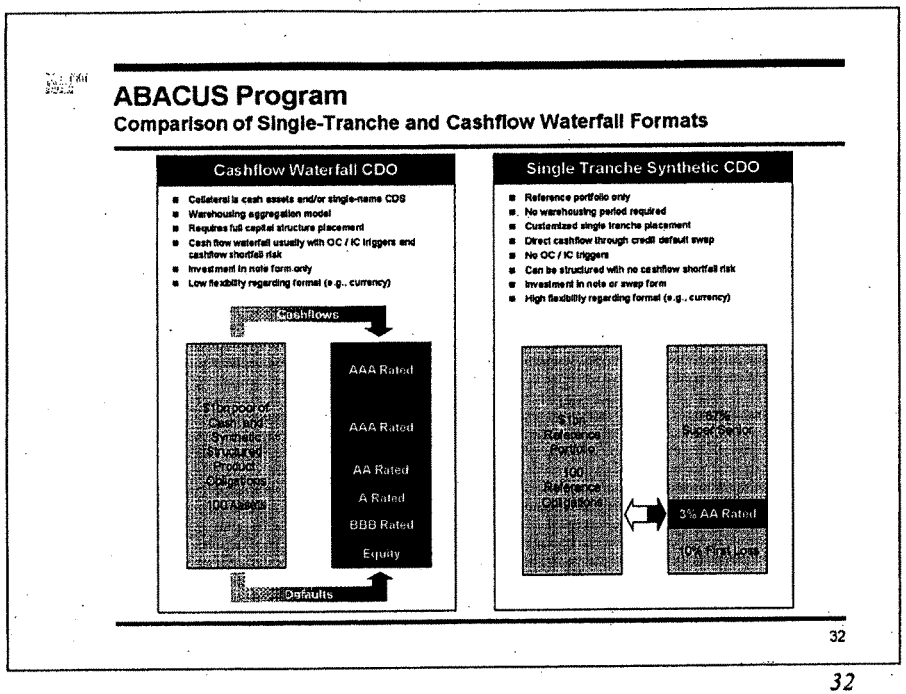






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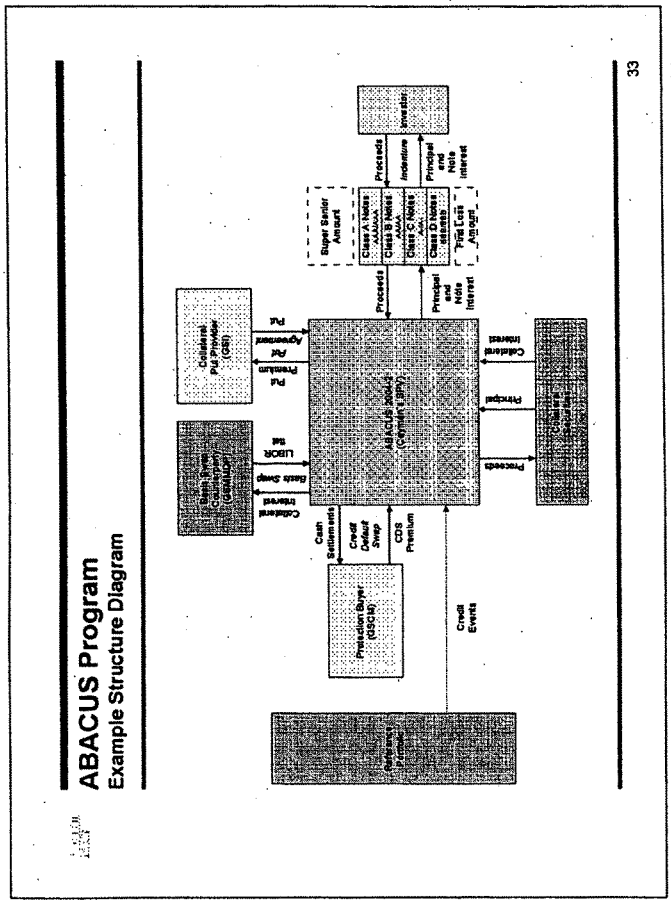
Footnote Exhibits 208 and 251

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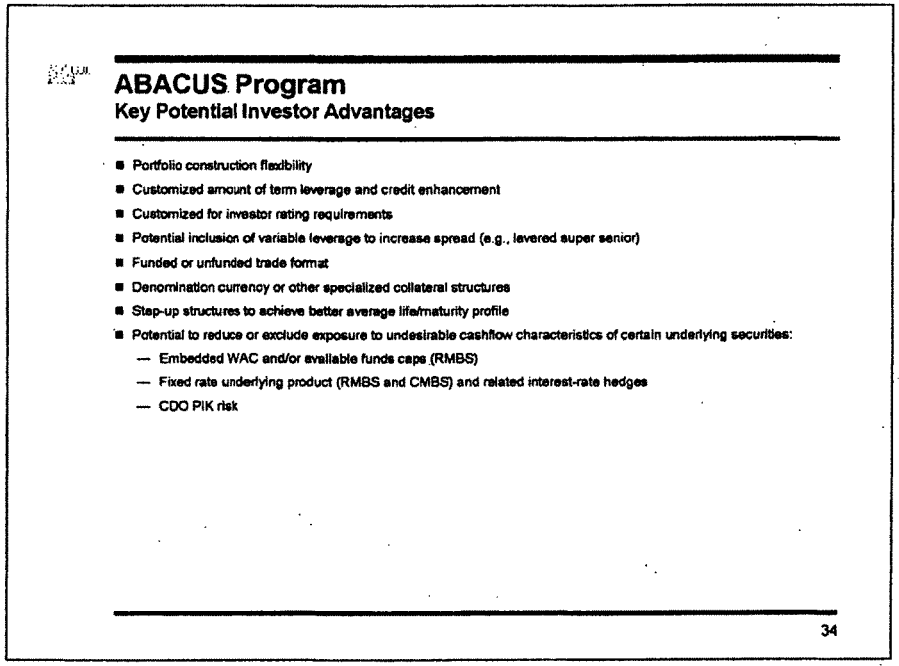

## ABACUS Program
### Key Potential Investor Advantages

- Portfolio construction flexibility
- Customized amount of term leverage and credit enhancement
- Customized for investor rating requirements
- Potential inclusion of variable leverage to increase spread (e.g., levered super senior)
- Funded or unfunded trade format
- Denomination currency or other specialized collateral structures
- Step-up structures to achieve better average life/maturity profile
- Potential to reduce or exclude exposure to undesirable cashflow characteristics of certain underlying securities:
  - Embedded WAC and/or available funds caps (RMBS)
  - Fixed rate underlying product (RMBS and CMBS) and related interest-rate hedges
  - CDO PIK risk

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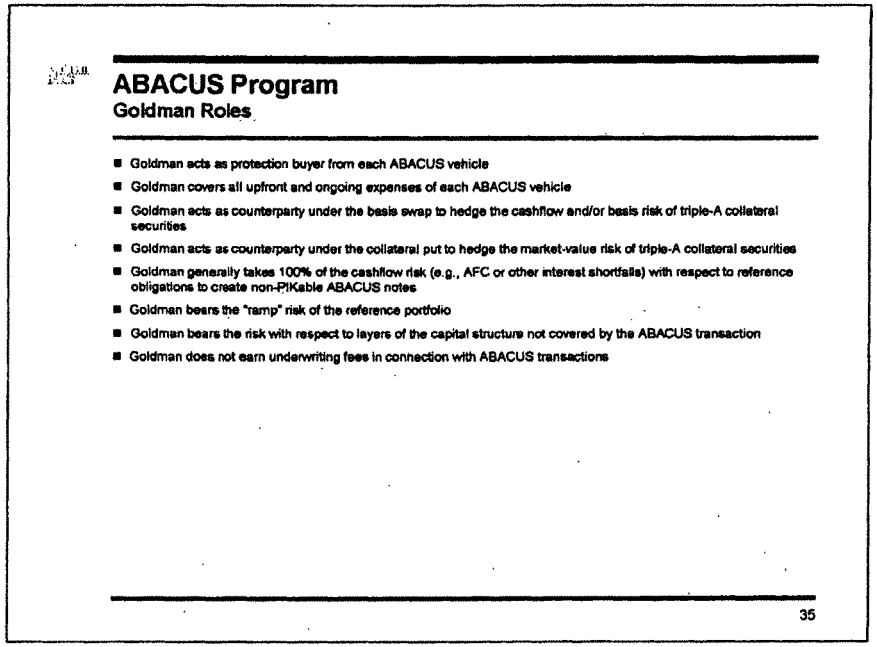

## ABACUS Program
### Goldman Roles

- Goldman acts as protection buyer from each ABACUS vehicle
- Goldman covers all upfront and ongoing expenses of each ABACUS vehicle
- Goldman acts as counterparty under the basis swap to hedge the cashflow and/or basis risk of triple-A collateral securities
- Goldman acts as counterparty under the collateral put to hedge the market-value risk of triple-A collateral securities
- Goldman generally takes 100% of the cashflow risk (e.g., AFC or other interest shortfalls) with respect to reference obligations to create non-PIKable ABACUS notes
- Goldman bears the "ramp" risk of the reference portfolio
- Goldman bears the risk with respect to layers of the capital structure not covered by the ABACUS transaction
- Goldman does not earn underwriting fees in connection with ABACUS transactions

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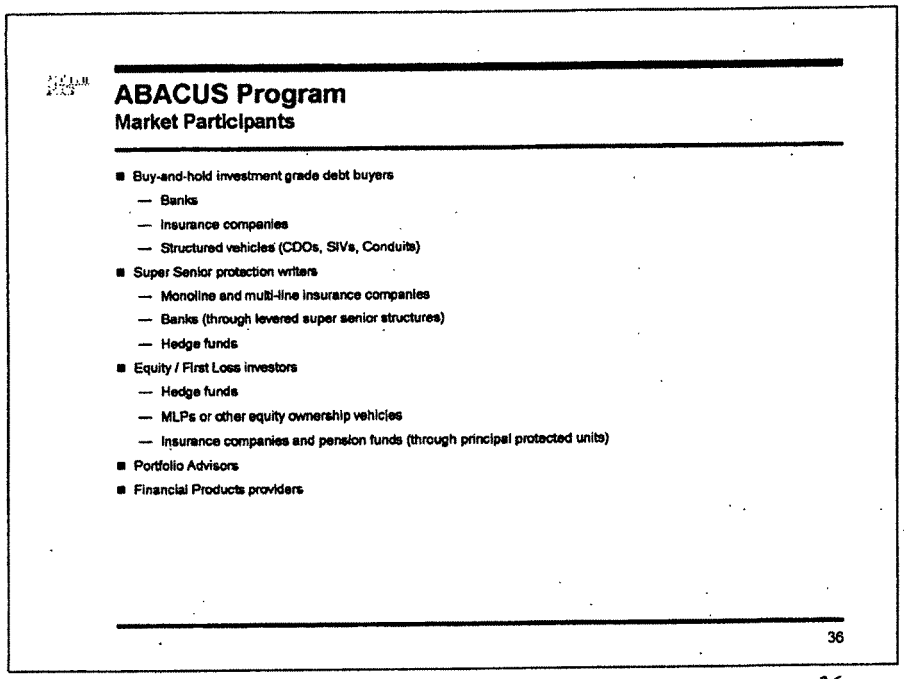

## ABACUS Program
### Market Participants

- Buy-and-hold investment grade debt buyers
  - Banks
  - Insurance companies
  - Structured vehicles (CDOs, SIVs, Conduits)
- Super Senior protection writers
  - Monoline and multi-line insurance companies
  - Banks (through levered super senior structures)
  - Hedge funds
- Equity / First Loss investors
  - Hedge funds
  - MLPs or other equity ownership vehicles
  - Insurance companies and pension funds (through principal protected units)
- Portfolio Advisors
- Financial Products providers

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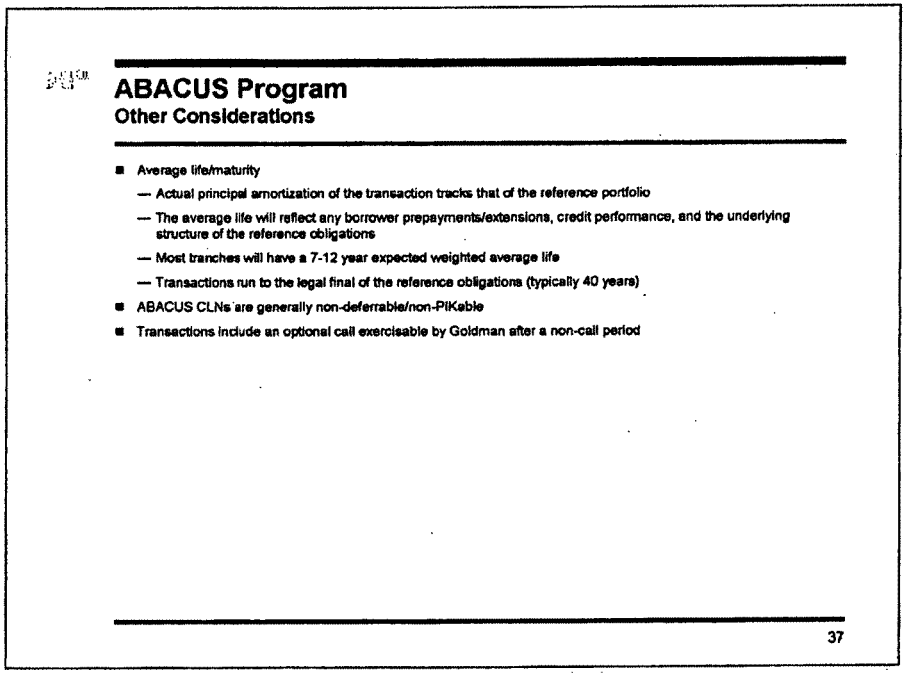

## ABACUS Program
### Other Considerations

- Average life/maturity
  - — Actual principal amortization of the transaction tracks that of the reference portfolio
  - — The average life will reflect any borrower prepayments/extensions, credit performance, and the underlying structure of the reference obligations
  - — Most tranches will have a 7-12 year expected weighted average life
  - — Transactions run to the legal final of the reference obligations (typically 40 years)
- ABACUS CLNs are generally non-deferrable/non-PIKable
- Transactions include an optional call exercisable by Goldman after a non-call period

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## Key Themes in 2006

- Significant inclusion of "bespoke" synthetic trades inside cashflow ABS CDOs
- Levered supersenior trades in swap and/or note format
- Outright and delta-hedged first-loss correlation trading strategies
- Relative value trades using single-name CDS referencing ABS CDOs
- ABX basis trades and early tranche trades referencing ABX

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## Outlook for 2007

- Standardized ABX tranches
- Principal protected trades with first- and/or second-loss participation
- Expansion of market value products such as levered super senior and CPPI
- Managed ABACUS program with sponsor mezzanine debt investor(s)

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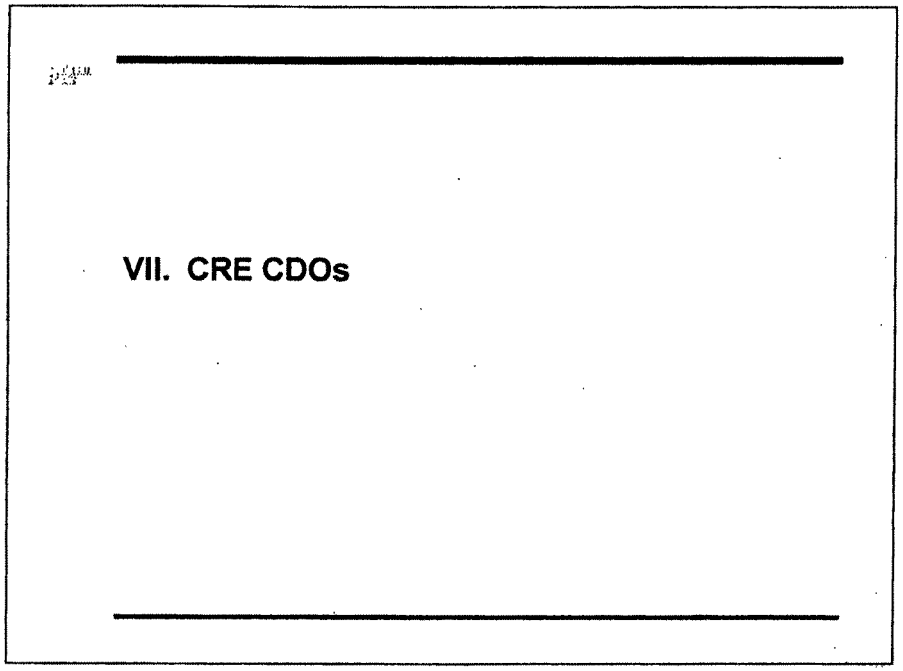




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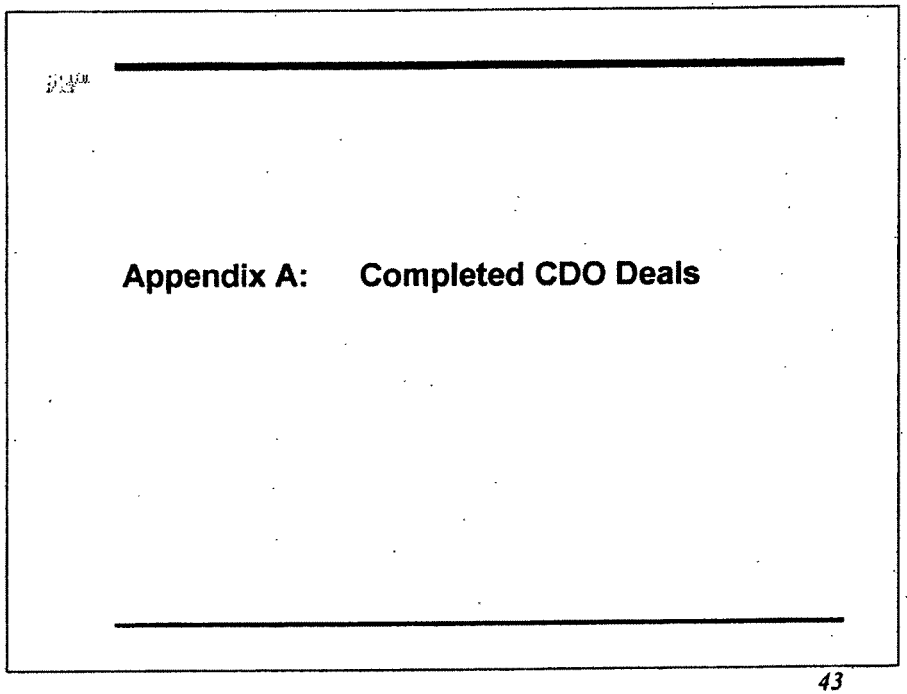




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## Goldman Sachs Completed CDO Transactions
**1997 – 2007 YTD**

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Jun-07 | Nob Hill II | SCM Advisors | 400 | Leveraged Loans |
| May-07 | Flagship CLO VI | Deutsche Asset Management | 800 | Leveraged Loans |
| May-07 | Kleinwort X | Kleinwort Debt Advisors | 500 | Leveraged Loans |
| Apr-07 | Westwood CDO II | Alcentra, Inc. | 350 | Leveraged Loans |
| Apr-07 | Norvin III | Hegemony Capital Management | 400 | Leveraged Loans |
| Feb-07 | Ares SVG | Ares Management | 700 | Leveraged Loans |
| Feb-07 | Madison Park IV | Credit Suisse Asset Management | 600 | Leveraged Loans |
| Jan-07 | West Street CLO IV | Alcentra Limited | 712 | Leveraged Loans |
| Jan-07 | Grant Grove CLO | Tall Tree Investment Management LLC | 300 | Leveraged Loans |
| Dec-07 | Greywolf CLO I | Greywolf | 802 | Leveraged Loans |
| Dec-07 | AMMC-VII | American Money Management Corporation | 900 | Leveraged Loans |
| Dec-06 | Ballyrock CLO 2006-2 | Ballyrock Investment Advisors | 600 | Leveraged Loans |
| Dec-06 | ABACUS 2006-17 | NA | 600 | Synthetic CMBS |
| Nov-06 | ABACUS 2006-HGS1 | BBAM | 1360 | Synthetic ABS CDO^2 |
| Oct-06 | ABACUS 2006-14 | NA | 638.3 | Synthetic ABS |
| Oct-06 | ABACUS 2006-16 | NA | 2250 | Synthetic ABS |
| Oct-06 | Loomis Sayles CLO I | Loomis, Sayles & Co | 403 | Leveraged Loans |
| Oct-06 | Hudson Mezzanine Financing 2006-1 | NA | 2000 | ABS |
| Sep-06 | ABACUS 2006-11 | NA | 760 | Synthetic ABS |
| Sep-06 | ABACUS 2006-13 | NA | 760 | Synthetic CMBS |





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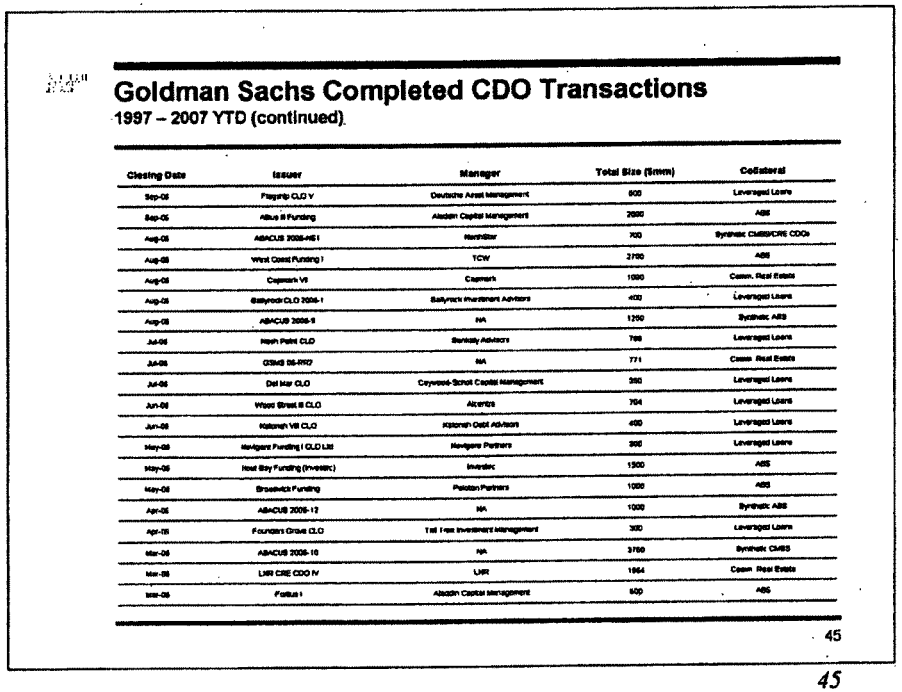

# Goldman Sachs Completed CDO Transactions

1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Sep-05 | Flagship CLO V | Deutsche Asset Management | 500 | Leveraged Loans |
| Sep-05 | Altius II Funding | Aladdin Capital Management | 2000 | ABS |
| Aug-05 | ABACUS 2005-NS I | NorthStar | 700 | Synthetic CMBS/CRE CDOs |
| Aug-05 | West Coast Funding I | TCW | 2700 | ABS |
| Aug-05 | Capmark VII | Capmark | 1000 | Comm. Real Estate |
| Aug-05 | Ballyrock CLO 2005-1 | Ballyrock Investment Advisors | 400 | Leveraged Loans |
| Aug-05 | ABACUS 2005-9 | NA | 1250 | Synthetic ABS |
| Jul-05 | Nash Point CLO | Sankaty Advisors | 700 | Leveraged Loans |
| Jul-05 | GSMS 05-RR2 | NA | 771 | Comm. Real Estate |
| Jul-05 | Del Mar CLO | Caywood-Scholl Capital Management | 350 | Leveraged Loans |
| Jun-05 | Wood Street II CLO | Alcentra | 704 | Leveraged Loans |
| Jun-05 | Kalonah VII CLO | Kalonah Debt Advisors | 400 | Leveraged Loans |
| May-05 | Navigare Funding I CLO Ltd | Navigare Partners | 300 | Leveraged Loans |
| May-05 | Next Bay Funding (Investec) | Investec | 1500 | ABS |
| May-05 | Broadwick Funding | Peloton Partners | 1000 | ABS |
| Apr-05 | ABACUS 2005-12 | NA | 1000 | Synthetic ABS |
| Apr-05 | Founders Grove CLO | Tall Tree Investment Management | 300 | Leveraged Loans |
| Mar-05 | ABACUS 2005-10 | NA | 3700 | Synthetic CMBS |
| Mar-05 | LNR CRE CDO IV | LNR | 1964 | Comm. Real Estate |
| Mar-05 | Fortius I | Aladdin Capital Management | 500 | ABS |

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## Goldman Sachs Completed CDO Transactions
### 1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Mar-06 | Davis Square VI | TCW | 2000 | ABS |
| Mar-06 | Capital Trust CRE CDO IV | Capital Trust | 498 | ABS |
| Mar-06 | Ares VR CLO | Ares Management | 625 | Leveraged Loans |
| Mar-06 | ABACUS 2006-9 | NA | 1000 | Synthetic ABS |
| Dec-05 | ABACUS 2006-CB1 | C-BASS | 750 | Synthetic ABS |
| Dec-05 | GSC 2006-1 | GSC Partners | 300 | Leveraged Loans |
| Nov-05 | ABACUS 2005-7 | NA | 3409 | Synthetic CMBS Levered Super Senior |
| Nov-05 | Katonah V8 | Katonah Debt Advisors | 356 | Leveraged Loans |
| Nov-05 | Hamlt II | Hamlt Capital Management | 400 | Leveraged Loans |
| Nov-05 | ADROC 2006-2 | Citigroup Group | 1349 | ABS |
| Nov-05 | ABACUS 2006-6 | NA | 170 | Synthetic ABS |
| Oct-05 | G Street Finance | Wharton AM | 1500 | ABS |
| Sep-05 | DVSO 2006-6 | TCW | 2000 | ABS |
| Sep-05 | Ares X CLO | Ares Management | 600 | Leveraged Loans |
| Aug-05 | ABACUS 2006-4 | NA | 8000 | Synthetic CMBS |
| Aug-05 | NYLIM Flatiron CLO 2005-1 | NY Life Investment Management | 450 | Leveraged Loans |
| Aug-05 | LNR 2005-1 | LNR | 1099 | Comm. Real Estate |
| Aug-05 | Guggenheim II | Guggenheim Capital | 300 | Comm Real Estate |
| Aug-05 | ABLE Funding (Aladdin HG) | Aladdin Capital Management | 2000 | ABS |
| Jul-05 | ABACUS 2005-3 | NA | 2000 | Synthetic ABS |







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## Goldman Sachs Completed CDO Transactions
### 1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Jul-05 | ABACUS 2005-7 | NA | 1250 | Synthetic ABS |
| Jul-05 | Gramercy CDO | Gramercy Capital Corp. | 1000 | Comm. Real Estate |
| Jul-05 | Five Mile Capital RE CDO | Five Mile Capital | 467 | Comm. Real Estate |
| Jun-05 | Castlidge Funding | Allianz Risk Transfer | 410 | ABS |
| Jun-05 | Ballyrock CLO III | Fidelity | 600 | Leveraged Loans |
| May-05 | Guggenheim Re CDO | Guggenheim | 500 | Comm. Real Estate |
| May-05 | Adirondack | Clinton Group | 1530 | ABS |
| Apr-05 | Stanfago CDO Limited | Pacific Investment Mgmt. Company | 400 | EM Bonds and CDS |
| Apr-05 | Davis Square Funding IV, Ltd | TCW | 1500 | ABS |
| Apr-05 | Camber 6 | Cambridge Place | 600 | ABS |
| Mar-05 | ABACUS 2005-1 | NA | 2000 | Synthetic ABS |
| Feb-05 | Victoria Falls CLO, Ltd | Jefferies Capital Management | 300 | Leveraged Loans |
| Dec-04 | ABACUS 2004-3 | NA | 1600 | Synthetic RMBS |
| Oct-04 | ABACUS 2004-2 | NA | 1000 | Synthetic ABS |
| Oct-04 | NYLIM Flatiron CLO 2004-1 | NY Life Investment Management | 350 | Leveraged Loans |
| Oct-04 | Davis Square Funding III, Ltd | TCW | 1500 | ABS |
| Aug-04 | Galaxy III CLO | AIG Global Investment Group | 320 | Leveraged Loans |
| Aug-04 | GSC Partners Geared Fund Limited | Greenwich St. Partners | 662 | Leveraged Loans |
| Jul-04 | Signature 7 | John Hancock Life Insurance Co | 216 | Private Placements |
| Jul-04 | Sierra Madre Funding | Western Asset Management Co | 1500 | ABS |







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## Goldman Sachs Completed CDO Transactions
### 1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Jul-04 | ABACUS 2004-1 | NA | 2000 | Synthetic ABS |
| Jan-04 | Gleneagles CLO 2003-1, Ltd | AIG Global Investment Group | 300 | Leveraged Loans |
| Dec-03 | Aquilae CLO I PLC | Henderson Global Investors | 300 | Leveraged Loans |
| Nov-03 | Ballyrock CLO II | Fidelity | 400 | Leveraged Loans |
| Oct-03 | Putnam Structured Product Funding 2003-1 | Putnam Advisory Company | 981 | ABS |
| Oct-03 | Davis Square Funding | TCW | 1000 | ABS |
| Sep-03 | Carlyle Loan Opportunity Fund | Carlyle Investment Mgmt. | 300 | Leveraged Loans |
| Jul-03 | NYLIM Flatiron CLO 2003-1 | New York Life | 350 | Leveraged Loans |
| May-03 | Putnam Structured Product CDO 2003-1 (Updating) | Putnam Advisory Company | 1000 | ABS |
| May-03 | LCM I Limited Partnership | Credit Lyonnais | 325 | Leveraged Loans |
| Dec-02 | Putnam Structured Product CDO 2002-1 | Putnam Advisory Company | 1000 | ABS |
| Nov-02 | G-STAR 2002-2 | GMACC | 397 | CMBS |
| Oct-02 | RMF Euro CDO I | RMF Investment Products | 300 | Leveraged Loans |
| Oct-02 | Flagship CLO II Limited | Flagship Capital Management | 400 | Leveraged Loans |
| Oct-02 | Channel CDO I Limited | Pacific Investment Mgmt. Company | 1000 | Investment Grade CDS |
| Aug-02 | Finsbar CDO I B.V | CDC Ixis Capital Markets | 1000 | Investment Grade CDS |
| May-02 | Newark CBO | Abbey National | 500 | High Yield Bonds |
| Apr-02 | G-STAR 2002-1 | Static pool | 311 | CMBS |
| Feb-02 | Ballyrock CDO I | Fidelity Mgmt | 400 | Leveraged Loans |
| Dec-01 | Ecureuil Credit Plus CDO B.V | Private Transaction | 100 | High Yield Bonds |

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## Goldman Sachs Completed CDO Transactions
### 1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Dec-01 | AMCO CLO, Series 2001-A | Allstate Investment Management Co | 300 | Leveraged Loans |
| Nov-01 | Putnam Structured Product CDO 2001-1 | Putnam Investment Mgmt. | 300 | ABS |
| Nov-01 | Polar Funding II Ltd | [static pool] | 300 | High Yield Bonds |
| Nov-01 | Ares V CLO Ltd. | Ares Management | 400 | Leveraged Loans |
| Oct-01 | San Joaquin CDO I, Limited | Pacific Investment Mgmt Company | 240 | High Yield Bonds |
| Aug-01 | RMB CDO II Ltd | Rand Merchant Bank | 400 | High Yield Bonds |
| Aug-01 | Litestar CDO | DWS Group | 625 | I G Bonds |
| Jul-01 | Melchior CDO No 1 | Henderson Global Investors | 400 | High Yield Bonds |
| Jul-01 | Capernicus Euro CDO I | ING Capital Advisors, Inc. | 350 | Leveraged Loans |
| Jul-01 | Concerto II CDO | AXA Investment Managers Paris | 600 | High Yield Bonds |
| May-01 | Clydesdale CLO 2001-1 Ltd | Nomura Corporate Research | 330 | Leveraged Loans |
| May-01 | Capital Guardian High Yield CBO I Ltd | Capital Guardian Trust Company | 516 | High Yield Bonds |
| Apr-01 | TORUS BA | Toronto Dominion | 4890 | C & I Loans |
| Apr-01 | NYLIM Structure CDO 2001-1 | New York Life | 400 | ABS |
| Apr-01 | Nicholas-Applegate CBO II Ltd. | Nicholas-Applegate | 1500 | Capital Management |
| Mar-01 | Flagship CLO 2001-1 Ltd | Flagship Capital Management | 500 | Leveraged Loans |
| Mar-01 | Centurion CDO IV Ltd. | American Express Asset Management | 260 | CDOs |
| Dec-00 | Carlyle High Yield Partners II | Carlyle Investment Mgmt. | 450 | Leveraged Loans |
| Dec-00 | Blue Eagle CDO | Barclays | 600 | High Yield Bonds |
| Nov-00 | GSAM CBO II Ltd | Goldman Sachs Asset Management | 300 | High Yield Bonds |

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## Goldman Sachs Completed CDO Transactions
### 1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Nov-00 | First European Debt Investments Trust | TIAA-CREF | 964 | Leveraged Loans |
| Nov-00 | Centurion CDO II | American Express Asset Management | 600 | Leveraged Loans |
| Nov-00 | Ares IV CLO Ltd | Ares Management | 530 | Leveraged Loans |
| Oct-00 | Tiersure CBO I | Blackrock Financial Management, Inc. | 500 | High Yield Bonds |
| Sep-00 | Charlesk CBO I | Charlesk Investment Partners | 160 | High Yield Bonds |
| Aug-00 | Nicholas-Applegate CBO I Ltd | Nicholas-Applegate | 400 | Capital Management |
| Aug-00 | Concerto I CDO | AIM Investment Managers Park | 459 | High Yield Bonds |
| Jun-00 | Franklin CLO I | The Floating Rate Debt Group of Franklin Advisers, Inc. | 600 | Leveraged Loans |
| Jun-00 | Black Diamond CLO 2000-1 | Black Diamond | 610 | Leveraged Loans |
| Jun-00 | AMCO CDO, Series 2000-A | Allstate Investment Management Co. | 466 | Leveraged Loans |
| May-00 | Gleacher CBO 2000-I Ltd | Midway Capital Partners | 400 | High Yield Bonds |
| Mar-00 | Harch CLO I | Harch Capital Mgmt | 425 | Leveraged Loans |
| Dec-99 | First Dominion Funding III | Credit Suisse Asset Mgmt. | 750 | Leveraged Loans |
| Nov-99 | FC CBO III | Bank of Montreal | 400 | High Yield Bonds |
| Sep-99 | Pennant CBO | ING Grant | 225 | High Yield Bonds |
| Aug-99 | Highland Legacy CLO | Highland Capital Management | 750 | Leveraged Loans |
| Jun-99 | GSAM CBO | Goldman Sachs Asset Management | 400 | High Yield Bonds |
| Apr-99 | Sil/4-Libertyview CBO Ltd | Liberty View Capital Mgmt. | 350 | High Yield Bonds |
| Apr-99 | First Dominion Funding II | Credit Suisse Asset Mgmt. | 750 | Leveraged Loans |
| Mar-99 | Dijon Finance 1999-1 | Goldman Sachs International Bank | 72 | C & I Loans |





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## Goldman Sachs Completed CDO Transactions
### 1997 – 2007 YTD (continued)

| Closing Date | Issuer | Manager | Total Size ($mm) | Collateral |
|---|---|---|---|---|
| Feb-99 | Gibraltar Ltd. | Seneca Capital Mgmt. | 400 | High Yield Bonds |
| Feb-99 | GELDILUX 99-1 | HypoVereinsbank | 2,234 | C & I Loans |
| Dec-98 | Pool Funding Master Trust+ | [US Branch of European Bank] | 3,375 | C & I Loans |
| Dec-98 | Fort Washington CBO I | Fort Washington Inv. Advisors | 250 | High Yield Bonds |
| Oct-98 | Lex Commercial Loan Master Trust I | Canadian Imperial Bank | 400 | C & I Loans |
| Sep-98 | FC CBO II | Bank of Montreal | 1,000 | High Yield Bonds |
| Jul-98 | Lakeshore Commercial Loan Master Trust I | Bank of Montreal | 3,050 | C & I Loans |
| Jun-98 | First Dominion Funding I | Credit Suisse Asset Mgmt. | 987 | Leveraged Loans |
| Mar-98 | WINGS Commercial Loan Master Trust I | Sumitomo Bank | 2,400 | C & I Loans |
| Mar-98 | Halyard CBO I | ING Ghent | 181 | High Yield Bonds |
| Dec-97 | Loop Funding Master Trust I | ABN AMRO Bank N.V. | 1,500 | C & I Loans |
| Nov-97 | TCW Gem III | TCW Funds Mgmt., Inc | 97 | Emerging Market |
| Oct-97 | Platinum Commercial Loan Master Trust I | Long Term Credit Bank of Japan | 2,700 | C & I Loans |
| Sep-97 | TCW Gem II | TCW Funds Mgmt., Inc | 352 | Emerging Market |
| Jun-97 | FC CBO I | Bank of Montreal | 1,031 | High Yield Bonds |

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FOR DISCUSSION PURPOSES ONLY

Presentation Regarding

# Overview of Structured Products

Goldman, Sachs & Co.
April 2006

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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1601

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# Agenda


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| Structured Products Market Overview | I |
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## Structured Product Themes in 2006

- Growth of CDS and Synthetics market
- Growth of global distribution
- Continued spread tightening
- Issuance outside of USD
- Limited number of credit events/distressed opportunities
- Growth of lower credit collateral pools
- Reduced subprime ABS supply



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# Structured Product Spreads

*As of April 2006*

| | | Average Life | | | |
|---|---|---|---|---|---|
| Sector | Rating | 1yr | 3yr | 5yr | 7-10yr |
| Credit Card | AAA | -3 | -1 | 3 | 8 |
| (floating) | A | -- | 10 | 16 | 30 |
| | BBB | -- | 21 | 30 | 48 |
| FFELP Student Loans | AAA | -3 | 0 | 4 | 9 |
| (floating) | AA | -- | -- | -- | 20 |
| Alt-A Resi | AAA | 10 | 22 | 38 | -- |
| (floating) | A | -- | -- | 87 | -- |
| | BBB | -- | -- | 135 | -- |
| Subprime | AAA | 10 | 22 | 38 | -- |
| (floating) | A | -- | -- | 65 | -- |
| | BBB | -- | -- | 130 | -- |
| CLO | AAA | -- | -- | -- | 25 |
| (floating) | A | -- | -- | -- | 75 |
| | BBB | -- | -- | -- | 175 |
| ABS CDO | Super Senior AAA | -- | -- | -- | 25 |
| (floating) | Subordinate AAA | -- | -- | -- | 45 |
| | A | -- | -- | -- | 140 |
| | BBB | -- | -- | -- | 300 |



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## Asset-Backed Security: A Definition

- A security that is bankruptcy remote from the sponsor/originator of the underlying assets
- Its creditworthiness is derived from the performance of an isolated collateral pool
- While the market is primarily rated triple-A, single-As and triple-Bs account for about 10-15% of issuance
- The majority of structured products transactions are collateralized by:
  - Residential real estate
  - Credit cards
  - Autos (loans, leases and dealer floorplans)
  - Student loans
  - Equipment (loans and leases)
  - Stranded costs (cashflows resulting from the deregulation of the power industry)



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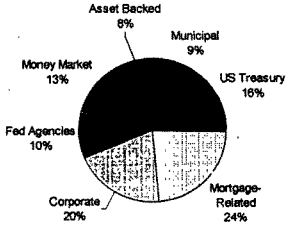
## ABS and the U.S. Fixed Income Market

- The ABS market now represents 8% of the $24.7 trillion public U.S. fixed income market ...

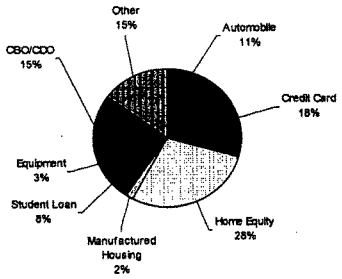
**Composition of U.S. Fixed Income Market**




**Total: $24.7 Trillion**

*Source: Bond Market Association (2005 Q3)*

**Non-CDO ABS Outstandings by Asset Type**




**Total: $1,955.2 Billion**

*Source: Bond Market Association (2005 Q4)*

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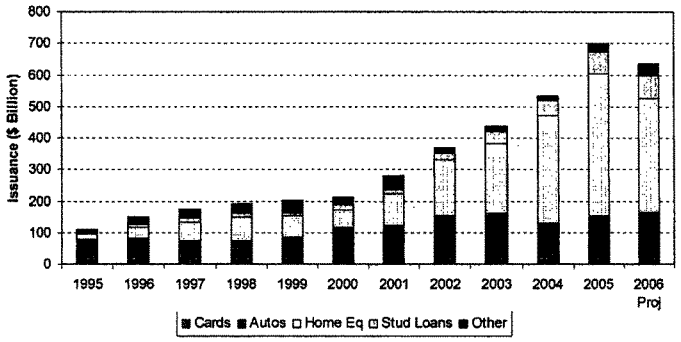
## Rapid Growth in ABS Issuance

***Led by Home Equity***




Source: Bond Market Association (2005 Q3)



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## ABS Outlook for 2006

- Heavy issuance expected again in 2006
  - [redacted]
- Expect spreads to remain firm across sectors over the near term
  - Demand for ABS paper from CDOs
  - Rising economic activity
  - Improving consumer credit/collateral performance
  - Home prices
- Expect to see further innovation in structures and enhancements with appeal to wide audience
- Synthetic ABS product will grow rapidly
  - Bespoke tranche trades
  - Indexes
  - Single-names

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## Key Trends in the Subprime Market

- Spreads tightened to historically tight levels through most of 2005
  - Tightening occurred across the capital structure
  - Driven by strong credit fundamentals and demand technicals
- Starting in the fall of 2005, a strong bid for protection resulted in significant spread widening in lower-rated tranches of home equity ABS
  - Spread widening largely confined to subprime
  - Largely confined to single-A and triple-B tranches
- Demand side:
  - Record CDO issuance
  - Strong demand from traditional structured product investors (money managers, banks, insurance, companies)
  - Growing international interest
- Protection buying side:
  - Macro hedge funds with negative views on U.S. housing prices and consumers
- Factors driving fundamental credit conditions include:
  - Home price growth
  - Interest rates (and rate resets)
  - Unemployment
  - Lending competition (driving prepayments)



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## Definitions: Subprime vs. Home Equity

- Subprime is often confused with Home Equity, since there is considerable overlap between the two definitions, and the terms are often used interchangeably
- Subprime is a subset of Home Equity
- Home Equity includes:
  - 1st Lien Subprime Loans (largest part of securitized Home Equity market)
  - Closed End Seconds (CES) and HELOCs
  - High LTV Loans (LTV > 90%)



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## Why has subprime surged in popularity over the past few years?

- Attractive Spreads, Diversification of Collateral, Collateral Performance
  - Investing in subprime allows investors to avoid much of the prepayment risk and the negative convexity that is associated with agency mortgage product
  - Earn additional spread by taking exposure to diversified credits
  - Can obtain High Quality AAA floaters at attractive spreads
  - Excellent Liquidity
  - Event risk protection relative to corporates
  - Wide variety of structuring options allows risk profile to match risk appetite
  - Low spread volatility
  - Ratings stability
  - Portfolio diversification
- **The following table compares generic subprime spreads with other spread product**

**(as of 1/12/2006):**

| Type | Collateral | Credit Rating | Avg Life | Spread to LIBOR |
|---|---|---|---|---|
| Subprime Floater | 2/28 Hybrid | AAA | 3 | 1mL + 24 |
| Subprime Floater | 2/28 Hybrid | BBB | 4.5 | 1mL + 185 |
| MBS Passthru (fixed) | FNCL 6 | Agency wrap | 5.3 | E + 69 |
| Agency PAC | PAC/30yr 5 | Agency wrap | 5 | E + 90 |
| Agency Sequential | 5.0/5.0 | Agency wrap | 3 | E + 120 |
| Agency CMO Floater | off FN 5 | Agency wrap | 5 | E + 20 |
| Agency Hybrid | FN 5/1 5% | Agency wrap | 2.4 | E + 11 |
| Agency Bullet | FNMA 5 yr | Agency wrap | 4.4 | E -13 |
| Jumbo MBS Passthru | 5.5% Fixed | AAA | 3.8 | E + 27 |
| MTA Floater | | AAA | 3.5 | 1mL + 42 |
| CMBS | | AAA | 1.8 | 1mL + 20 |
| CMBS | | BBB | 2.6 | 1mL + 105 |

*Note - Illustrative only*

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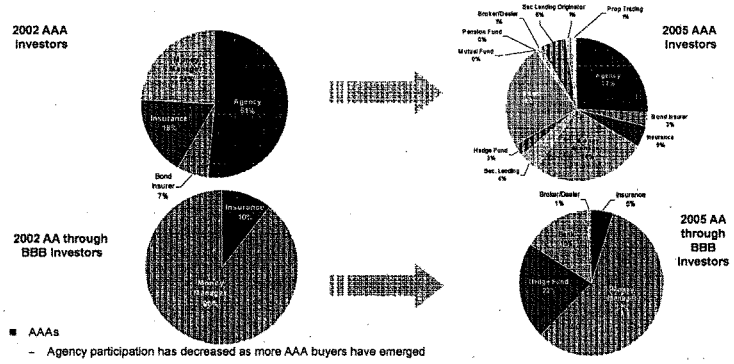
# Diversity of Subprime Investors

## *Significant Increase Over the Past 3 Years*

**Breakdown of purchasers of GSAMP deals**




- AAAs
  - Agency participation has decreased as more AAA buyers have emerged
  - There has been increased demand for LCF AAAs from CDOs
  - International demand has accounted for as much as 40% of AAA demand recently
- BBB: CDOs have been a big buyer of BBB tranches recently, buying up to 90% of BBB bonds in 2005

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## Overview of ABS Credit Derivatives

- ABS CDS is the most exciting development in the ABS Market's 20 year history
- Permanently changes how we invest, hedge and transfer risk
- In just 18 months the market has become BIG and REAL

- Key drivers of growth:
  - Development of Standard ISDA document in June 2005
  - Positioning by dealers in making ABS CDS an actively traded two-way market
  - Recent release of ABX Index products



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## Overview of Structured Product Synthetics

- Structured product synthetics are credit derivatives referenced to a single underlying structured product security or to a basket of underlying structured product securities
  - RMBS
  - CMBS
  - CDOs
  - Credit Card ABS
  - Student Loan ABS
- Market activity has been concentrated in real estate-related sectors of the structured finance market (i.e., RMBS and CMBS)
- Structured product synthetics consist of:
  - Single-name CDS
  - Basket Trades
  - Levered Synthetics



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## Advantages of Structured Product Synthetics

- Not limited by availability of cash bonds or dealer inventory
  - Gain exposure to cashflows not readily available in the new-issue or secondary markets
  - Ramp up a CDO quickly and efficiently
- Ability to short structured product securities
  - There is a relatively undeveloped repo market for shorting cash securities
- Can be used to hedge origination/whole loan pipelines
- Potential to create customized and diversified exposures
  - Can be levered or un-levered
- Ability to trade unfunded credit exposure to term
  - Basis trades (i.e. CDS vs. Cash bonds)
  - Capital structure trades (i.e. long BBs vs. short BBBs)



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## Structured Product CDS Sample Terms

- **Primary Features**
  - Reference obligation: Designated tranche of an existing transaction (specified CUSIP)
  - Term trades (the life of the swap mirrors the life of reference obligation)
- **Payments**
  - Fixed rate (paid by protection buyer): CDS premium, ACT/360 basis, paid monthly / quarterly
  - Floating rate (paid by protection seller): Upon the occurrence of a credit event, the cash settlement amount
- **Notional Balance** is adjusted as follows:
  - Reduced by principal paydowns
  - Reduced by write-downs (realized losses)
- **Interest Shortfalls**
  - Partial or full transfer of interest shortfall risk



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## Key Market Participants

| Buyers of Protection | Sellers of Protection |
|---|---|
| – Hedge funds | – CDOs |
| – Arbitrage accounts | • Synthetic |
| • Fixed income | • Hybrid (part cash / part synthetic) |
| • Equity | – Hedge funds |
| – Whole loan originators / traders | – Arbitrage accounts |
| – Dealers | • Fixed income |
| • Flow trading desks | • Equity |
| • Proprietary desks | – Money managers |
| – Money managers | – Dealers |
| – Banks / asset funding counterparties putting on negative basis trades | – Insurance companies |
| – Insurance companies | |



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## Liquidity in the Structured Product CDS Market

- The structured product CDS market is a newly emerging market, with current outstanding notional estimated at 200+ BB.
  - Current Single-Name CDS bid/offer
    - 2 bps on AAA reference obligations
    - 3-5bps on AA and A reference obligations
    - 10-20bp area on BBB and BBB- reference obligations

- Liquidity is improving rapidly – primarily in the CMBS and RMBS sectors – and is expected to ultimately surpass liquidity in the cash market
  - Standardization of confirm – ISDA
  - Introduction of subprime RMBS and CMBS indexes
  - Expansion of the inter-dealer market



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## The CDS/Cash Basis

- The CDS/cash basis measures the differential between spread levels in the cash and CDS markets
  - CDS/Cash Basis = CDS Spread – Cash Spread
  - When CDS spreads are tighter than cash spreads, the basis is deemed to be "negative"
  - When CDS spreads are wider than the cash market, the basis is deemed to be "positive"

- The CDS/cash basis is driven by:
  - Supply/demand for protection
  - Amount of interest shortfall (or cap risk) transferred
  - Contract optionality
  - Funding and leverage costs



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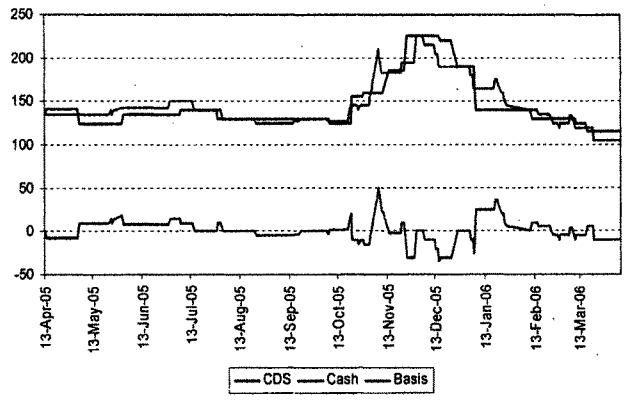
## The Cash/CDS Basis

*BBB subprime RMBS*

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## What Trades Has GS Executed?

Goldman Sachs has traded in excess of $75BB notional in subprime RMBS and conduit CMBS

- RMBS: AAA through BBB-
  - 80% BBB and BBB-
  - 10% A
  - 10% AAA and AA
- CMBS: AAA through BB
  - [redacted]
- GS both buyer and seller
- Trade size with individual counterparties has ranged from $10MM to $1+BB

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## Trade Themes

- [redacted]
- Express Capital Structure views via CDS
- Speculate on home prices and subprime borrower performance
- Single name CDS vs. RMBS Index CDS
- SP CDS vs. Corporate CDS



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## ABS CDS: ISDA Publications

- June 2005: ISDA Publishes Confirmation for "Credit Derivative Transaction on Asset-Backed Security with Pay-As-You-Go or Physical Settlement (Dealer Form)"
- Form designed primarily for use with RMBS and CMBS Reference Obligations
- January 2006: ISDA Publishes Revised Confirmation for "Credit Derivative Transaction on Mortgage-Backed Security with Pay-As-You-Go or Physical Settlement (Form I) (Dealer Form)



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## Characteristics of Structured Products CDS

| Reference Entity / Reference Obligation | References Corporate Entity and Related Reference Obligation | References Specific CUSIP Asset Backed Security (RMBS and CMBS) |
|---|---|---|
| Documentation | ISDA Documents | ISDA Documents – "Pay-as-you-go" (PAYG) Dealer Form |
| Notional | Constant | Reduces upon Amortizations and Writedowns |
| Scheduled Termination | 3, 5, 7 or 10 years | Legal Final Maturity of Reference Obligation |
| Payment Frequency | Quarterly | Payment Frequency of Reference Obligation (typically Monthly) |
| Premium / Fixed Rate | Fixed at Inception | Fixed at Inception; Adjusted for<br>- Interest Shortfalls and Reimbursements<br>- Step-up of Reference Obligation Coupon with Buyer's Option for "tear-up" |



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## Characteristics of Structured Products CDS

| | | |
|---|---|---|
| Credit Events | - Failure to Pay<br>- Bankruptcy<br>- Restructuring | - Failure to Pay Principal<br>- Writedown (Principal Loss)<br>- Distressed Ratings Downgrade |
| Conditions to Settlement | Credit Event Notice & Notice of Publicly Available Information | Calculation Agent Notifies of Interest Shortfall or Loss Event based on Trustee Reports |
| Interest Shortfalls | - Not Applicable | - Fixed Cap: Up to the Fixed Rate<br>-Variable Cap: Up to LIBOR plus the Fixed Rate<br>- No Cap: Full coverage |
| Settlement Methods | - Usually Single Settlement Date<br>- Physical Settlement<br>-Cash Settlement (dealer poll valuation process on specified Reference Obligation) | - PAYG Settlement (actual losses on Reference Obligation only)<br>- Physical Settlement |



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## Characteristics of Structured Products CDS

| | | |
|---|---|---|
| Physical Settlement<br>- Deliverable Obligations | Obligations within Specified Parameters | Reference Obligation Only |
| Physical Settlement<br>- Settlement Period | Notice within 30 calendar days following Event Determination date | Anytime following a Credit Event |
| Valuation Methods<br>(if Cash Settlement) | Dealer Poll Based on Specified Elections | - Not Applicable<br>- Multiple PAYG Payments of Actual Loss |
| Assignment | -Available, subject to counterparty approval<br>-ISDA Novation Protocol | - Available, subject to counterparty approval<br>-ISDA Novation Protocol |
| Payment Flows | Buyer to Seller:<br>*Fixed Amount*<br>Seller to Buyer:<br>*Loss Amount* | Buyer to Seller:<br>*Fixed Amount*<br>*Additional Fixed Amounts*<br>• Interest Shortfall Reimbursement Amt<br>• Writedown Reimbursement Amt<br>• Principal Shortfall Reimbursement Amt<br>Seller to Buyer:<br>*Floating Amounts*<br>• Interest Shortfall Amt<br>• Writedown Amt<br>• Principal Shortfall Amt |

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## Interest Shortfall

*An Illustration*

- Assumptions
  - Reference Obligation Coupon: Minimum (L+400 bps, 10%); 10% is Available Fund Cap
  - Fixed Rate: 200 bps

**Scenario**

  - Reference Obligation fails to pay its entire coupon on a given payment date, i.e. Interest Shortfall Amount is L+400 bps
- Interest Shortfall Cap: Fixed Cap Applicable
  - Interest Shortfall Payment Amount = Minimum (Interest Shortfall Amount, Fixed Rate) = (L+400, 200 bps) = 200 bps
  - Seller's Net Payment = 0 bps
- Interest Shortfall Cap: Variable Cap Applicable
  - Interest Shortfall Payment Amount = Minimum (Interest Shortfall Amount, L + Fixed Rate) = (L+400, L+200 bps) = L+200 bps
  - Seller's Maximum Net Payment = L bps
- Interest Shortfall Cap: Not Applicable
  - Interest Shortfall Payment Amount = Interest Shortfall Amount = L+400 bps
  - Seller's Maximum Net Payment = L+200 bps



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## Related ISDA Publications

- ISDA anticipates future publication of one or more template Confirmations for use with other types of asset-backed securities
  - CDOs
  - Student Loans
  - Credit Cards
- ISDA Asset-Backed Credit Derivatives Definitions of 2006....!



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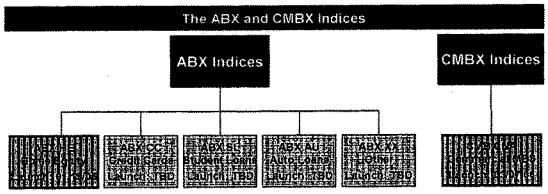
# The New ABX/CMBX Indices

- CDS IndexCo
  - Owns and maintains the DJ CDX family of credit default swap (CDS) indices
  - Between $25 and $50 billion of CDX notional volume traded daily
  - Introduced second generation products such as index tranches and index options
- CDS IndexCo will apply a defined set of rules in order to construct a portfolio representative of each structured product sector's current market
  - ABX.HE began trading on January 19, 2006, and CMBX.NA on March 7, 2006




Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo LLC)

Notes:

1. ABX, ABX.HE, and CMBX.NA are service marks of CDS IndexCO LLC and have been licensed by Goldman, Sachs & Co.
2. The ABX.HE and CMBX.NA indices referenced herein is the property of CDS IndexCO LLC and is used under license. The transactions described herein are not sponsored, endorsed or promoted by CDS IndexCO LLC or any of its members, other than Goldman, Sachs & Co.

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# The ABX.HE and CMBX Indices

*Highlights*

- ABX.HE references 20 HEL ABS obligations and CMBX references 25 CMBS obligations
- The Indices comprise five subindices: AAA, AA, A, BBB and BBB-
- Each subindex, in turn, includes 20 Subprime Home Equity bonds or 25 CMBS securities
  - The reference obligations in each subindex comprise bonds at different rating levels
  - Bonds in each subindex are selected from the same set of reference entities
- Every six months, the Indices will be reconstituted using the same criteria
- On January 19, 2006, the ABX.HE began trading
  - As of March 27, we estimate that more than $30.0bn of trade notional has been executed on the ABX.HE indices
  - Goldman has executed more than $17.0bn of trade notional
- On March 7, 2006, the CMBX index began trading



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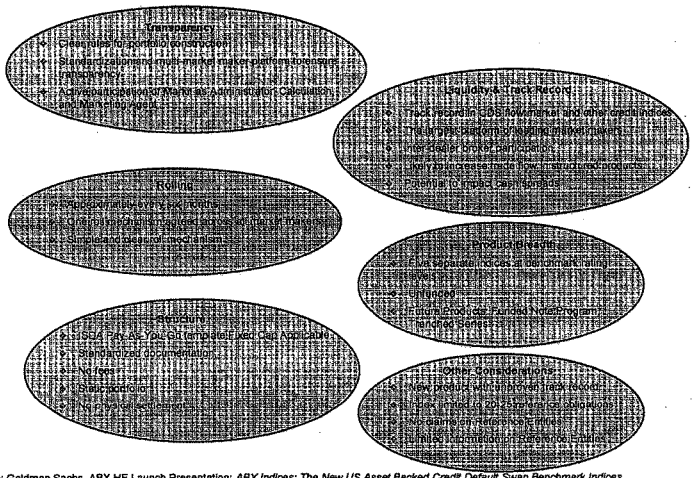
# The ABX.HE and CMBX Indices

*Key Features & Investment Considerations*




Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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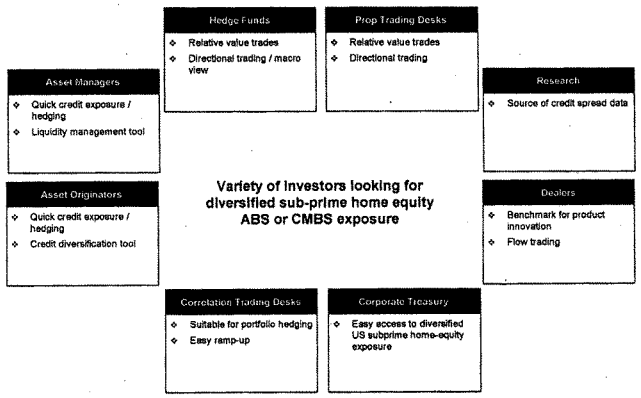
## The ABX.HE and CMBX Indices

*Participants*




Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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# The ABX.HE and CMBX Indices

*Construction Criteria*

**Portfolio Selection Criteria**

| | | |
|---|---|---|
| Portfolio | 20 deals in basket, with a new ABX.HE series expected to be launched approximately every 6 months | 25 deals in basket, with a new CMBX series expected to be launched approximately every 6 months |
| Credit score | Each deal must have a maximum average FICO equal to 660 | |
| Age | Each tranche must have settled within 6 months of the roll date | Each tranche must have settled within 2 years of the roll date |
| Weighting | Reference obligations equally weighted by initial par amount, with subsequent weightings evolving as a function of prepayment and credit experience of underlying transactions | Reference obligations equally weighted by initial par amount, with subsequent weightings evolving as a function of prepayment and credit experience of underlying transactions |
| Lien type | The pool must consist of at least 90% first lien loans | |
| Diversification | –Limits same originator to 4 deals | –Limits same state to 40% |
| | –Limits master servicer to 6 deals | –Limits same property type to 60% |
| Minimum deal size | $500mm | $700mm |
| Average life | Each tranche must have a weighted average life of 4-6 years as of the issuance date (except AAAs which must be greater than 5 years) | With respect to CMBX.NA.AAA only, expected weighted average life must be greater than 8y and less than 12y calculated using a 0% CPY |

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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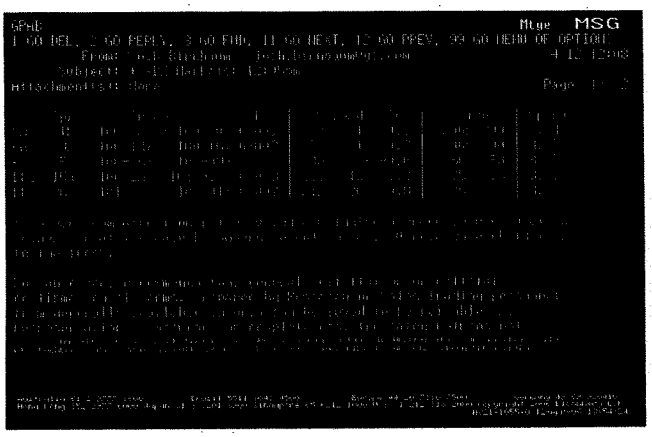
## ABX.HE Markets

*Indicative Run on Bloomberg (as of April 12, 2006)*




Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction



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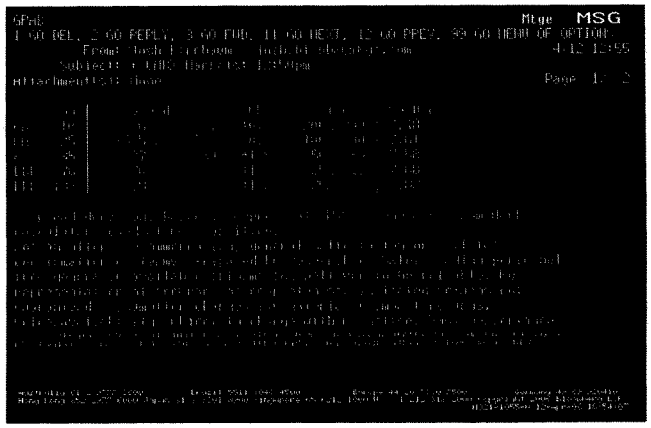
## CMBX Markets

*Indicative Run on Bloomberg (as of April 12, 2006)*



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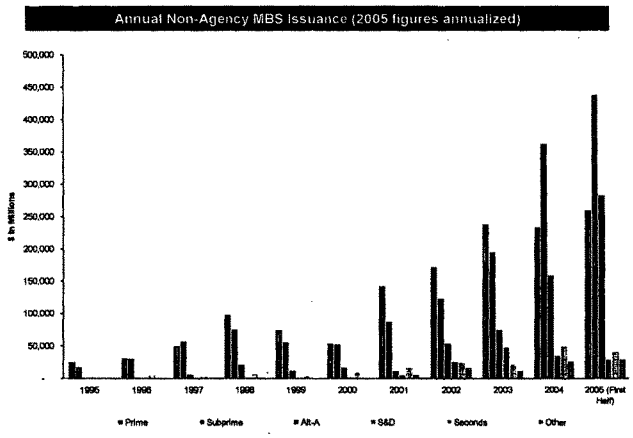
## Growth in Loan Types underlying the ABX Indices has fueled the Growth in the Mortgage Market

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## Update on ABX.HE Trading Activity

*From 01/19/2006 to 3/31/2006*

- Trading activity out of the gates was heavier than anticipated
- GS executed more than 3 dozen trades on the first day of trading with volume exceeding $1.0bn
- To date, GS has traded north of $17bn of the indexes with more than 50 different counterparties
- Trade sizes have ranged from $5mm-$1bn, with the average trade size around $35mm
- Trades have occurred on both sides of each index (AAA, AA, A, BBB, BBB-)
- Flows (by volume) have been heavier in the A, BBB and BBB- indexes, although size trades have occurred in every part of the capital structure



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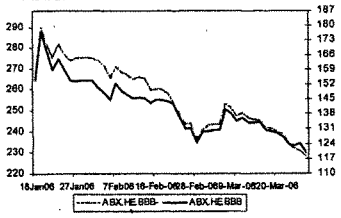
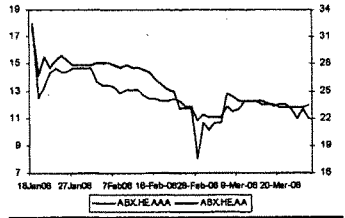
## Evolution of Spreads for the ABX.HE Subindices[1]

*From 01/19/2006 to 03/31/2006*

ABX.HE BBB and BBB-



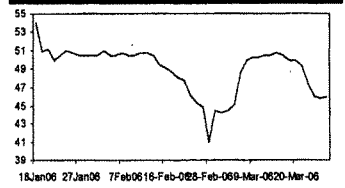

ABX.HE AAA and AA




ABX.HE 06-1 Spread Stats

| | Open | High | Low | Avg | Curr |
|---|---|---|---|---|---|
| AAA | 18 | 18 | 11 | 13 | 12 |
| AA | 32 | 29 | 18 | 25 | 22 |
| A | 54 | 51 | 41 | 49 | 46 |
| BBB | 154 | 177 | 120 | 142 | 120 |
| BBB- | 257 | 260 | 228 | 257 | 228 |

ABX HE A




[1] Source: Goldman Sachs

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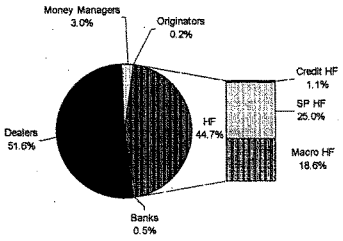
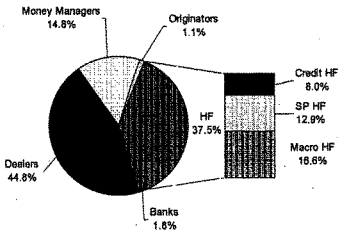
## GS Transactions in ABX.HE Indices[1]

*From 01/19/2006 to 03/31/2006*

GS Trade Volume by Participant Type




GS Number of Trades by Participant Type




[1] Source: Goldman Sachs

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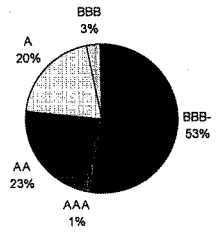
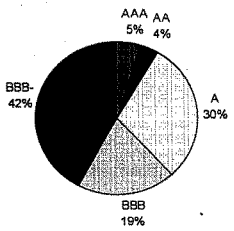
## GS Transactions in ABX.HE Indices[1]

*From 01/19/2006 to 03/31/2006*

GS Trade Volume by Rating




GS Number of Trades by Rating




[1] Source: Goldman Sachs

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# Trade Ideas using the ABX.HE Indices

- **Bearish view on housing/consumers:**
  - Customers with this view have been selling the Index (shorting credit; buying protection) at the A, BBB, and BBB- level
- **Credit steepener trades:**
  - View is that credit curve will steepen with adverse developments for subprime credits
  - Fund shorts by selling protection higher in the capital structure
  - Most common: BBB- vs BBB, BBB vs AAA
- **Transition Management:**
  - Investors with cash to invest (or risk to add) have used the index to gain exposure to home equity spreads while they ramp up single-name or cash positions
  - Investors can scale out of the index as they put new cash to work (or add risk)
- **ABS Basis trades:**
  - Trading single names or cash vs the Index
  - Can structure positive carry trades or express leveraged views on particular names
  - Index arbitrage



Note: Past results are not indications of future performance

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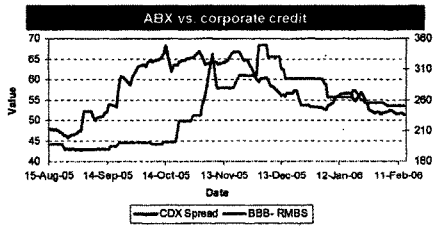
## Trade Ideas using the ABX.HE Indices

*Continued*

- **Hedging mortgage credit risk:**
  - Originators have sold the index across the capital structure to hedge their origination pipelines
  - Originators or investors with positions in residuals have sold the BBB and BBB- indexes to mitigate risk
  - Some originators view BBB/BBB- protection as cheap to mortgage insurance
- **ABX vs corporate credit:**
  - Hedge funds have traded BBB/BBB- vs correlated corporate credit such as consumer portion of CDX






Note: Past results are not indications of future performance

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## Trade Ideas using the ABX.HE Indices
*Continued*

- **ABX vs Equities:**
  - Equity accounts and macro hedge funds have used the Index (primarily BBB and BBB-) to hedge the residual risk in originator stocks
  - Short is funded by high dividend yield
  - ABX and equity housing indices such as the Philadelphia Housing Index (HGX <Index>) have become more correlated
- **Tranching:**
  - Significant interest/inquiry in tranches
  - Standardization, pricing, and liquidity should take time to evolve
- **Options:**
  - Hedgers have expressed interest in options strategies to mitigate risk
  - Similar in construction to options on CDX currently traded



Note: Past results are not indications of future performance

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# Agenda


| | |
|---|---|
| Structured Products Market Overview | I |
| Structured Products Synthetics | II |
| ABX and CMBX Indices | III |
| Synthetic Structures | IV |
| Abacus Program | V |
| Appendix | VI |




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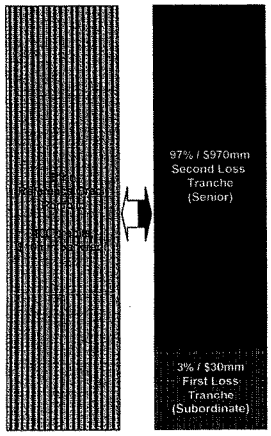
# Structured Credit Tranches

## *Subordination and Tranche Size*




*Illustrative only – diagram not to scale*

- Structured credit relies on two key principals:
  - **Subordination**
    - The measure of losses that must occur within a portfolio before a tranche is at risk to loss
  - **Tranche size**
    - Reflects the notional (value-at-risk) of a structured credit investment
- In this example, the first loss tranche size is $30mm
  - $30mm of reference portfolio losses would need to occur before the second-loss tranche is subject to loss
  - Investors can thus create "credit enhanced" credit exposure through the use of subordination
- Tranche size is also a measure of leverage
  - For example, an investor may wish to invest $60mm into the same 3% first loss tranche - and thus would reference a portfolio of $2bn rather than $1bn
- Combined with tranche size, varying levels of subordination enable investors to tailor both the structural leverage and the risk/return profile of their investment

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction



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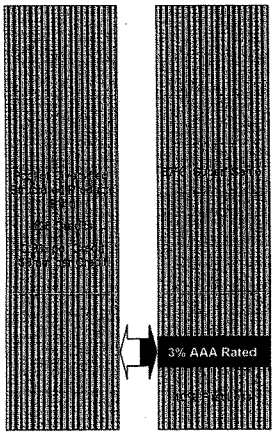
# Structured Credit Tranches

## *Rating Tranches*




- Investors can create rated "credit enhanced" credit exposure through the use of subordination
  - In this example, the AAA rated tranche subordination is 10% ($100mm)
  - $100mm of reference portfolio losses would need to occur before the AAA tranche is subject to loss
- Tranche size is a measure of leverage
  - In this example, the AAA rated tranche size is 3% ($30mm)
  - Once portfolio losses reach 10% ($100mm), the tranche can withstand an additional 3% ($30mm) portfolio losses before exhaustion
  - An investor may wish to invest $60mm into the same 3% AAA tranche - and thus would reference a portfolio of $2bn rather than $1bn

*Illustrative only – diagram not to scale*

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# Structured Credit Tranches

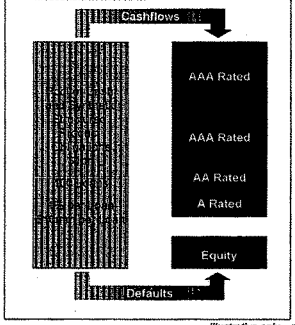
## *Cash CDO vs. Single Tranche*

**Single Tranche Mechanics**

- Investors customize tranche risk/ return profile by specifying tranche subordination and tranche size
- Investors can create rated "credit enhanced" credit exposure through the use of subordination
  - In this example, the AAA rated tranche subordination is 10% ($100mm)
  - $100mm of reference portfolio losses would need to occur before the AAA tranche is subject to loss
- Tranche size is a measure of leverage
  - In this example, the AAA rated tranche size is 3% ($30mm)
  - Once portfolio losses reach 10% ($100mm), the tranche can withstand an additional 3% ($30mm) portfolio losses before exhaustion

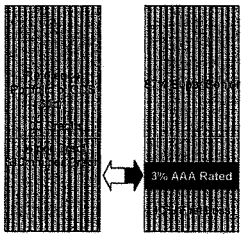
**Cash CDO**

- Collateral is cash assets
- Full capital structure placement
- Cash flow waterfall
- Unwind triggers
- Investment in note form




**Single Tranche**

- Reference portfolio comprised of CDS
- Single tranche placement
- Direct cashflow through credit default swap
- No unwind triggers
- Investment in note or swap form

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# Structured Credit Tranches

## *Benefits of Single-Tranche Synthetic Securitizations*

- Increasing liquidity in the single name CDS market enables creation of pure bespoke synthetic structured product CDOs
- Investors can harness this new product to build customized synthetic structured product portfolios
  - Not limited by new issuance calendar and bond allocations
  - Not limited by cash bonds in dealer inventory
  - Customized by sector (e.g., RMBS, CMBS, ABS), rating, vintage, servicer, etc.
- Investors can tranche the synthetic portfolio and meet various investment objectives via structure
  - Rating of investment
  - Degree of term leverage
  - Spread
  - Currency denomination
- Credit-linked notes issued in such synthetic transactions are usually uncapped and cannot defer interest, even though many of the underlying reference obligations may have embedded caps and/or may be permitted to defer interest

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## Structured Credit Tranches
### *Portfolio Selection Considerations*

- Synthetic transactions have tended to focus on the sectors of the US structured products market that have either experienced or are expected to experience the heaviest activity in the single-name structured product CDS market
  - Prime, Alt-A and Subprime RMBS
  - US CMBS Conduits
  - Structured Product Cashflow CDOs and CLOs
  - Consumer ABS
- Most transactions are diversified across sectors
  - It is possible to structure single-sector transactions (i.e. 100% subprime RMBS)
- Portfolios referencing AAA through BB securities can be created, although the best liquidity is in the double-A through triple-B rated layer
- Most synthetic transactions focus on 2004, 2005 and 2006 vintage structured finance
- Reference portfolio can be static or dynamic, subject to constraints customized to investor requirements

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# Structured Credit Tranches

## *Tranche and Structural Considerations*

- After selecting a reference portfolio (or appropriate rules in the case of a dynamic portfolio), ratings can be assigned to particular risk layers ("tranches")
- Investors can select the tranche which best meets their investment guidelines with respect to ratings and leverage
- Structure and cash flow mechanics are very similar to corporate single-tranche synthetics
- Transactions run to the legal final of the underlying reference obligations (typically 40 years)
  - Most tranches will have a 7-12 year expected weighted average life
  - The actual principal amortization of the transaction tracks that of the reference portfolio
  - The average life will reflect any borrower prepayments/extensions, credit performance, and the underlying structure of the reference obligations
- Tranches are usually not subject to caps which may be embedded in the underlying reference obligations, although the cost of such caps and other embedded options will be reflected in the spread of each tranche
- Most transactions include an optional call exercisable after a non-call period
- For a customized rated transaction, investment size generally needs to be $50 million or more to justify the fixed costs incurred
- Goldman can offer tranches in liquid currencies other than US dollars

*Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction*



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# Structured Credit Tranches

## *Overview of Credit-Linked Note Structure*

- Investor purchases a credit-linked note (CLN) issued by an SPV issuer (the "Issuer"), the proceeds of which are used to collateralize the notional amount of a credit default swap (CDS) referencing layers of risk of the reference portfolio
- Goldman acts as protection buyer under the CDS, while the Issuer (and indirectly, the investor) acts as protection seller
- Under the CDS, Goldman pays a running premium which covers the spread paid to the investor as well as upfront and ongoing expenses of the CLN issuer
- Investor earns current interest at the stated floating coupon, accrued on the outstanding principal balance of the CLN
- The junior-most tranche of CLN may have credit enhancement in the form of a subordinated first loss amount
- If a credit event occurs in respect of a reference obligation, a loss amount is calculated
- Any such loss amount is deducted from the first loss amount remaining, if any, after which:
  - The principal of the junior-most CLN is written down
  - Investor loses principal by the amount of such write down
  - Goldman is paid protection under the CDS equal to the amount of such write down
- CLN tranches are written-down by loss amounts in reverse sequential order of priority
- Principal amortization (in the absence of credit events) tracks that of the reference portfolio

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction



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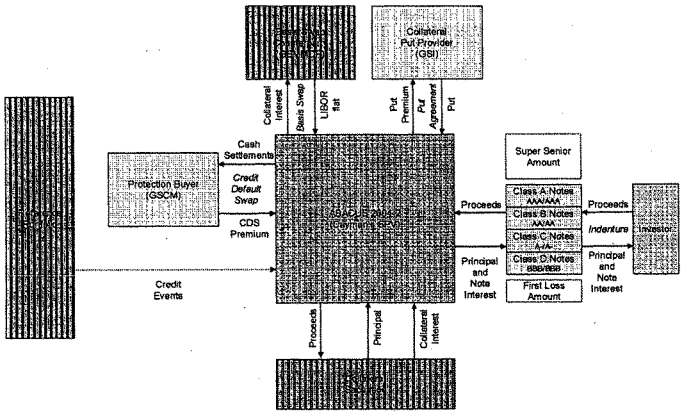
## Structured Credit Tranches

***Example Credit-Linked Note Structure Diagram***




Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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# Agenda


| | |
|---|---|
| Structured Products Market Overview | [redacted] |
| Structured Products Synthetics | [redacted] |
| ABX and CMBX Indices | [redacted] |
| Synthetic Structures | [redacted] |
| Abacus Program | V |
| Appendix | [redacted] |




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# ABACUS Program

## *Overview of ABACUS Transactions*

- ABACUS is the GS brand name for single-tranche CLN issuances referencing portfolios comprised entirely of structured products
- GS completed 12 pure bespoke single-tranche structured product synthetics since 2004
- Since 2004, GS has distributed globally approximately $3.5bn of single-tranche CLNs to a variety of buy-and-hold investors seeking customized exposures to the US structured product market
- Through CLN issuance and tranched CDS trading, GS traded approximately $21bn notional amount of structured product credit risk
- Select sample transactions:
  - ABACUS 2005-4: $6.0bn AAA CMBS transaction
  - ABACUS 2005-2: $1.25bn single-A multi-sector transaction
  - ABACUS 05-CB1: $750mm third party managed transaction
  - ABACUS 2005-7: $100mm levered supersenior transaction

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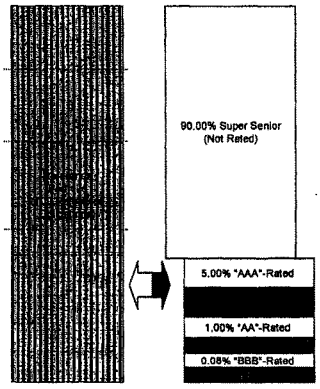
# ABACUS Program

## *ABACUS 2005-4: a Static "AAA" CMBS Transaction*

- $6.0 billion static portfolio of 30 equally sized triple-A CMBS reference obligations
- GS issued $600mm of CLNs in six bespoke tranches rated by S&P and Moody's
- Transaction illustrates a recurring theme of taking levered exposure to a portfolio of low leverage credit risks
- Transaction that enables investors to take exposure to the AAA US CMBS conduit market on a floating rate basis at attractive spreads compared to the underlying risk
- GS is currently working on similar transactions referencing portfolios of junior "AAA" CMBS securities and "AA" CMBS securities




*Illustrative only – diagram not to scale*

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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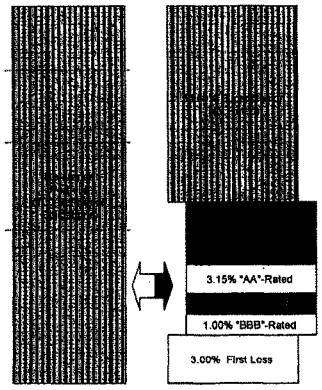
# ABACUS Program

## *ABACUS 2005-2: a Diversified Single-A Multi-Sector Transaction*

- $1.25 billion portfolio with 100 reference obligations
- GS issued $212.5mm of CLNs in five bespoke tranches rated by S&P and Moody's
- "A2" reference portfolio weighted average rating
- Portfolio composed of Asset-Backed (10%), CMBS (20%), RMBS (55%) and CDO Cashflow securities (15%)
- Investors take levered exposure to a diversified portfolio of single-A rated structured product securities with credit enhancement protection. Such exposure is rarely available in the cash ABS CDO market
- Protection buyer has the right to substitute reference obligations in the reference portfolio subject to strictly defined rules customized by investors
- Substitution flexibility enables (a) GS to more easily manage its correlation book and (b) GS to pay significantly more spread to investors compared to the benchmark cash ABS CDO market




*Illustrative only – diagram not to scale*

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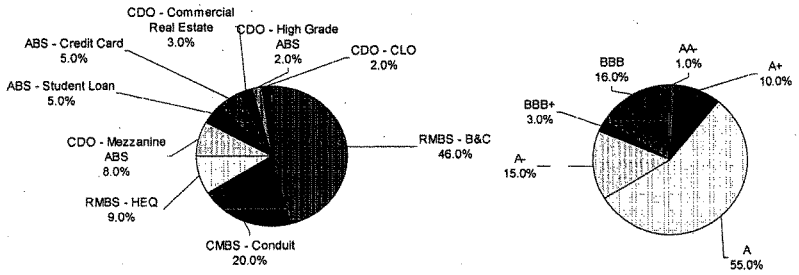
## ABACUS Program

### *ABACUS 2005-2: a Diversified Single-A Multi-Sector Transaction*

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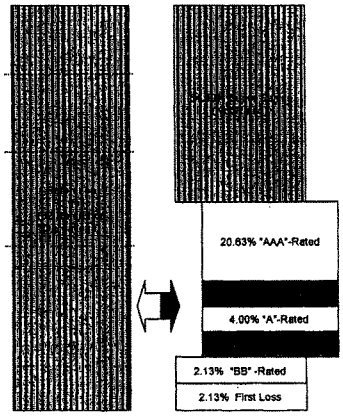
# ABACUS Program

## *ABACUS 2005-CB1: a Managed Subprime RMBS Transaction*

- $750 million reference portfolio
- GS issued $238mm of CLNs in eight bespoke tranches rated by S&P and Fitch (excluding Super Senior, BB – rated and first loss tranches that were not offered)
- 481 WARF Reference Portfolio (Baa2/Baa3)
- C-BASS serves as Portfolio Advisor
- The Portfolio Advisor selects, monitors the Reference Portfolio and has defensive management rights with respect to the reference portfolio
- GS is working with first tier portfolio managers to bring pure bespoke managed structured product synthetic CDO transactions in a format similar to the ABACUS 2005-CB1 transaction




*Illustrative only – diagram not to scale*

*Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction*

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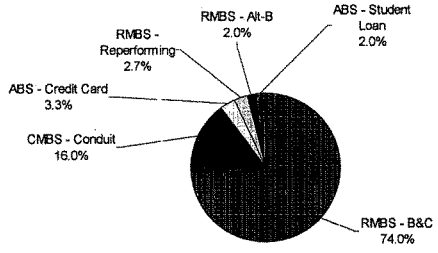
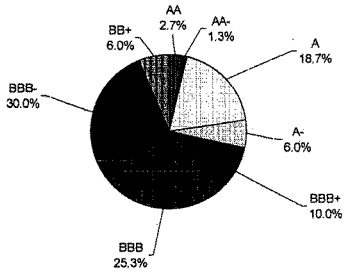
## ABACUS Program

***ABACUS 2005-CB1: a Managed Subprime RMBS Transaction***




Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction

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# ABACUS Program

## *ABACUS 2005-7: a Levered Super-Senior Transaction*

- First ever rated levered supersenior transaction referencing structured product credit risk
- Transaction referencing the 10% - 100% supersenior tranche off a portfolio consisting of 30 equally sized triple-A CMBS reference obligations
- AAA/AAA (S&P/Fitch)
- GS issued $130mm credit linked notes with a 10x leverage multiple, transferring the credit and spread risk of $1.3bn notional supersenior tranche
- Transaction uses spread triggers referencing the underlying reference portfolio average CDS spread
  - If the average reference portfolio spread breaches an unwind trigger, investor can either
    - Unwind the transaction at market, or
    - Purchase additional CLNs in order not to crystallize its mark to market loss
  - Several triggers structured, which are "AAA" remote, with gradual deleveraging
- ABACUS 05-7 enables a broad set of capital market investors to access supersenior credit risk, which used to be a risk available only to insurance companies
- GS is working with rating agencies to standardize the approach in order to replicate the levered supersenior format to other asset classes and other rating categories

Please see the draft transaction Confirmation for full details of trade mechanics. All materials contained herein are for discussion purposes only and will be superseded by full legal documentation in the event the parties decide to enter into any transaction



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## Transaction and Trade Themes for 2006

- Reverse inquiry bespoke mezzanine CLN transactions
  - Multi-sector or single-sector portfolios, static or with GS-substitution right, but always using reference obligations that benefit from single-name CDS trading liquidity
  - Structure tailor-made to address specific investor constraints, such as:
    - minimum concentration in certain sectors (addressed by potentially constructing barbell portfolios),
    - high-grade reference portfolios (addressed by structuring a transaction with GS substitution right), etc.
- Lightly managed synthetic CDOs where portfolio manager:
  - Benefits from good track record in investing in and managing ABS
  - Invests in a significant portion of the first and second loss risk
  - Brings investor relationships in order to help debt placement
- Reverse inquiry bespoke mezzanine CLN transactions where investors retain some degree of defensive management rights, often subject to adjustment of subordination levels or spreads
- Levered super-senior transactions referencing new sectors: mezzanine CMBS, subprime RMBS (across the entire capital structure), etc.
- First and second loss swap trades with or without delta-exchange, with counterparties with high return on capital targets
- Principal protected units with first loss participation

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# Agenda


| | |
|---|---|
| Structured Products Market Overview | I |
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| Synthetic Structures | IV |
| Abacus Program | V |
| Appendix | VI |
| Additional Information on the Indices | A |
| GS Contacts | B |
| Disclaimers & Risk Factors | C |




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# Reference Entities for the ABX.HE 06-1 Series of Indices

| Reference Entities for the ABX.HE 06-1 |
|---|
| 1. ACE SECURITIES CORP. SERIES 2005-HE7 |
| 2. AMERIQUEST MORTGAGE SECURITIES INC., SERIES 2005-R11 |
| 3. ARGENT SECURITIES INC SERIES 2005-W2 |
| 4. BEAR STEARNS ASSET BACKED SECURITIES 2005-HE11 |
| 5. CWABS ASSET-BACKED CERTIFICATES TRUST 2005-BC5 |
| 6. FIRST FRANKLIN MORTGAGE LOAN TRUST SERIES 2005-FF12 |
| 7. GSAMP TRUST 2005-HE4 |
| 8. HOME EQUITY ASSET TRUST 2005-8 |
| 9. J.P. MORGAN MORTGAGE ACQUISITION CORP. 2005-OPT1 |
| 10. LONG BEACH MORTGAGE LOAN TRUST 2005-WL2 |
| 11. MASTR ASSET BACKED SECURITIES TRUST 2005-NC2 |
| 12. MORGAN STANLEY ABS CAPITAL 2005-HE5 |
| 13. MERRILL LYNCH MORTGAGE INVESTORS TRUST, SERIES 2005-AR1 |
| 14. NEW CENTURY HOME EQUITY LOAN TRUST 2005-4 |
| 15. RASC SERIES 2005-KS11 TRUST |
| 16. RESIDENTIAL ASSET MORTGAGE PRODUCTS SERIES 2005-EFC4 |
| 17. SECURITIZED ASSET BACKED RECEIVABLES 2005-HE1 |
| 18. SOUNDVIEW HOME LOAN TRUST 2005-4 |
| 19. STRUCTURED ASSET INVESTMENT LOAN TRUST 2005-HE3 |
| 20. STRUCTURED ASSET SECURITIES CORPORATION SERIES 2005-WF4 |



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# Reference Entities for the CMBX.NA.1 Series of Indices

| Reference Entities for the CMBX.NA.1 |
|---|
| 1. Banc of America Commercial Mortgage Inc., Series 2005-4 |
| 2. Banc of America Commercial Mortgage Inc., Series 2005-5 |
| 3. Banc of America Commercial Mortgage Inc., Series 2005-6 |
| 4. BEAR STEARNS COMMERCIAL MORTGAGE SECURITIES TRUST 2005-PWR10 |
| 5. Bear Stearns Commercial Mortgage Securities Trust 2005-PWR9 |
| 6. BEAR STEARNS COMMERCIAL MORTGAGE SECURITIES TRUST 2005-TOP20 |
| 7. CD 2005-CD1 COMMERCIAL MORTGAGE TRUST COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2005-CD1 |
| 8. COMMERCIAL MORTGAGE TRUST 2005-GG5 |
| 9. CSFB Commercial Mortgage Trust 2005-C5 |
| 10. CSFB Commercial Mortgage Trust 2005-C6 |
| 11. GE Commercial Mortgage Corp. Series 2005-C4 |
| 12. GMAC Commercial Mortgage Securities, Inc. Series 2006-C1 Trust |
| 13. J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES CORP., SERIES 2005-CIBC13 |
| 14. J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES CORP., SERIES 2005-LDP4 |
| 15. J.P. MORGAN CHASE COMMERCIAL MORTGAGE SECURITIES CORP., SERIES 2005-LDP5 |
| 16. LB-UBS COMMERCIAL MORTGAGE TRUST 2005-C5 |
| 17. LB-UBS COMMERCIAL MORTGAGE TRUST 2005-C7 |
| 18. LB-UBS COMMERCIAL MORTGAGE TRUST 2006-C1 |
| 19. MORGAN STANLEY CAPITAL I TRUST 2005-HQ7 |
| 20. MORGAN STANLEY CAPITAL I TRUST 2005-IQ10 |
| 21. MORGAN STANLEY CAPITAL I TRUST 2006-TOP21 |
| 22. WACHOVIA BANK COMMERCIAL MORTGAGE TRUST COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES SERIES 2005-C21 |
| 23. WACHOVIA BANK COMMERCIAL MORTGAGE TRUST COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES SERIES 2005-C22 |
| 24. MERRILL LYNCH MORTGAGE TRUST 2005-LC1 |
| 25. MERRILL LYNCH MORTGAGE TRUST 2005-CKI1 |

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## Trading the ABX.HE

*The Mechanics*

| | Index at 100.00<br>Assumes Market Spread Equals Index Fixed Rate | |
|---|---|---|
| **Trade Date** | Index at 98.00<br>■ Implies spreads have widened | Index at 102.00<br>■ Implies spreads have tightened |
| **Trade Initiation** | ■ Buyer pays Seller 2% x (Notional) x (Factor)<br>■ Seller pays Buyer accrued premium from the end of the last accrual period until the trade effective date | ■ Seller pays Buyer 2% x (Notional) x (Factor)<br>■ Seller pays Buyer accrued premium from the end of the last accrual period until the trade effective date |
| **Trade Termination** | ■ Seller pays Buyer 2% x (Notional) x (Factor)<br>■ Buyer pays Seller accrued premium from the end of the last accrual period until the trade effective date | ■ Buyer pays Seller 2% x (Notional) x (Factor) Buyer pays<br>■ Buyer pays Seller accrued premium from the end of the last accrual period until the trade effective date |

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)



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# Trading the CMBX Index

*The Mechanics*

| Each CMBX Has a Fixed Rate | | |
|---|---|---|
| **Trade Date** | Index quoted higher than Fixed Rate<br>■ Implies spreads have widened | Index quoted lower than Fixed Rate<br>■ Implies spreads have tightened |
| **Trade Initiation** | ■ Buyer of protection (Index Buyer) pays the Seller of protection the difference in market value<br>■ Buyer of protection receives accrued premium from the Seller of protection for the period from the end of the last accrual period until the trade effective date | ■ Seller of protection (Index Seller) pays Buyer of protection the difference in market value<br>■ Seller of protection pays Buyer of protection the accrued premium for the period from the end of the last accrual period until the trade effective date |
| **Trade Termination** | ■ Seller of protection pays the Buyer of protection the difference in market value<br>■ Seller of protection receives the accrued premium from the end of the last accrual period until the trade effective date from the buyer of protection | ■ Buyer of protection pays the Seller of protection the difference in market value<br>■ Buyer of protection pays the Seller of protection the accrued premium for the period from the end of the last accrual period until the trade effective date |

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

Source: Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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# Key Features of Trade Mechanics[1]

*Important Definitions, Valuable Dates and Margin Requirements*

## Important Definitions

- **Trade Date** – the day the trader says "done" and trade is executed
- **Effective date of trade** – same as trade date: when protection begins
- **Effective date of Index (i.e. annex date)** – date the annex was initially published or revised
- **Settlement date** – date on which the premium is exchanged
- **Premium** – fee exchanged when trade is initially done comprising the market value of the trade and accrued interest since last payment date
- **Accrued interest** (in terms of premium) – interest accumulated from and including last payment date but excluding effective date of trade
- **Factor** - A change in the outstanding principal issuance i.e. % of principal unpaid on the reference obligation
- **Initial Fixed rate Payer Calculation period** – from and including last payment date but excluding the next payment date of the bond

## Margin Requirements

GS Buys Protection

| Rating | Initial Margin |
|---|---|
| AAA | 0.75% |
| AA | 1.25% |
| A | 1.75% |
| BBB | 3.25% |
| BBB- | 4.50% |
| Speculative Grade | Case-by-case |

GS Sells Protection

- Investment Grade underlier: no initial margin
- Speculative Grade: case-by-case basis

(key considerations: fund's quality, liquidity of underlier)

## Valuable Dates

- **Trade date** – T
- **Effective date of trade** – T+ 0
- **Markit Publish date** - 24 hours or less after trustee report is published (25th)

| | COUPONS | | FEES | |
|---|---|---|---|---|
| | Accrual Dates | Payment Delay | Upfront | Termination |
| ABX | 25th - 25th | 5 Business Day after 25th | T+5 | T+3 |
| CMBX | 25th - 25th | No payment delay | T+3 | T+3 |

[1] Source: Goldman Sachs

Note : All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

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# Trading the ABX.HE Indices

*Indicative terms and conditions*

- Indices:

| Indices | Fixed Rate |
|---|---|
| ABX.HE.AAA.06-1 | 18 |
| ABX.HE.AA.06-1 | 32 |
| ABX.HE.A.06-1 | 54 |
| ABX.HE.BBB.06-1 | 154 |
| ABX.HE.BB-.06-1 | 267 |

- Notional: Amortization mirrors that of the underlying bonds
- Fixed Rate: Established on roll date premium. Subsequent trades require upfront exchange of premium/discount
- Floating Rate Payments: Interest Shortfall, Writedown, Principal Shortfall
- Additional Fixed Payments: Interest Shortfall Reimbursement, Writedown Reimbursement, Principal Shortfall Reimbursement
- Quotations: Dealers will quote price and exchange upfront amounts based on the difference between that price and par
- Floating Amount Events: Failure to Pay Principal, Interest Shortfall and Writedown
- Physical Settlement: Not Applicable

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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# Trading the CMBX Indices

*Indicative terms and conditions*

- Indices.

| Indices | Fixed Rate |
|---|---|
| CMBX.AAA.06-1 | 10 |
| CMBX.AA.06-1 | 25 |
| CMBX.A.06-1 | 35 |
| CMBX.BBB.06-1 | 76 |
| CMBX.BB-.06-1 | 134 |

- Notional: Amortization mirrors that of the underlying bonds
- Fixed Rate: Established one day prior to roll date. Payable monthly based on average balance.
- Floating Rate Payments: Interest Shortfall, Writedown, Principal Shortfall
- Additional Fixed Payments: Interest Shortfall Reimbursement, Writedown Reimbursement, Principal Shortfall Reimbursement
- Quotations: Dealers will quote spread and compute price from the MarkIt calculator
- Credit Events: Principal Shortfall and Write-Down
- Physical Settlement: Not Applicable
- Accruals: Accrues 25th to 25th with no following convention; payments made on the 25th on an Actual/360 basis

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

Source: Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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# Trading the ABX.HE and CMBX Indices

*XYZ Sells Protection on $100mm on ABX.HE.A.06-1*

- The Fixed Rate on ABX.HE.A.06-1 Index is 54bp per annum, payable monthly
- The mechanics described below work similarly for the ABX.HE and CMBX indices

**Fixed Rate Payer (Protection Buyer)**

- Pays 54bp per annum monthly to counterparty on notional amount
  - Notional amount will decline over time based on the reference obligations amortization
- Receives payments from the Floating Rate Payer in the event of the following:
  - Interest Shortfall (capped at fixed rate)
  - Principal Shortfall
  - Writedown
- Pays in the event of the following:
  - Interest Shortfall Reimbursement Amount
  - Principal Shortfall Reimbursement Amount
  - Writedown Reimbursement Amount

**Floating Rate Payer (Protection Seller)**

- Receives 54bp per annum monthly to counterparty on notional amount
  - Notional amount will decline over time based on the reference obligation's amortization
- Pays Fixed Rate Payer in the event of the following:
  - Interest Shortfall (capped at fixed rate)
  - Principal Shortfall
  - Writedown
- Receives payment in the event of the following:
  - Interest Shortfall Reimbursement Amount
  - Principal Shortfall Reimbursement Amount
  - Writedown Reimbursement Amount

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo); Goldman Sachs, CMBX Launch Presentation: *CMBX Indices: The New US Commercial Mortgage Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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## Index vs. Single Name Trades

*Comparing a few features*

| | CMBS | | Subprime ABS | |
|---|---|---|---|---|
| | Index | Single-Name | Index | Single-Name |
| **Credit Events** | FTPP, Writedown | FTPP, Writedown | FTPP, Writedown | FTPP, Writedown, Distressed Ratings Downgrade |
| **Settlement** | PAYG | PAYG, Optional Physical | PAYG | PAYG, Optional Physical |
| **Interest Shortfall** | Fixed Cap Applicable | Fixed Cap, Variable Cap, or Cap N/A | Fixed Cap Applicable | Fixed Cap, Variable Cap, or Cap N/A |
| **Coupon Step-up** | None | None | None | If clean-up call not exercised w/ Buyer's option to terminate |
| **Trading Quotation** | Spread | Spread | Price | Spread |
| **Accruals** | Act / 360 | Act / 360 | Act / 360 | Act / 360 |
| **Effective Date** | T + 0 | T + 3 (generally) | T + 0 | T + 3 (generally) |
| **Settlement Date** | T + 3 | T + 3 | T + 5 | T + 3 |
| | | | | |

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## Credit Event (Writedown)

*XYZ Sells Protection on $100mm on ABX.HE.A.06-1*

**Credit Event - Writedown**

- Reference Obligation Original Factor = 1.0; Current Factor = 0.7
- A Writedown occurs on a Reference Obligation, for example, in year 3, in the amount of 1% of its current principal balance
  - (Current Factor * Weighting * Loss) = (0.70 * .05 * .01) = .00035 = 0.035%
- Protection Seller pays to Protection Buyer a floating amount (0.035% x 100MM)= $35,000
- Index notional amount on which premium is paid reduces by an additional 0.035%, in addition to the principal payments of the month
- Following the Credit Event, protection seller receives premium of [70] bps on the remaining index notional amount until the earlier of the next credit event or scheduled termination
- The mechanics described above work similarly for the ABX.HE and CMBX indices

Note: All financial information and other data shown are for illustrative purposes only and are not intended to represent an actual transaction

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)

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# About Markit

- Markit is the Administration and Calculation Agent for the DJ CDX index program
- Markit Background:
  - Founded in 2001 by a team of credit market professionals to aggregate and provide clean credit data across asset classes on a single platform
  - Asset Classes include: CDS (Corporate and ABS), Bonds (corporate, financial, sovereign, convertible), Mortgage- and Asset-Backed Securities, Syndicated Loans and Index Products
  - Markit Reference Entity Database (RED) is the market standard for reference entity long legal names, reference entity-reference obligation relationships and "pair" identifiers
  - The key industry source for accurate, consensus pricing for independent price verification, risk modelling and data back testing
  - The industry source for standardized CDO and 1st-to-default valuations, OTC derivative valuations as well as corporate dividend payment and equity index constituent information

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo)



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# Update on the ABX.HE Bases[1]

*As of March 27, 2006*

Indicative Basis Report

| Subindex | Index - CDS | CDS - Cash |
|---|---|---|
| AAA | 1 | -15 |
| AA | 1 | -17 |
| A | 3 | -7 |
| BBB | 13 | -10 |
| BBB- | 13 | 0 |

| Reference Entities | | | Index - CDS Basis for BBB- |
|---|---|---|---|
| ACE | 05-HE7 | M9 | 15 |
| MLMI | 05-AR1 | B3 | 15 |
| GSAMP | 05-HE4 | B3 | 5 |
| HEAT | 05-8 | B1 | -5 |
| MABS | 05-NC2 | M9 | -5 |
| FFML | 05-FF12 | B3 | 20 |
| NCHET | 05-4 | M9 | -10 |
| BSABS | 05-HE11 | M8 | -15 |
| MSAC | 05-HE5 | B3 | 10 |
| LBMLT | 05-WL2 | M9 | -15 |
| SVHE | 05-4 | M9 | 15 |
| SABR | 05-HE1 | B3 | 10 |
| CWL | 05-BC5 | B | -15 |
| SAIL | 05-HE3 | M9 | -30 |
| AMSI | 05-R11 | M9 | -20 |
| RASC | 05-KS11 | M9 | 0 |
| ARSI | 05-W2 | M9 | -20 |
| RAMP | 05-EFC4 | M9 | 10 |
| JPMAC | 05-OPT1 | M9 | 20 |
| SASC | 05-WF4 | M9 | 15 |

[1] Source: Goldman Sachs

Note: Past results are not indications of future performance

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# Agenda


| | |
|---|---|
| Structured Products Market Overview | I |
| Structured Products Synthetics | II |
| ABX and CMBX Indices | III |
| Synthetic Structures | IV |
| Abacus Program | V |
| Appendix | VI |
| Additional Information on the Indices | A |
| GS Contacts | B |
| Disclaimers & Risk Factors | C |




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# Agenda


| | |
|---|---|
| Structured Products Market Overview | I |
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The information contained herein is confidential information regarding securities that may in the future be offered by ABACUS (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.



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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 reference portfolio, any Credit Events on the reference portfolio, the timing of any Credit Events and subsequent recoveries, changes in interest rates, any weakening of the specific credits included in the reference portfolio, and the circumstances under which the Portfolio Advisor elects to remove any Credit Risk Reference Obligations, 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.

Under no circumstances is this presentation to be used or considered as an offer to sell, or a solicitation of any offer to buy, any security. Any such offering may be made only by the Offering Circular. The information contained herein is in summary form for convenience of presentation. It is not complete and it should not be relied upon as such.

No person has been authorized to give any information or to make any representations other than those to be contained in the Offering Circular regarding the offering of any securities described herein. An investment in the securities described herein, when and if offered, will involve substantial risk. Prior to investing, prospective investors should carefully consider the risks, which will be described in the Offering Circular, and should consult their own investment advisors, and tax, legal, accounting and other regulatory advisors. Due to the risks involved in the Securities, investors should be prepared to suffer a loss of their entire investment.

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# Risk Factors

**PROSPECTIVE INVESTORS SHOULD READ THE OFFERING CIRCULAR FOR A MORE COMPLETE DESCRIPTION OF RISK FACTORS RELEVANT TO A PARTICULAR INVESTMENT**

- Purchasing the Securities involves certain risks. Prospective investors should carefully consider the following factors, as well as the risk factors included in the final Offering Circular, prior to purchasing the Securities. The following is not intended to be an exhaustive list of the risks involved in the Transaction.
- The final Offering Circular will include more complete descriptions of the risks described below as well as additional risks. 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 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.

**Leveraged Credit Exposure to Reference Entities**

- Investors will have leveraged exposure to the credit of a number of Reference Entities because the notional amount of the Reference Portfolio is significantly larger than the principal amount of the Notes. Following either (1) the delivery of a Credit Event Notice by Goldman Sachs in relation to a Credit Event with respect to a Reference Entity and the satisfaction of the other Conditions to Settlement or (2) removal of a Credit Risk Reference Obligation by the Portfolio Advisor and the determination of a related Discount Amount, the outstanding principal amount of the investment may be reduced. Investors in the Securities may suffer significant reductions in their outstanding principal amounts. The maximum loss for investors is the full principal amount.

**No Legal or Beneficial Interest in Obligations of Reference Entities**

- Participation in the Transaction does not constitute a purchase or other acquisition or assignment of any interest in any obligation of any Reference Entity. Neither the Issuer nor investors will have recourse against any Reference Entities. Neither the investors nor any other entity will have any rights to acquire from Goldman Sachs any interest in any obligation of any Reference Entity, notwithstanding any reduction in the principal of the relevant class with respect to such Reference Entity. Neither the Issuer nor any investor will have the benefit of any collateral delivered by any Reference Entity nor any right to enforce any remedies against any Reference Entity.

**Tax/Regulatory Impact**

- There may be a tax or regulatory impact of investing in the Notes. Goldman Sachs does not provide any opinion on these issues. Any investor should consult with its own advisors prior to investing in the Notes.

**Limited Liquidity of the Transaction**

- There is currently no market for the Securities. There can be no assurance that a secondary market for the Securities will develop or, if a secondary market does develop, that it will provide the holder of the Securities with liquidity, or that it will continue for the life of the Securities. Moreover, the limited scope of information available to the investors regarding the Reference Entities, the nature of any Credit Event, including uncertainty as to the extent of any reduction to be applied to the notional amount of each class if a Credit Event has occurred but the amount of the relevant reduction in the notional amount has not been determined, and the uncertainty regarding any Credit Risk Reference Obligation, including the ability of the Portfolio Advisor to remove such obligations from the reference portfolio at any time and the extent of any reduction to be applied to the notional amount of each class if and when such Credit Risk Reference Obligations is removed, may further affect the liquidity of the Securities. Consequently, any investor in the Securities must be prepared to hold such Securities for an indefinite period of time or until final maturity.



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# Risk Factors

**Mark-to-Market Risk**

- Investors are exposed to considerable mark-to-market volatility following changes in any of the following: spreads of the credits in the Reference Portfolio, comparable CDO spreads, ratings migration in the reference portfolio, ratings migration of the Securities, ratings migration of the Collateral or issuers or providers thereof, and Credit Events in the Reference Portfolio (and hence reduction of subordination). These will be reflected in mark-to-market valuations which are likely to be more volatile than an equivalently rated unleveraged investment.

**Credit Events may vary from Defaults**

- Historical default statistics may not capture events that would trigger a Credit Event as specified under the Notes. All Credit Event definitions will be defined in the final legal documents and will be governed by the 2003 ISDA Credit Derivatives Definitions and any amendment or supplement thereto.

**Credit Ratings**

- Credit ratings represent the rating agencies' *opinions* regarding credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and/or interest payments and do not evaluate the risks of fluctuations in market value. Accordingly, the credit ratings may not fully reflect the true risks of the Transaction. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates.

**Rating Volatility**

- Rating agencies may from time to time change the ratings of the Notes (or the Reference Entities in the portfolio) even if no losses have been incurred under the Notes due to changes in rating methodology or rating migration of the Reference Entities in the portfolio. Due to the leveraged nature of the transaction, the rating may be significantly more volatile than corporate debt with an equivalent credit rating.



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# Risk Factors

**Certain conflicts of interest relating to Goldman Sachs and its Affiliates; No reliance**

- Goldman Sachs does not provide investment, accounting, tax or legal advice and shall not have a fiduciary relationship with any investor. In particular, Goldman Sachs does not make any representations as to (a) the suitability of purchasing Securities, (b) the appropriate accounting treatment or possible tax consequences of the transaction as described herein (the "Transaction") or (c) the future performance of the Transaction either in absolute terms or relative to competing investments. Investors should obtain their own independent accounting, tax and legal advice and should consult their own professional investment advisor to ascertain the suitability of the Transaction, including such independent investigation and analysis regarding the risks, security arrangements and cash-flows associated with the Transaction as they deem appropriate to evaluate the merits and risks of the Transaction.
- Goldman Sachs may, by virtue of its status as an underwriter, advisor or otherwise, possess or have access to non-publicly available information relating to the Collateral, the issuer(s) thereof, the Reference Entities and/or the obligations of the Reference Entities and has not undertaken, and does not intend, to disclose, such status or non-public information in connection with the Transaction. Accordingly, this presentation may not contain all information that would be material to the evaluation of the merits and risks of purchasing the Securities.
- Goldman Sachs does not make any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Transaction and accepts no responsibility or liability therefore. Goldman Sachs is currently and may be from time to time in the future an active participant on both sides of the market and have long or short positions in, or buy and sell, Securities, commodities, futures, options or other derivatives identical or related to those mentioned herein. Goldman Sachs may have potential conflicts of interest due to present or future relationships between Goldman Sachs and any Collateral, the issuer thereof, any Reference Entity or any obligation of any Reference Entity.
- Goldman Sachs will act as the initial purchaser for all classes of Notes, and affiliates of Goldman Sachs will act as the Protection Buyer, the Basis Swap Counterparty, the Collateral Put Provider and the Collateral Disposal Agent.

**Risks Associated with Responsibilities of the Portfolio Advisor**

- The exercise of responsibilities of the Portfolio Advisor by the Portfolio Advisor, particularly in the form of credit risk removals affecting the subordination of the Notes, can potentially (a) increase the risk of the investment by reducing the subordination and hence increase the probability of suffering an actual loss from a subsequent removal of a Credit Risk Reference Obligation or a Credit Event, (b) cause a rating downgrade of the Notes or (c) increase the mark-to-market volatility of the Notes.

**Certain conflicts of interest relating to the Portfolio Advisor and its Affiliates**

- The Portfolio Advisor and its Affiliates may invest or invest for the account of others in debt obligations that would be appropriate as Reference Obligations and/or Collateral Securities and have no duty in making such investments or to act in a way that is favorable to the Issuer or the Noteholders. The Portfolio Advisor and its Affiliates may have economic interests in, or other relationships with, issuers in whose obligations or securities are Reference Obligations and/or Collateral Securities.
- The Portfolio Advisor, its Affiliates or any account managed by any of the foregoing may make and/or hold an investment in an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, security holders, officers, directors, agents or employees of the Portfolio Advisor, its Affiliates or any account managed by any of the foregoing serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer.



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# Risk Factors

**Reliance on Creditworthiness of the Collateral**

- The ability of the Issuer of the Notes to meet its obligations under the Notes will depend on, amongst other things, the receipt by it of payments of interest and principal from the Collateral. Consequently, investors are exposed not only to the occurrence of Credit Events in relation to any of the Reference Entities and/or the removal of Credit Risk Reference Obligations from the reference portfolio, but also to the ability of the Collateral or the Issuer or provider thereof, to perform its obligations to make payments to the Issuer of the Notes. Although at the time of purchase, such Collateral will be highly rated, there is no assurance that such rating will not be reduced or withdrawn in the future, nor is a rating a guarantee of future performance.

**Creditworthiness of Goldman Sachs**

- Premium payments will be required to be made by Goldman Sachs throughout the life of the transaction. Consequently, investors are exposed not only to the occurrence of Credit Events in relation to any of the Reference Entities, but also to the ability of Goldman Sachs to perform its obligations to make payments to the Issuer of the Notes, amongst other secured parties.

**Historical Performance does not Predict Future Performance of Transaction**

- Individual Reference Entities may not perform as indicated by historical performance for similarly rated credits. Furthermore, even if future credit performance is similar to that of historic performance for the entire market, investors must make their own determination as to whether the Reference Portfolio will reflect the experience of the universe of rated credits. Hence, the frequency of Credit Events experienced under the Notes may be higher than that of historical Credit Event rates, and that of future Credit Event rates for the entire market.
- The nature of, and risks associated with, the Issuer's future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities.

**Projections, Forecasts and Estimates**

- Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions that the Issuer considers reasonable. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.



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United States of America
Before the Securities and Exchange Commission

| | |
|---|---|
| In the Matter of<br><br>Abacus 2007-AC1 CDO | File No. HO-10911 |

STATEMENT OF LAURA U. SCHWARTZ

Confidential Treatment Requested Under FOIA
by Fried, Frank, Harris, Shriver & Jacobson LLP



Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1605

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I, Laura Ullman Schwartz, submit the following statement:

**Introduction**

1. From September 2002 through October 2007, I was a Managing Director (and from 2004 through October 2007 the Senior Managing Director), of collateralized debt obligation ("CDO") asset management for ACA Capital Holdings, Inc. ("ACA"). Throughout this time period, ACA conducted its asset management business through ACA Management, L.L.C. ("ACAM"). ACAM was a subsidiary of ACA Financial Guaranty Corporation, which itself is a wholly-owned subsidiary of ACA.

2. On November 13, 2008, at the request of the staff of the Securities and Exchange Commission ("Staff"), I testified before the Staff in connection with this investigation. Through counsel, the Staff has requested that I address a number of follow-up questions relating to the subject matter of my testimony. This statement is submitted at the Staff's request.

**Redacted by the**
**Permanent Subcommittee on Investigations**



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10. In particular, on January 10, 2007, Goldman Sachs employee Fabrice Tourre sent me an e-mail with a transaction summary for the Abacus CDO (Bates-numbered ACA-ABACUS-0000000024 - ACA-ABACUS-0000000025; SEC Exhibit 7) stating that the 0 – 9% tranche of the Abacus CDO would be a "pre-committed first loss" tranche. Mr. Tourre's transaction summary also states that the "transaction sponsor" had been "in discussions with a couple of potential CDO managers." The e-mail defines "the transaction sponsor" as Paulson. The transaction summary lists no other tranche as pre-committed. Based on my knowledge of the industry, I believe that "pre-committed first loss" refers to the equity position, a belief that is consistent with the fact that the 0-9% tranche typically encompasses the equity portion of a CDO transaction. I believe this communication from Fabrice Tourre is representative of communications that led to my understanding that Paulson was the equity investor in the transaction.

11. The "pitch book" for the Abacus CDO (one copy of which appears at the document Bates-numbered ABACUS-0001785285 – ACA-ABACUS-0001785350; SEC Exhibit 27) contains a page titled "Structure Overview – Capital Structure." It is my general recollection that, although ACAM drafted those sections of the Abacus CDO pitch book relating to ACAM, Goldman Sachs personnel drafted the remainder of the document, including this passage on the Capital Structure. This page designates a "First Loss" tranche with a $200,000,000 notional value and a tranche size of "[+10%]" of the initial reference portfolio notional amount as "Not Offered." The phrase "Not Offered" is generally assumed, in routine market practices in the industry, to mean "pre-placed," and indicates that the piece of the transaction so designated has already been committed to purchase by an investor and will not be marketed. The language in the pitch book is



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consistent with my understanding that the equity position was being purchased by the transaction sponsor, who I understood to be Paulson.

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Permanent Subcommittee on Investigations

Laura Ullman Schwartz

Subscribed and sworn before me, this [21st]th day of January, 2010.

Seal:

[ ROBERTA RYAN ]
NOTARY PUBLIC

ROBERTA RYAN
Notary Public
State of Connecticut
My Commission Expires June 30,2010

My commission expires: 6/30, 20 10.

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**From:** Bernstein, Stuart (IB NYP48)
**Sent:** Thursday, July 13, 2006 6:03 PM
**To:** Solomon, David (IB NYP48); Berlinski, Milton (IB 85B18); Truesdale, Don (IB 85B23); von Holzhausen, Kurt (IB 85B23); Ross, Ivan (IB NYP48); Lee, Craig (IB NYP48); Grippi, Kristen (IB NYP48)
**Cc:** Cohn, Gary
**Subject:** Lasry called

[redacted] = Redacted by the Permanent Subcommittee on Investigations

We discussed three topics:

1) He wanted to know if we would do a SPAC for him - long discussion but the essence of it is that he only wants to do a SPAC because he believes the mortgage REIT market is dead. We agreed that the economics of a mortgage REIT are better for him and that as the market got worse, his "distressed' expertise would be more (not less) interesting to investors. Next step - go see him and discuss the merits of both capital raising opportunities

2) [redacted]

3) [redacted]

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Classification: General Business~External~Standard~



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GS MBS-E-016209254

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66051.104

**From:** Swenson, Michael
**Sent:** Tuesday, September 19, 2006 10:06 AM
**To:** Birnbaum, Josh
**Subject:** Re: ABX

Good

----- Original Message -----
From: Birnbaum, Josh
To: Swenson, Michael
Sent: Tue Sep 19 10:04:52 2006
Subject: RE: ABX

I said you were "in a meeting"

-----Original Message-----
From: Swenson, Michael
Sent: Tuesday, September 19, 2006 10:03 AM
To: Birnbaum, Josh
Subject: Re: ABX

[redacted]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Birnbaum, Josh
To: Swenson, Michael
Sent: Tue Sep 19 10:01:33 2006
Subject: RE: ABX

no

-----Original Message-----
From: Swenson, Michael
Sent: Tuesday, September 19, 2006 10:01 AM
To: Birnbaum, Josh
Subject: Re: ABX

Are the pissed at me?

----- Original Message -----
From: Birnbaum, Josh
To: Swenson, Michael
Sent: Tue Sep 19 10:00:26 2006
Subject: RE: ABX

Believe it or not sobel and sparks want to know if we should exit or double down. We double down if we have a structured place to go with the risk. We are waiting for you to get in, then we are going to sit down with CDO guys and talk about a deal.

-----Original Message-----
From: Swenson, Michael
Sent: Tuesday, September 19, 2006 9:59 AM
To: Birnbaum, Josh
Subject: Fw: ABX

What happened here?

----- Original Message -----
From: Sobel, Jonathan
To: Sparks, Daniel L; Swenson, Michael; Birnbaum, Josh



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*Wall Street & The Financial Crisis*
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**Footnote Exhibits - Page 3362**

Sent: Tue Sep 19 07:01:07 2006
Subject: ABX

Let's sit down at 8am to discuss.



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**From:** Lehman, David A.
**Sent:** Thursday, July 20, 2006 10:17 AM
**To:** Sobel, Jonathan; Sparks, Daniel L; McHugh, John; Brazil, Alan; Egol, Jonathan; Turok, Michael; Burchard, Paul; Paz, Jeffrey; Levy, Bradford S; Jacobsen, Glade; Littlejohn, Darren; Downing, Claudia E.; Scales, Carly
**Cc:** Swenson, Michael; Birnbaum, Josh; Kamilla, Rajiv; Lehman, David A.
**Subject:** Mortara Nomination -- ABX/CMBX Indices

**Attachments:** ABX-CMBX 2006_MikeMortaraAward- 7-20-06.doc

Attached please find our submission for the Mortara award.

ABX-CMBX
06_MikeMortaraAwa



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# 2006 Mike Mortara Award for Innovation
## Nomination Template for ABX & CMBX Indices

**Name of project / transaction:**

ABX and CMBX structured product ("SP") credit default swap ("CDS") indices

**Detailed project / transaction description:**

The ABX and CMBX indices, which launched Q12006, are comprised of CDS that reference various SP securities. ABX references twenty different subprime home equity loan ABS deals while CMBX references twenty-five commercial mortgage backed security deals. There are five sub-indices for each product corresponding to five rating layers of risk – AAA, AA, A, BBB and BBB-. The development of these indices was preceded by the explosive growth of single name SP CDS (referencing individual CUSIPs) trading over a span of roughly fifteen months – with the bulk of the trading activity focused on the home equity ABS and CMBS sectors. The ABX and CMBX index products follow in the success of the CDX family of index products in corporate CDS trading.

ABX and CMBX indices are part of the intellectual property of CDX IndexCo, which owns and licenses other tradable index products such as CDX and HVOL in the corporate CDS market. CDX IndexCo, in turn, is largely owned by a consortium of several dealers, including Goldman Sachs. Similar to other tradable CDS index products, a new ABX and CMBX index will be created every six months, with the older indices outstanding and traded in the marketplace.

Goldman Sachs played a leadership role in the inter-dealer consortium in the development and launch of the ABX and CMBX indices; and thereafter has dominated the trading of these products.



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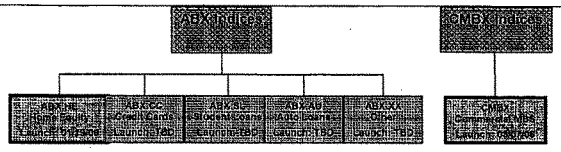


Notes:
- ABX, ABX.HE, and CMBX are service marks of CDS IndexCO LLC and have been licensed by Goldman, Sachs & Co.
- The ABX.HE and CMBX indices referenced herein is the property of CDS IndexCO LLC and is used under license. The transactions described herein are not sponsored, endorsed or promoted by CDS IndexCO LLC or any of its members, other than Goldman, Sachs & Co.

Source: Goldman Sachs, ABX.HE Launch Presentation: *ABX Indices: The New US Asset Backed Credit Default Swap Benchmark Indices* (CDS IndexCo LLC)

**How did the project / transaction solve an important problem for a client or for the firm and, if applicable, what was the client's perspective?**

Following the inception of the single name SP CDS market in the fall of 2004, Goldman Sachs has been an innovator and a leader in the derivatization of structured finance securities.

As ABS and CMBS traditionally have been cash only markets, the ability to create and trade risk synthetically has revolutionized the market. SP CDS enables market participants to trade risk without ownership of the underlying SP security - thereby permitting market participants to efficiently go short the risk of these securities. The ABX and CMBX indices have significantly contributed to the evolution of this market by explicitly fostering liquidity through market-maker sponsorship in addition to standardization and transparency. The impact has been significant across several market participants.

- Banks, Loan Originators, and Dealer Primary Desks: Flexibility to lock in credit spreads for pending asset sale or securitization and hedge loan pools, retained tranches and residuals. Examples of clients include (but not limited to) Countrywide, Huntington, ABN AMRO, First Franklin, National City, and FBR.
- Hedge Funds: Flexibility to actively express relative value trades across market sectors and across products. Examples of clients include (but not limited to) Paulson Capital, Moore Capital, III Advisors, Dillon Read Capital Management, Scion, Peloton, The Clinton Group, BSAM Credit Strategies Fund, Cascade, Fir Tree, Basswood, and Old Lane.
- Dealer Trading Desks: Flexibility to actively trade risk and to express positive and negative views by selling and buying protection without being limited by inventory.



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Examples include all major broker dealers.

- Asset Managers:
  1. Flexibility to customize portfolios by investing based on risk preference rather than dealer inventory or syndicate allocation. Examples of clients include (but not limited to) Wellington, Fidelity, Metlife, and Prudential.
  2. Flexibility to manage the ramp-up risk during portfolio accumulation and retain flexibility in portfolio construction for collateralized debt obligations ("CDOs"). Examples of clients include (but not limited to) Ellington, Blackrock, TCW, State Street, NorthStar Realty Finance, Winchester Capital, and CDC Ixis.
  3. Flexibility to selectively hedge certain SP risks. Examples of clients include (but not limited to) PIMCO, JP Morgan Chase Bank, and ING Clarion.
- Financial Guarantors and Surety Providers: Flexibility to write protection on senior and super-senior risk layers of synthetic portfolios. Examples of clients include (but not limited to) AIG Financial Products, MBIA, and ACA Financial Guaranty.

Certain significant aspects of this market development include:

- Entry of hedge funds (including macro and equity Long/Short) into the SP market, given the ability to execute both long and short views
- Advent of new trading products; including but not limited to second generation products on the indices, such as ABX tranches.
- Growth of new trading strategies; including but not limited to cross-sector relative value trading strategies (corporate vs. SP, emerging market vs. SP, etc.), cross product trading strategies (cash securities vs. CDS), cross tranche trading strategies (BBB vs. BB, AAA vs. BBB) and correlation trading (similar to the corporate CDS market)
- Impact of CDS spread dynamics on the pricing of new issues in the cash SP market.

**What was the market reaction?**

**Goldman Dominates Client Trading Volume:**

Since the indices were launched in 1Q2006, the Firm has traded close to $50BN in gross notional of ABX and CMBX, maintaining an estimated 40% market share. The FICC-Equities salesforce and the SP derivatives marketing effort proved invaluable in working with the trading desk to establish and maintain this market share. In addition,



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the Firm dominates single name SP CDS trading flows with a similar market share, having traded approximately $150BN of gross notional to date. The SP CDS market is expected to have outstanding notional of approximately $750BN by year end 2006.

**Goldman Dominates Inter-Dealer Trading:**

In addition to high market share in our client flows, the Firm dominates the inter-dealer market.

**Goldman Establishes Significant Trading Relationships with Several New Clients:**

ABX and CMBX are now the benchmark for SP CDS. The liquidity generated by the Firm has made this market attractive to many non-traditional ABS and CMBS clients. Specifically, macro and equity hedge funds, as well as credit funds, have been large participants in the index market. As liquidity and sponsorship are paramount to hedge funds and other trading oriented clients, the ABX and CMBX indices opened up our market to these clients, creating marginal supply and demand. For example, it is interesting to note that approximately 38% of trading volume on the ABX indices has been with hedge funds, most of which are new clients of the structured products trading business.



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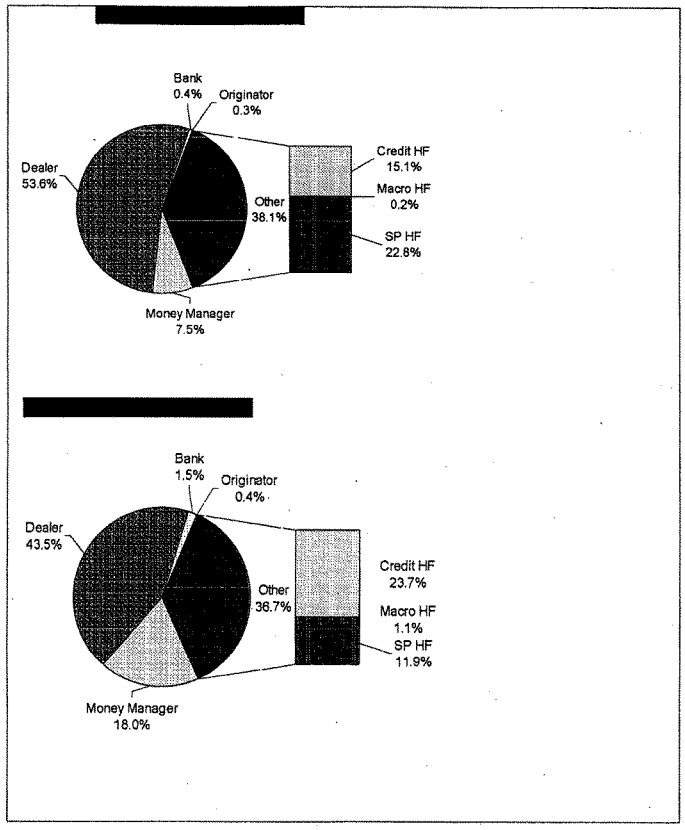




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**How did the project / transaction differentiate Goldman Sachs in the marketplace?**

Goldman was the leader and principal driver in the creation of both ABX and CMBX.

First, GS demonstrated a leadership role with ISDA leading to the development of standardized trading terms and documentation of SP CDS in June 2005. Standardization resulted in explosive growth in trading volume – to $2-5BN in trading notional each week from $200-300MM a week prior to June 2005. This was followed concurrently by efforts on the development of the ABX and CMBX, where the standardization of the single name CDS confirmation was invaluable in the process of building consensus relating to the indices.

Second, Firm employees were instrumental in leading all aspects of the index creation, including structuring, trading, legal, and operational. In addition, Markit Group, the administrator for the indices, constantly looked to Goldman during the process for advice and support.

Finally, given the Firm's expertise and market share in the single name SP CDS market, both our clients and our competitors looked to Goldman in the creation of ABX and CMBX.

**What was the benefit to Goldman Sachs (including profitability)?**

The Firm's role in ABX and CMBX have The benefits to the Firm include:

a) Market share of approximately 40%.

b) Cementing the Firm's leadership role at the forefront of the developing SP derivatives market.

c) Gross P&L YTD of $30mm from trading ABX and CMBX (In aggregate $60mm on SP synthetics trading). Expected aggregate SP synthetics P&L for fiscal 2006 of 125mm.

d) Euromoney recently named Goldman Sachs the Global Best Credit Derivatives House for 2006. Our leadership and innovation in SP CDS and the ABX and CMBX indices were important considerations for this award.

**Is this project / transaction replicable? If so, what is the plan to do so?**

Despite the rapid growth of the SP CDS market, it is still in its relative infancy. We expect the market to significantly grow in notional and rapidly dwarf the underlying cash securities market with concurrent revenue potential for Goldman Sachs.

While these indices satisfy the market's demand for unfunded ABS sub prime and



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CMBS risk, we feel similar opportunities are available where the Firm can display innovation and leadership.

Specifically, we are working towards "second generation" products such as index options and tranches. These are established businesses in the corporate market, and the Firm has already taking a leadership role in the index tranche market, having executed several trades.

In addition, the ABX and CMBX technology potentially has use with other structured products, such as CDOs, credit card ABS, and auto loan ABS.

**Name of team or individual who worked on the project / transaction:**

***Trading***
Domenico AcriGarofalo
Josh Birnbaum
Edwin Chin
Jonathan Egol
David Gerst
Rajiv Kamilla
David Lehman
Deeb Salem
Matt Salem
Ben Solomon
Michael Swenson
Fabrice Tourre
Geoff Williams

***FICC-Equities Sales and Derivatives Marketing Team***

***Strategies***
Tom Barrett
Alan Brazil
Paul Burchard
Toby Falk
Kevin Kao
Ting Liu
Jordan Mann
Kyle Nagel
Shelly Shapiro
Michael Turok
Peng Yu



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***Technology***
Jeff Paz

***Firmwide eBusiness***
Brad Levy

***Legal***
Glade Jacobsen
Darren Littlejohn

***Credit***
Ilana Ash
Li-Wan Chia
Nicolas Friedman
Clare Sant
Dennis Young

***Operations***
Anne Cottancin
Claudia Downing
Rohan Murphy
Nehal Nishar
Mark Perry
Carly Scales
Poonam Shah
Aude Walon
Tina Yang

**Name(s) of those making the nomination:**

Josh Birnbaum

Rajiv Kamilla

David Lehman

Michael Swenson



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66051.115

**From:** Sparks, Daniel L
**Sent:** Friday, July 07, 2006 12:38 PM
**To:** Lehman, David A.
**Subject:** RE: Mike Mortara Award for Innovation

yes

**From:** Lehman, David A.
**Sent:** Friday, July 07, 2006 11:37 AM
**To:** McHugh, John; Swenson, Michael
**Cc:** Sparks, Daniel L; Kamilla, Rajiv; Birnbaum, Josh
**Subject:** RE: Mike Mortara Award for Innovation

OK, then I think we should go for it. Dan/Mike/Rajiv/Josh?

**From:** McHugh, John
**Sent:** Friday, July 07, 2006 12:26 PM
**To:** Lehman, David A.; Swenson, Michael
**Cc:** Sparks, Daniel L; Kamilla, Rajiv
**Subject:** RE: Mike Mortara Award for Innovation

I spoke to the coordinator. If we can claim to have originated the innovative product concept/structure **or** we were the driving force behind the consortium, we can submit a nomination.

**From:** Lehman, David A.
**Sent:** Friday, July 07, 2006 8:09 AM
**To:** McHugh, John; Swenson, Michael
**Cc:** Sparks, Daniel L; Kamilla, Rajiv
**Subject:** RE: Mike Mortara Award for Innovation

Added Rajiv to the e-mail.

I like the idea and I think ABX/CMBX fit most of the below criteria, my only thought is that ABX/CMBX were formed by a multi-dealer consortium, not just GS. While GS was clearly a leader in the consortium, I am unsure if this fits the Mortara award. I am for it if we feel that criteria is met.

**From:** McHugh, John
**Sent:** Friday, July 07, 2006 8:02 AM
**To:** Swenson, Michael; Lehman, David A.
**Cc:** Sparks, Daniel L
**Subject:** FW: Mike Mortara Award for Innovation

Should we submit a nomination for ABX/CMBX?

**From:** Equities and FICC Communications
**Sent:** Tuesday, June 20, 2006 4:27 PM
**To:** 'All Equities and FICC'

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**Subject:** Mike Mortara Award for Innovation



**Equities and FICC Comm**

**June 20, 2006**
**Mike Mortara Award for Innovation**

We are pleased to accept nominations for the fifth annual Mike Mortara Award for Innc FICC divisions. Mike Mortara served as co-head of FICC from 1994 until his sudden p recognizes the creative, forward-looking, and entrepreneurial contributions of an indivi

The review committee will use the following criteria to judge the submissions:

- Did the transaction or project distinguish us from the competition?
- Was an important client or firm problem solved?
- What was or will be the impact on the market and firm?
- Is the transaction replicable?
- What was the profitability of the transaction?

Please use the nomination template for your submission.

**Nominations are due Thursday, July 20.** The winner will be announced shortly ther divisions will make a significant donation to the charity of the winner's choice.

Phil Hylander, Paul Young, Bernie Mensah, Sheila Patel, and Bruce Petersen will com committee, which will be chaired by Bill McMahon.

Robert Nuzzo will serve as committee coordinator and all submissions should be sent contact him with any questions.

This award perpetuates Mike's focus on innovation. He embodied the best of Goldmai mark on the firm and the financial services industry. Mike would be proud of the ability embrace change to benefit our clients.

Gary D. Cohn
J. Michael Evans
Thomas K. Montag
Michael S. Sherwood



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# FIXED INCOME, CURRENCY AND COMMODITIES INDIVIDUAL REVIEW BOOK

**Reviewee: Kamilla, Rajiv K**

**Title: VP**
**Review Criteria: FICC-Vice President**
**Business Unit: Mortgages**
**Department: ABS Trading**
**Region: Americas**
**Date of Hire: 14-Jul-97**
**Primary Manager: Swenson, Michael J**
**Co-Manager 1: Lehman, David A**
**Co-Manager 2: Sparks, Daniel L**
**Co-Manager 3:**
**Co-Manager 4:**
**Mentor:**

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THE PURPOSE OF THIS REVIEW MATERIAL IS FOR PERSONAL DEVELOPMENT. IT IS NOT INTENDED FOR DISCLOSURE OUTSIDE THE FIRM.

Title Description: VP=Vice President/Executive Director; AS=Associate; AN=Analyst; EX=Exempt; NX=Non-Exempt

As you review feedback information, you should be alert to instances in which an individual has received an unusually negative comment or low score on the "Compliance" or "Diversity and Equitable Treatment" questions. Please consider whether the response requires follow-up, including consultation with a more senior manager, a Compliance professional, Employee Relations representative or other individuals.

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VI. Self Evaluation
VII. Written Comments
VIII. Training Transcript



**Report Configurations**

1. Peer Group = all employees who share the same title, across the division, as the reviewee and are rated on the same review criteria.
2. All averages in the report do not include ratings from the self evaluation.



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## VI. Self Evaluation

| Review Criteria | Self Rating |
|---|---|
| Technical Skills | 5.00 |
| Communication Skills | 4.00 |
| Judgment/Problem Solving | 5.00 |
| Teamwork | 5.00 |
| Compliance | 3.00 |
| Diversity and Equitable Treatment | 3.00 |
| People Management | 4.00 |
| Franchise Contribution | 5.00 |
| Leadership | 4.00 |
| Overall Commercial Effectiveness | 4.00 |
| Overall Professional Performance | 4.00 |
| Cumulative Average: | 4.18 |





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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| Overall Performance | During the past 12 months, I have made significant contributions to Goldman's structured products franchise.<br><br>1. Structured Products Synthetics<br><br>Played significant role in establishing GS as the dominant and pre-eminent structured products synthetics franchise. Goldman has approximately 40% market share in the structured products synthetics market estimated currently to be at $500Bn of notional. The business is expected to generate $125mm+ for fiscal 2006. In addition, GS is viewed as the primary thought leader in the structured products synthetics market, not only by clients and but also by its competitors.<br><br>• Played a prominent role in the development and launch of the ABX indices<br><br>a. Represented GS in the inter-dealer consortium<br>b. Played a leadership role within the working group - in structuring the indices, in developing consensus amongst trading desk representatives in the consortium, quotation convention, naming convention, etc.<br>c. Relied on as the primary product protagonist by the other trading partners in the consortium and Markit, the index administrator, based on breadth of structured finance and credit derivatives experience and knowledge<br>d. Coordinated the global marketing and successful launch of the ABX indices on behalf of the ABX consortium – created and presented the ABX launch webcast along with Markit and trading desk counterpart from Bear Stearns on behalf of the entire ABX consortium<br>e. Coordinated the full gamut of GS response to the launch – ensuring that Trading, Strategy, Sales, Operations, Legal &Technology resources were adequately prepared and geared in preparation of the launch; GS executed more trades than any other Street firm on the launch date<br>f. Involved in the initial marketing of ABX to GS Sales and trading/banking clients of the firm<br>g. Provided a roadmap for the subsequent launch of the CMBX indices<br>h. Instrumental in GS being identified as the thought leader and product champion<br><br>• Continued to enhance our trading dominance in single name ABS synthetics<br><br>• Continued to spearhead the build-out of Operations, Strategy and Technology functionality to support our business<br><br>• Played leadership role as primary spokesperson for GS in the ISDA taskforce related to the standardization of terms and market practice on trading of ABS CDS; helped the market arrive at a consensus<br><br>a. Played a key role in the standardization of the confirm for trading CDS on CDO reference obligations<br>b. Following the key role in the publication of the ISDA "pay-as-you-go" CDS confirm last year, invited by ISDA to chair several industry symposia educating industry participants about the product<br>c. Continue to play a significant role in guiding the development of (i) CDS on other related ABS products not covered by the two published forms, and (ii) operational and settlement standards for the industry<br><br>• Developing standardized index tranches<br>a. Engaged in initial stages of discussion with traders in the ABX consortium on the form and scope of standard ABX tranches<br><br>2. [redacted] |

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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| | [redacted]<br>3. Structured Investment Vehicle (SIV)<br>a. Developed initial business plan and strategy for GS sponsoring a SIV as a complement to its Synthetics Funding and Principal Investments business<br>b. Currently pursuing an interesting opportunity for GS to invest in the equity of an ABS SIV at an attractive return and achieve certain key funding benefits by establish a strategic relationship with an existing SIV manager and a prospective mezzanine capital investor<br>c. Currently in project development phase<br>4. Scalable Synthetics Funding Structure<br>a. Developing a term funding structure to provide scalability to the Synthetics Funding and Principal Investments business<br>5. Financial Guaranty Reinsurance<br>a. Exploring strategic partnerships with primary financial guarantors that would enable GS to go long credit risk in insurance form by deploying reinsurance "sidecar" structures<br>6. Risk Finance<br>a. Leading the effort in pitching banks and loan origination clients along with teams from Residential Finance, ABS Finance and Americas Financing Group to source and execute synthetic securitizations<br>b. Exploring risk sharing opportunities with mortgage reinsurers with GS acting as principal<br>c. [redacted] |
| Unfulfilled Accomplishments | 1. I made significant contributions to the Structured Products business last year (see details above).<br>2. Several of the trades/ventures that are being pursued require a significant amount of effort and extensive investment in resources and time (including over multiple business cycles). Some of these trades are expected to close in 2007 (see related discussion point below).<br>3. Structured Solutions<br>a. Recently established working relationship to pursue illiquid credit investment opportunities with the Structured Solutions team within Structured Credit Trading<br>b. Expect to pursue trades jointly starting late this year |
| Career Development Plans | 1. Enhancement of career trajectory at Goldman Sachs given my performance and my significant contributions to the Structured Products business.<br>a. Desire to take ownership of a business and the chance to grow it in scale and profitability<br>b. Management sponsorship for promotion to Managing Director<br>2. Continue to provide effective leadership, mentoring and stimulating work experience to my colleagues and my project/deal teams |



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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| Other Issues | 1. Confirm management expectations for my contributions over the next 12 months<br>2. Confirm buy-in of management given the significant execution risk of each of the trades/business ventures that we are pursuing and the significant amount of effort and extensive investment in resources and time (some possibly over multiple compensation cycles)<br>3. Discuss concerns about difficulties feced by professionals with strong structuring skills getting visibility and recognition with the GS FICC franchise<br>4. Alignment of my compensation trajectory with my performance and contribution to the business unit |



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## VII. Written Comments (solicited and unsolicited)

**Feedback**

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | - unparalled credit derivative and general finance product knowledge.<br>- has become a tremendous team player in the past 3 months.<br>- one of the division's true innovators, extremely creative and visionary.<br>- did an outstanding job getting the ABX and CMBX products off the ground. viewed as a real leader in product innovation in the business.<br>- outstanding capacity to deal with contracts<br>- a valuable go-to person when a complicated issue arises. great person to bounce an idea off of.<br>- has come up with a number of creative private equity ideas which will likely produce significant revenues for the firm in the future.<br>- has done a much better job of aligning his skill set to his job function in the last 3-6 months. this realignment will likely pay great dividends for the firm and his career. |
| [redacted] | Extensive | Peer | Rajiv has been the primary driving force behind the creation of profitable new businesses for the firm, including businesses that required building consensus across the street as a whole.<br><br>His two primary accomplishments this year were the standardization of the ISDA confirm for CDS on several types of ABS, and the creation of the ABX home equity index. Both of these developments brought greater liquidity and volumes to the ABS market; the ABX index also brought much broader sponsorship to the home equity market (even within GS, quite a variety of desks now trade ABX). Although both developments were nominally the products of dealer consortia, Rajiv was the primary driver, pushing and cajoling the dealer group to consensus. Rajiv's strategic vision and intelligence are a great asset to the firm.<br><br>He is smart enough to understand the value and limitations of models and works well with Strategies. |
| [redacted] | Extensive | More Junior | One of Rajiv's greatest strength is his ability to synthesize large amounts of information and see the big picture quickly. This enables him to ask questions when discussing trade ideas on the desk or with clients that get to the heart of the issues at hands despite the complexity of many of our products. Rajiv also displays tireless drive and initiative in getting to know every detail of the projects that he works on. I have met "Rajiv fans" outside of work who hail him as the expert of synthetic structured products...little do they know he also manages 5 other projects in completely different industries.<br><br>As a junior member of the desk, one of the things I appreciate most about Rajiv is that he takes time to encourage those around him to speak up and express their views. Even during late nights at the office, he always has time to talk about whatever you might working on and is genuinely interested in hearing what you have to say. |
| [redacted] | Extensive | More Senior | Rajiv is one of the most important people in the mortgage franchise today.<br>* His knowledge of specialty finance companies is vastly valuable.<br>* He works like a dog.<br>* He is smart, bordering on brilliant.<br>* He is a great team player.<br>* He delegates when appropriate; he shares information appropriately.<br>* He is sensitive to delicate client situations. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction with Reviewee | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | Rajiv displays a tremendous amount of energy and commitment to the business.<br><br>Constantly looking out for new opportunities across markets and once identified, pushes projects through - his efforts on the establishment of a DPC and SIV are perfect examples in that respect.<br>Reliable and gets things done.<br><br>Energizes and pushes fellow team members, offering help where needed. Has high but reasonable expectations and pushes people hard. |
| [redacted] | Extensive | Peer | Rajiv has made significant and obvious contributions to the development of the ABS synthetic franchise, by spearheading the Firm's leadership role in the ISDA documentation process and the index construction project. While he does not share many details of his current focus on principal investing/DPC/SIV projects. It is clear he has found commercial opportunities worthy of his significant talents. When he is focused and engaged, Rajiv can produce a tremendous amount of creative and market-leading commercial ideas. |
| [redacted] | Extensive | More Senior | He is so talented and such a rare combination of raw intellect, no attitude and a contagious love for markets and interesting ideas. He is a pleasure to work with and is very approachable. I bounce the most random challenging things off him and he never always takes the time and gives thoughtful advice. Really a rare commodity and it will be our challenge to keep him motivated and interested for a long time. |
| [redacted] | Extensive | More Junior | Rajiv is brilliant and quickly recognizes potential issues. He is an excellent teacher, tries to keep people involved in all aspects of transactions, and is quick to offer praise in front of others. When working with Rajiv you become involved with all aspects of a transaction and have a better experience because of this. |
| [redacted] | Extensive | More Senior | Rajiv can always be counted out to think outside the box and come up with a creative solution to any client problem. He has visibility into many products and is able to utilize his broad based knowledge to apply to a situation at hand. Apart from his technical knowledge, his able to distill down information to impart to a client on terms that speak to them, i.e. translate complex financial engineering into cost of equity / capital that the client thinks about daily. Additionally, Rajiv is one of the hardest working people I have met at the firm, he is seemingly not driven by title / number of direct reports, etc. but rather by the intellectual challenge that new products bring. He is constantly undertaken cross divisional / group projects that generally have large fees associated with them. Rajiv is not only a huge asset to the department, but also to the firm. |
| [redacted] | Extensive | More Senior | Rajiv has an excellent product understanding, is highly motivated and very reliable. He is a great team player. Him spearheading GS involvement in structured financial operating companies like SIVs and DPSs should hopefully be very beneficial to the firm and I believe he is the perfect person to make it a success. Simply a great person to work with ! |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | Rajiv was one of the first people I started working with following my arrival at Goldman Sachs last summer. He immediately helped me get oriented to the firm and integrated with his desk, which I have been supporting in the legal function for the past year. He coordinates very effectively with legal and compliance and is always sensitive to potential issues and concerns in the transactions we work on. He is incredibly detail-oriented, particularly in his review of trade documentation. No matter how busy the business may be, Rajiv always takes the time to answer questions and provide details about the trades we are working on. When we have encountered obstacles to transactions or particular structures (whether for legal or other reasons), Rajiv is always receptive to new ideas and working together to develop solutions which work. He is very respectful of colleagues and makes all the functions which support the business feel valued and part of a team.<br><br>Rajiv has taken a leading role in developing new products and standard documentation in the synthetic ABS space. It is very rewarding to be involved as a lawyer in these projects (e.g., ISDA working groups, ABX, CMBX) knowing that Rajiv is engaged and actively supportive from the business side.<br><br>I look forward to continuing to work with Rajiv in support of our structured products businesses. |
| [redacted] | Extensive | More Junior | I worked with Rajiv on a scalable TRS and SIVs. His level of energy and passion for work is humbling. He always provides junior people with sufficient room to perform their task and takes them seriously. |
| [redacted] | Extensive | Peer | Rajiv understands his market exceptionally well. He is viewed by customers as a celebrity of the CDS space. His explanations of how various products work are effective, clear, to the point. |
| [redacted] | Extensive | More Junior | - still the man to ask whenever you need to figure out anything complex<br>- thirst for knowledge is unmatched<br>- his respect from others in the industry in the synthetics market has been vital to the development of our market this year and GS's respect in the market<br>- has a work ethic that almost nobody can match<br>- has become increasingly more pleasurable to interact with in his new role on the trading desk.<br>- loves to be involved in everything |
| [redacted] | Extensive | Peer | Extremely knowledable in his product areas<br>Very involved in the industry in developing and progressing mtg dervative products<br>Teamwork/partnering with other areas within the firm to make us industry leaders in mtg dervative space<br><br>Rajiv is both internally and externally a leader in this product. His knowledge not only from a trading perspective, but from a documentation perspective make him the go to person for all things mtg cd.<br>From an operations/support perspective Rajiv is great to work with. He is interested in perfecting this product/ market in every aspect including how it is supported. He is approachable and always willing to answer questions or help resolve issues. |
| [redacted] | Extensive | More Junior | Rajiv can be described in one word: excellence. He is not only a master in his own product line but has knowledge in various financial fields. He is a lead in the industry helping direct dealer groups in both the ABS and CMBS markets to a more standardized route. He is also proactive in helping make sure other teams within the firm are comfortable and have a voice in any changes in the industry. This makes Rajiv a key player in the market within trading but also in all technical aspects as well.<br><br>Rajiv not only is a leader in the product development but he has also a stronghold in various financial networking groups. He has helped several other members of the teams professionally grow serving as an informal mentor. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | More Senior | Incredible expertise and commercial drive.<br>Development and leadership of index products was outstanding.<br>Has a significant impact across a number of businesses and activities.<br>Makes others better. |
| [redacted] | Extensive | More Junior | Rajiv's strong technical/project mgmt skills combined with an extraordinary energy level and infectious enthusiasm make for a very potent combination. He has done an extraordinary job in progressing both the SIV and the DPC projects for the firm. He has excellent attention to detail and is very good at catching the key drivers of risk/economics for the firm and negotiating the right deal for the firm on these points. It has been a pleasure to work closely with him this year. |
| [redacted] | Extensive | Peer | Rajiv is extremely creative and thoughtful about thinking through new business opportunities, and his drive and persistence help push many of these new endeavors down the path to becoming viable p&l generating endeavors. |
| [redacted] | Extensive | Peer | [redacted] provides strong and clear direction for the support he needs from Strategies and also appreciates the hurdles involved in satisfying these requests. The milestones he helps establish are reasonable and he is always ready to help in acquiring business data not readily available to us. |
| [redacted] | Moderate | Peer | Communication - Rajiv communicates clearly and effectively. He is good at reaching out to others around the firm and keeping them in the loop. For instance when working on the new ABX product, he contacted me early on to ensure the appropriate issues were raised and discussed ahead of time.<br><br>Teamwork - Rajiv has built good relationships outside of his core area. He is collaborative and works well with others to arrive at mutually agreeable outcomes. This has made our ability to resolve client issues much more efficient and effective.<br><br>Judgment/Problem Solving - Rajiv appropriately escalates issues, and works together to resolve them. He quickly gets to the heart of an issue, and will quickly come up with a proposed solution. |
| [redacted] | Moderate | Peer | As the manager of CD documentation for NY, I support many desks and many traders. Rajiv is a breath of fresh air. In stark contrast to many of his peers across other non-mortgage desks, Rajiv truly knows his product documentation inside and out. There is no amount of time he won't spend educating people in his area of expertise as he understands the value of having everyone who supports his product well-informed. He is fiercely intelligent and decisive when called upon to escalate issues with the Street; Rajiv can always be counted on to get results. He is a strong asset to Goldman Sachs and a pleasure to work with. |
| [redacted] | Moderate | Peer | *Rajiv makes himself available to the finance team for calls, meetings or general business discussions - his knowledge of synthetic technology has been value-added with clients on the finance side, especially banks<br><br>*Rajiv was constructive on the [redacted] purchase and was very helpful in assisting with documentation to ensure that the resulting TRS take-out was properly structuring<br><br>*Rajiv makes an effort to come to the 27th floor for discussions and meetings |
| [redacted] | Moderate | Peer | Rajiv has an impressive understanding of the firm and its resources and capabilities.<br><br>He does a great job of ensuring that a particular project does not stall and/or get hung up in bureaucratic morass-- no small task given the complexities of the projects and the number of various participants. |

Footnote Exhibits - Page 3385

Goldman Sachs

2006 Fixed Income, Currency and Commodities Annual Performance Review Process

Redacted by the Permanent Subcommittee on Investigations

Reviewee: Kamilla, Rajiv K

## VII. Written Comments (solicited and unsolicited) (Continued)

Top Strengths

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | Rajiv has been a major contributor to the development of our ABS synthetics business over the last year. He is a driving force behind so much of structure and legal terms that have evolved. His leadership skills internally and among the dealer community, combined with his technical expertise have been a critical factor in GS's leading role in the synthetics business. He is an important resource for sales and clients alike. One client of mine in particular w/ which he really developed a good relationship is [redacted] He cultivated a relationship w/ a senior PM which has helped generate cds business for us. I also think his work in leading the charge for more standardized CDS on CDO docs has been a major breakthrough for the market this year. And finally, Rajiv really thinks big picture when it comes to analyzing an acct and potential trades with them. I hope to involve him w/ ACA for example. |
| [redacted] | Moderate | Client | Has a strong grasp of issues affecting the products he covers and is adept at coordinating solutions among the various internal functions primarily responsible for those issues. He is sensitive to these issues, appropriately raising and working in partnership with other areas to successfully address them.<br><br>Able to deal with both the big picture and the details of a matter and communicate them effectively to others.<br><br>Very effectively assumed a market leadership role in developing new and standardized products (single obligation ABS CDS and ABX CDS). |
| [redacted] | Moderate | Peer | Rajiv is an extremely hard worker, an innovative thinker, and incredibly thorough and diligent. As he has been focused on several projects this year, Rajiv seems in his element. Driving the ISDA and ABX process last year, it was clear he needed a new focus, a new challenge.<br><br>Even as Rajiv drives the [redacted] projects, he remains thoughtful about managing the desk risk, managing client relationships, and working with the middle office and Markit to streamline CDS trade surveillance.<br><br>Finally, Rajiv remains incredibly knowledgeable about all aspects of our market from the business, legal, compliance, and operations perspective. He is a resource for the desk. |
| [redacted] | Moderate | More Junior | My experience with Rajiv revolved around the development of the ABX and CMBX CDS indices. Throughout this project, he demonstrated to me a very deep knowledge of the product (vs. his peers) and his ability to understand the details. He was the clear leader of this effort and the street and, because of this, the design of the products reflects how we would have designed it on our own. He is a good negotiator and displayed real skill in getting people to come around to his view. He had a good understanding when to defer to others (me, legal, ops, etc.) and was very easy to work with. He seems to be extremely commercial, but my view of this is somewhat limited. Very creative and innovative. |
| [redacted] | Moderate | More Junior | I have been very impressed with Rajiv's technical and client relationship skills. Rajiv is very good at communicating market information and complex trades to clients. Rajiv has a diverse product knowledge, which makes him an invaluable asset to the firm. For example, Rajiv can easily discuss single name ABS CDS, complex ABACUS transactions and new business ventures, [redacted] with clients. Rajiv is also franchise focused, and he's built solid relationships with many of my accounts. Rajiv is very diligent about following up on potential trade opportunities, and he responds quickly to client questions. Rajiv is hard working, diligent and commercially effective. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | Rajiv is extraordinarily strong technically. He understands the capital markets generally, with specific knowledge in structured finance, trading, syndication, credit, pricing.<br><br>Rajiv is the go-to guy on many different topics; I rely on him to inform my thinking on a wide range of products, as I know he will give me a thoughtful view on all aspects.<br><br>Rajiv is not territorial; he tries to be helpful to different areas of the firm.<br><br>No BS; all substance and tells it like it is. |
| [redacted] | Moderate | Peer | Extremely knowlegable about the CDS product<br>Very intelligent |
| [redacted] | Moderate | More Senior | -Exceptional technical skills.<br>-Strong knowledge of diverse businesses and products.<br>-Excellent process guy who is detailed oriented. Works thoroughly through complex legal and regulatory hurdles in driving a deal.<br>-Hard worker who tackles difficult projects with great enthusiasm.<br>-Strong communicator and team player who is able to pull together best of Goldman Sachs quickly. |
| [redacted] | Moderate | More Junior | Rajiv is very commercial. He understands what motivates clients and is willing to be blunt with clients in pushing the envelope to get to an agreement. This aggressiveness is combined with a very effective communication style that is at once forceful, but very affable. This serves to get clients comfortable quickly, while encouraging them to look at the most appropriate business issues at hand. Rajiv has superior technical skills and wears the mantle of leadership easily. He has been very helpful with my clients, always willing to take time out for office visits or dinner to drive more business. He has always been very forthcoming with me and my clients, which saves time, effort and money. This approach is welcome and I think develops stronger relationships over the long-term. I look forward to working with Rajiv in whatever roles he assumes inthe future. |
| [redacted] | Moderate | Peer | Very smart, thoughtful and commercial, but also has a solid understanding for legal and reputational risk. Effective negotiator with clients - he knows what to push for commercially and legally, and when we can compromise. Possesses good judgment. Sees the big picture, but also good with the details. Excellent listener and seeks input from other team members when making a decision. Observed these qualities through our work on the formation of a derivatives product company and other trading initiatives. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | More Senior | - Rajiv is as usual a key figure of our business, having once again pushed the creation of new markets. CDS on CDOs, indices referencing ABS and CMBS credit risk.<br><br>- Through this exercise Rajiv has pushed the dealer community to adopt standards that would fit Goldman very well given how our trading books have been positioned.<br><br>- Goldman's perception amongst our client base is as good as it has ever been as Goldman is viewed as a market leader, a key innovator and a driver of new businesses, and Rajiv has contributed a lot to this overall effort.<br><br>- Rajiv looks at the business on a global basis. He is able to take a big step back, and does not necessarily get stuck at the micro level: the projects he will focus on will get the benefit of Rajiv's global knowledge and understanding of the structured products' markets.<br><br>- Rajiv communicates extremely frequently, and always makes sure that everybody is aware of trading patterns that he was able to identify or market color that he was able to collect. He shares information with his entire team and is a great team player.<br><br>- Rajiv also constantly pushes people to perform well, motivates his team and is an excellent team driver. His ability to show enthusiasm, carry a project by himself and pull everyone around him to excel is a rare skill. |
| [redacted] | Moderate | More Junior | very strong technically, very intelligent, very commercial amd market savvy<br>very valuable as the representative of GS who negotiated the ABS CDS template with ISDA and the dealer community.<br>has a lot of trading experience and insight, which is quite helpful for the salespeople.<br>tremendous knowledge of the markets, strong structuring capabilities.<br>excellent businessman, pleasure to work with. |
| [redacted] | Limited | Peer | Rajiv has been instrumental in developing the CDS platform for both ABS and CDS and making GS the leader in these products. He is an extremely valuable resource internally and externally for CDS. Rajiv had numerous calls with many of my clients bringing them up to speed to trade, resulting in many first looks on trades. |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Weakness/Actionable Areas for Development**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee: | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | Don't try to make him a flow trader. |
| [redacted] | Extensive | More Junior | One possible area of development for Rajiv is that sometimes he can be too blunt with his views, which could potentially discourage others from disagreeing with him. Overtime, Rajiv could also learn to become more comfortable with delegating work to others, and checking over work without necessarily having to go through all the details himself. |
| [redacted] | Extensive | More Senior | Rajiv has come an enormous way in his interpersonal skills in just a few short years. I remember years ago, I client telling me never to put Rajiv on the phone with him again. Rajiv let his mastery of a topic blind him to how he came across in conversation.<br><br>The one thing I've noticed, is that Rajiv shouldn't volunteer information. I don't know if it is because he is so damned smart, or because he likes to demonstrate mastery over a topic, but sometimes he'll answer questions that were never asked. That marginal information could oftentimes be left unsaid. I can envision situations where that could hurt the firm. |
| [redacted] | Extensive | Peer | Has strong opinions - not shy to speak up and often leading discussions. If anything, should from time to time try to open up the dialogue more and take into account others viewpoints when visions aren't directly aligned. |
| [redacted] | Extensive | Peer | Rajiv has on occasion given the perception that he views the documentation/index development projects as a personal accomplishment, rather than a significant team accomplishment of which he is an acknowledged leader. This creates needless friction. Nobody would deny Rajiv credit for his major role in enhancing Goldman's market-leading franchise in ABS synthetics. However leadership is not the same as ownership. The team would benefit from more frequent heading of Rajiv's insights/views on structural developments/market trends, but Rajiv has separated himself a bit from the trading desk (perhaps this is required for client confidentiality reasons). As the various structured products businesses work more closely together across former departments, Rajiv should focus on maintaining more of a "big picture" commercial perspective on how to generate commercial opportunities and idea-sharing which will benefit the wider franchise as well as his specific transaction and/or project.<br><br>Rajiv also sometimes puts off salespeople/customers with his verbal communication style. Although his technical skill set easily outmatches most other people, sometimes Rajiv makes this a bit too obvious which can get in the way of getting business done. |
| [redacted] | Extensive | More Senior | Would like to see him in a leadership role more often. I think he is so comfortable being a resident expert that we risk him just being a person that is brought in to projects instead of a person who is driving projects. Terrific capacity for this however so I'm sure he can be a solid leader. |
| [redacted] | Extensive | More Junior | Rajiv will always listen to other people's ideas and suggestions but it is sometimes difficult to get a complete sentence in when engaged in a discussion. I think brainstorming sessions with him would go better on occasion if he was mindful of this. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | More Senior | he interacts well with clients, but needs to make sure that he does not lose his patience with some of the more difficult one during the structuring process .... |
| [redacted] | Extensive | Peer | N/A |
| [redacted] | Extensive | More Junior | Rajiv is a rock star...who am I to judge him? |

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## VII. Written Comments (solicited and unsolicited) (Continued)

**Weakness/Actionable Areas for Development**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | Rajiv can fail to service the customer sometimes. I feel that he often forgets we are not a prop desk and are here to facilitate business with our customer base. Occassionally he can be stubborn and combative when on a calls with customers. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | Peer | The only thing I can say here is that Rajiv is so passionate about and involved with this product that sometimes when answering a question or explaining an issue he forgets that he is the expert and others may need a little more information/training. |
| [redacted] | Extensive | More Junior | Rajiv is able to understand complex products that very few understand. However, Rajiv sometimes has difficulty explaining this to other groups in ways they may understand. This makes it difficult to help Rajiv translate his ideas to processes that can be handled downstream. |
| [redacted] | Extensive | More Senior | Sometimes over-thinks his contribution and activities.<br>Periodically shuts down communication.<br>Should continue to develop judgement on good and bad business revenue opportunities. |
| [redacted] | Extensive | More Junior | While he has been very succesful on doing a variety of important projects around the firm (SIV, DPC, William Street, ABS single name trading), he has lacked the continuity of focussing on and building a single business. Think to take his career to the next level, he would be wellserved by attaching himself to a single business and growing it. |
| [redacted] | Extensive | Peer | Rajiv is sometimes too secretive, and doesn't give enough of the picture or context for us to understand what is happening. It makes it very difficult for we strategists to coordinate our efforts to get relevant pricing and risk models into usable shape. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | NA-Unable to Judge. |
| [redacted] | Moderate | Peer | *Rajiv could be more transparent about the economics of trades executed in conjunction with ABS Finance |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Client | No Comments Noted. |
| [redacted] | Moderate | Peer | Rajiv sometimes can be too loud *and* overpowering when dealing with his colleagues. He can come across as condescending at times. Displaying a bit more tact and nuance will go a long way in furthering his career at the Firm.<br><br>Finally, Rajiv is quite commercial and knows how optimize revenue (especially on bigger, longer term projects) but I would like to hear his thoughts on the desks risk, how to build/enhance our franchise, etc. |
| [redacted] | Moderate | More Junior | Stylistically, can be a bit heavy handed at times. Some people I have come across respect his knowledge, but feared his response at times. This could cause the better answer to get buried. |
| [redacted] | Moderate | More Junior | Rajiv should continue to network with the Credit sales teams to assist them in educating their accounts on the development of the synthetic ABS / MTG market. Also, by continuing to build his client relationships, Rajiv will be able to help the sales force identify strategic opportunities with their accounts. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Weakness/Actionable Areas for Development**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | Rajiv can be a little short in dealing with certain people (usually people who manage his time poorly or have not done their basic homework before asking him a question). While I can appreciate this, it can somewhat undermine teamwork. Would encourage somewhat more tact, while he should continue to make sure he doesn't get taken advantage of (because he is brilliant, hard-working and does not take credit for nearly as much as he contributes).<br><br>At the same time, I think Rajiv can be a little passive-aggressive; e.g., take on large projects that he doesn't necessarily believe in (because they are not good for him or not good for GS). I would encourage him to speak up on these items more. |
| [redacted] | Moderate | Peer | Has a tendency to get caught up in the details and loses focuses on the big picture<br>Can get a bit emotional/worked up in the office and this can effect his performance at work<br>Needs to understand his audience when he is talking about his product - needs to realize that he is smarter than most people on the topic and sometimes needs to bring it down a notch so others can understand him |
| [redacted] | Moderate | More Senior | -Seems to be spread quite thin at times. Needs to get more leverage from those around and below him.<br>-Appears to need to be where the action is at all times, which creates the risk of bouncing around too much and not focusing enough on any one thing to really own it.<br>-Can overcommunicate at times. Sometimes less is more, particularly in negotiations where information advantage can create bargaining leverage. Prone to giving away valuable information for free, which he will need to address if he wants to become a trader.<br>-Needs to fully understand that at this point in his career he needs to start driving large revenues. His days of being evaluated on raw skills and potential are behind him. He can no longer afford to spend his time on projects that don't come to fruition. |
| [redacted] | Moderate | More Junior | Since Rajiv has been working on specialized projects over the past few months, I have not had exposure to him. Ideally, he will make himself and his new projects more accessible in the short-term. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Senior | - Might want to be more tolerant from time to time. |
| [redacted] | Moderate | More Junior | Rajiv is very smart and determined, but quite aggressive in negotiations which can sometimes be suboptimal if the other side is sensitive to the tone. |
| [redacted] | Limited | Peer | No Comments Noted. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Additional Performance Feedback**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | If he can maintain his positive momentum in terms of attitude adjustment, team play, and appropriately deploying his skill-set, the sky is the limit. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | More Senior | Please make sure that even though Rajiv is focusing on special projects, and these might have low visibility outside those people who are in the know, he gets the recognition that he deserves. These projects might take 1-5 years to come to fruition or be harvested. But unless you praise, reward and acknowledge people like Rajiv, it'll be hard to keep the talented people necessary to push these unusual businesses forward. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | Peer | Please see above. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Junior | Rajiv has helped the ABS market grow and develop. He has worked with MarkIt and ISDA taking a lead in almost all the developments in the mortgage synthetic market. He is well recognized and looked to as a innovator/leader within the market due to this leadership. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Additional Performance Feedback**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Client | No Comments Noted. |
| [redacted] | Moderate | Peer | Rajiv is an asset to the desk with his hard work and know how. His ability to execute and coordinate complex transactions and projects is second to none. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Senior | -Overall Rajiv is a tremendously talented guy who is quite a pleasure to work with. Rajiv's extremely positive attitude is quite refreshing. He is the kind of person others want to see do well at GS. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Senior | No Comments Noted. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Limited | Peer | No Comments Noted. |





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# FIXED INCOME, CURRENCY AND COMMODITIES INDIVIDUAL REVIEW BOOK

**Reviewee : Kamilla, Rajiv K**

**Title : VP**
**Review Criteria : FICC-Vice President**
**Business Unit : Mortgages**
**Department : SPG Trading**
**Region : Americas**
**Date of Hire : 14-JUL-97**
**Primary Manager : Swenson, Michael J**
**Co - Manager 1 : Lehman, David A**
**Co - Manager 2 : Birnbaum, Josh S**
**Co - Manager 3 : Sparks, Daniel L**
**Co - Manager 4 :**
**Mentor :**

Permanent Subcommittee on Investigations
Wall Street & The Financial Crisis
Report Footnote #1619

THE PURPOSE OF THIS REVIEW MATERIAL IS FOR PERSONAL DEVELOPMENT. IT IS NOT INTENDED FOR DISCLOSURE OUTSIDE THE FIRM.

Title Description: VP=Vice President/Executive Director; AS=Associate; AN=Analyst; EX=Exempt; NX=Non-Exempt

As you review feedback information, you should be alert to instances in which an individual has received an unusually negative comment or low score on the "Compliance" or "Diversity and Equitable Treatment" questions. Please consider whether the response requires follow-up, including consultation with a more senior manager, a Compliance professional, Employee Relations representative or other individuals.





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II. Performance Review Rank
III. Review Category Rating Comparison
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V. Detailed Reviewer Feedback
VI. Self Evaluation
VII. Written Comments
VIII. Training Transcript



**Report Configurations**

1. Peer Group = all employees who share the same title, across the division, as the reviewee and are rated on the same review criteria.
2. All averages in the report do not include ratings from the self evaluation.



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Footnote Exhibits - Page 3396

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## VI. Self Evaluation

| Review Criteria | Self Rating |
|---|---|
| Technical Skills | 5.00 |
| Communication Skills | 4.00 |
| Judgment/Problem Solving | 5.00 |
| Teamwork | 5.00 |
| People Management | 4.00 |
| Compliance | 5.00 |
| Diversity and Equitable Treatment | 4.00 |
| Franchise Contribution | 5.00 |
| Leadership | 5.00 |
| Overall Commercial Effectiveness | 5.00 |
| Overall Professional Performance | 5.00 |
| Cumulative | |



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## VI. Self Evaluation (Continued)

**Self Evaluation**

| Review Criteria | Comments |
|---|---|
| Overall Performance | During the past 12 months, I have made significant contributions to Goldmanís structured products franchise.<br><br>1. Structured Products Synthetics<br><br>Continue to play a significant role in establishing GS as the dominant and pre-eminent structured products synthetics franchise. Goldman has a hefty market share in the structured products synthetics market estimated currently to be at well in excess of $1trillion of notional. The business is expected to generate significant revenue for the structured products trading desk in FY 2007. In addition, GS continues to be viewed as the primary thought leader in the structured products synthetics market, not only by clients and but also by its competitors. Goldman has recently been recognized as the #1 franchise in ABS Synthetics by Risk magazine survey.<br><br>Played a prominent role in the development and launch of the TABX indices in February 2007<br>a. Represented GS in the inter-dealer consortium<br>b. Played a leadership role within the working group - in structuring the indices, in developing consensus amongst trading desk representatives in the consortium, quotation convention, naming convention, etc.<br>c. Relied on as the primary product protagonist by the other trading partners in the dealer consortium and Markit, the index administrator, based on breadth of structured finance and credit derivatives experience and knowledge<br>d. Coordinated the global marketing and successful launch of the TABX indices on behalf of the dealer consortium ó created and presented the TABX launch webcast along with Markit and trading desk counterparts from other dealer firms<br>e. Coordinated the full gamut of GS response to the launch ó ensuring that Trading, Strategy, Sales, Operations, Legal &Technology resources were adequately prepared and geared in preparation of the launch; GS executed more TABX trades than any other Street firm on the launch date<br><br>Continued to enhance our trading dominance in single name ABS synthetics and ABX indices<br>a. Primary thought leader and creator of the ABX indices in Jan 2005<br>b. Continue to lead the ABX dealer consortium on all product and trading revision discussions<br>c. Instrumental in GS being identified as the thought leader and product champion<br><br>Continued to spearhead the build-out of Operations, Strategy and Technology functionality to support our business both within GS and also at the industry level<br>a. Created product vision for RCD (Reference Cashflow Database) for ABS CDS and its subsequent launch by Markit ó a third-party platform providing for standardized settlement amounts of loss and recovery payments thereby reducing disputes and breaks<br>b. Guided the ISDA process for all ABS CDS being settled on DTCC<br><br>Primary spokesperson for GS in the ISDA taskforce related to the standardization of terms and market practice on trading of ABS CDS<br>a. Continue to play a prominent and primary role in guiding the development of ABS CDS ó product definition, trading guidance, amd operational and settlement standards for the industry<br><br>Represent GS in presenting ABS synthetics - product developments and trading in industry panels and conferences<br><br>2. Property Index Derivatives Trading business |



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[redacted] = Redacted by the Permanent Subcommittee on Investigations



## VI. Self Evaluation (Continued)

**Self Evaluation**

| Review Criteria | Comments |
|---|---|
| | ‖ Launched the US Property Index Trading business in Spring 2007<br>a. Executed several initial derivatives trades in US residential and commercial property derivatives<br>b. Involved in product marketing with clients and sales people<br>‖ Lead a consortium of Wall street firms in creating standardized terms for the trading of property index derivatives<br>a. Publication of 2007 ISDA Property Index Derivatives Definitions in May 2007<br><br>3. Initiation of Australian mortgage effort<br><br>‖ In the process of developing working joint venture between the Mortgages and GSJBWere to exploit mortgage related opportunities in Australia/New Zealand<br>a. Focus to span trading, principal investment, agent banking and platform building<br>[redacted]<br><br>5. Initiation of an SIV business<br><br>a. In process of seeking mandates for GS to partner with a select group of asset managers to establish SIVs<br>b. GS will structure SIV; place capital notes through its structured products syndicate and be the lead ABCP agent<br>c. GS revenue potential $50mm+<br>[redacted] |





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## VI. Self Evaluation (Continued)

### Self Evaluation

| Review Criteria | Comments |
|---|---|
| | [redacted]<br><br>7. Risk Finance<br><br>a. Assisting AFG, ABS Finance and Residential Finance bankers in pitching synthetic securitizations to banks and finance companies<br>b. Exploring risk sharing opportunities with mortgage reinsurers with GS acting as principal |
| Unfulfilled Accomplishments | 1. I have been quite satisfied with my contributions to the Structured Products business over the past 12 months (see details above).<br><br>2. Several of the trades/ventures that are being pursued require a significant amount of effort and extensive investment in resources and time (including over multiple business cycles). Some of these trades are expected to close in late 2007 or in 2008 (see related discussion point below).<br><br>3. In addition, some of my focus has been in initiation of trading businesses and/or building new business platforms - which are expected to result in revenue opportunities for Structured Products Trading and/or the broader Mortgages business over several years thereafter |
| Career Development Plans | 1. Enhancement of career trajectory at Goldman Sachs given my performance and my significant contributions to the Structured Products Trading business.<br>a. Desire to take ownership of a business and the chance to grow it in scale and profitability<br>b. Discuss interest in heading a formal New Products & Illiquids Trading/Business desk within Mortgages<br>c. Promotion to Managing Director in 2007<br>2. Continue to provide effective leadership, mentoring and stimulating work experience to my colleagues and my project/deal teams |
| Other Issues | 1. Confirm management expectations for my contributions over the next 12 months<br>2. Confirm buy-in of management given the significant execution risk of each of the trades/business ventures that we are pursuing and the significant amount of effort and extensive investment in resources and time (some possibly over multiple annual cycles)<br>3. Discuss parity of management expectations and their assessment of my contributions and performance vis-à-vis self assessment of my performance and contributions<br>4. Alignment of my compensation trajectory with my performance and contribution to the business unit |





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## VII. Written Comments (solicited and unsolicited)

**Feedback**

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | More Junior | 1. deserves enormous credit for building our highly profitable structured products business at GS. he is the public face of these businesses and reflects very well on the firm.<br>2. he has a diverse portfolio of contributions, some of which have or will pay off big for the firm. one of the few people capable of generating enormous revenues for the firm with new initiatives.<br>3. extremely creative and hard-working<br>4. very rangey, a key go-to resource.<br>4. has become extremely team-oriented, a real pleasure to work with.<br>5. displays very sound judgement, very efficient |
| [redacted] | Extensive | More Senior | Creativity - one of the most innovative problem solvers I have woked with (supported by a lot of substance as well)<br>Technical acumen - world class<br>Rigor - prosecutes situations with unparalled tenacity and will drill as deep as necessary to get the answers/solutions |
| [redacted] | Extensive | Peer | Very good communicator<br>Excellent technical skills<br>Good focus on innovation<br>Excellent approach to seeking out opportunities with GS clients<br>Good team player |
| [redacted] | Extensive | More Junior | Rajiv is someone who I very much respect and also enjoy working with, because of his sound judgment and commercial effectiveness [redacted]<br><br>In addition to his ability to see the big picture, one of Rajiv's greatest strengths is the meticulous and comprehensive approach he uses to analyze every potential investment. He has high expectations for himself and others, thoroughly explores every avenue, yet constantly thinks about what angles he might not yet have thought of. This comprehensive approach has helped us to make money by making sure we put money to work in ideas in which we have the highest conviction and avoid losing money in dicier trades.<br><br>Because he views are always backed up with thoughtful analysis, Rajiv is always able to have great conviction in his ideas, and he is not afraid to express an out of consensus opinion to those both more senior or junior to him.<br><br>Rajiv is also extremely proactive about keeping everyone on the desk informed real time with relevant market and trading color, something that is invaluable during this period of market volatility. |
| [redacted] | Extensive | Peer | Rajiv straddles two worlds because though he is in the securities division, he has spent over a year working on the [redacted] which is more of an investment banking timeframe. He has manuevered well through the rating agency hurdles and our Partner's political and business delays. He has demonstrated how effective he is at handling difficult situations and synthesizing solutions to heretofore unseen issues. His attention to detail helps to keep the project on track and enables all the teammates an opportunity to add to the project. |
| [redacted] | Extensive | Peer | Rajiv continues to show a great amount of energy and commitment to the business. His focus on new opportunities across markets combined with a very solid background experience and structuring skills make him an excellent resource to the firm. Takes responsibility for projects, reliable and gets things done. His continued work on [redacted] and focus on the [redacted] business are perfect examples in this respect. |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | Rajiv has leveraged his relationships and strong profile within the firm to create a unique role for himself. Whether you call it new products or proprietary investments, it is pretty clear that Rajiv is an obvious candidate whenever building complex transactions or products from scratch is called for. He knows how to maximize his leverage in the GS organization, bringing together various groups/committees and working with his small time to crank out a lot of interesting business in a compressed time frame. |
| [redacted] | Extensive | Peer | -excellent resource, especially concerning new industry developments<br>-tries to keep team involved with all aspects of transactions and projects<br>-industry leader in development of new products |
| [redacted] | Extensive | More Senior | (1) Commercial - Rajiv is consistently seeking to build out the mortgage franchise, whether internationally, synthetically, through principal investments or through agented transactions<br>(2) Can do attitude - Rajiv has a can do attitude with regard to any task that is put in front him; namely, whether looking at second loss risk for a mortgage insurance provider, an investment in a company that takes on HPA risk internationally, delivering information to the SEC about a potential issue in the synethtics market<br>(3) Effective mentor - Rajiv is an effective mentor in a number of ways: (a) he builds up junior people by giving them the building blocks and leverages them but always provides an appropriate back stop, (b) he is quick to identify strong technical talent and (c) he is constantly looking to move strong junior people into more commercial seats<br>(4) Culture carrier - Rajiv is the consummate culture carrier: (a) he thinks about the franchise, (b) trains and supports junior people, (c) develops strong relationships and is trusted by clients, (d) is a resource for others at the firm and outside the firm |
| [redacted] | Extensive | Peer | I have spent a good amount of time w/ Rajiv lately and enjoy working with him. Rajiv displays excellent judgment in dealing with internal and external issues and steps up to take ownership of a task. On Project BigCo, Rajiv provided strong trading leadership in dealing with operational, booking and risk mgmt issues. He is very effective at navigating through the trading side of the firm and offers helpful advice in many situations.<br><br>Rajiv is a valuable member to any team he is on. |
| [redacted] | Extensive | More Senior | Excellent at delegating/managing the various projects he is involved with<br><br>Unparalleled breadth of knowledge and work ethic<br><br>Creative across markets - has done an awesome job spearheading our DPC and SIV effort<br><br>Has a tremendous network across the Firm<br><br>Everybody loves him and nobody can anyone keep up with him ?? |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | More Senior | Had the opportunity to work closely with Rajiv as part of the project Rightway team. One of the strongest VPs I have ever worked with at the Firm. Commands the respect of the team (both junior and senior members) well beyond his years. Acts like and carryts himself like a MD. All of the following where clearly demonstrated as key strengths over the entire transaction process:<br><br>- Very strong technical skills<br>- Great work ethic<br>- Very commercial<br>- Great communicator - very thoughtful and concise / ability to make clear points; can explain complicated things simply<br>- Very user friendly. |
| [redacted] | Extensive | Peer | Rajiv has done a tremendous job of spearheading new products, encoursging market standardization and pursuing private-side deals in the securitized product space. To enumerate:<br><br>* His leadership in creating ABX, CMBX and TABX last year brought the sort of market transparency that Goldman believed would be helpful to the firm and possibly harmful to some other established ABS players. When subprime melted down, the transparency indeed did help the firm and did hurt some other firms. It also made the entire meltdown more transparent for the investment world, drawing in players from all sectors and creating an unprecedented media frenzy. ABX also made it clearer where ABS synthetic and cash trades should be marked, which given the size of our books was helpful in its own right.<br><br>* Similar leadership in the property derivatives space led to the creation of global ISDA standards for property index transactions. Here the results have been commercially less satisfying, owing mainly to the current reliance of the business on a number of small vendors in the property index space. We are nonetheless optimistic that the business will take off in the coming 18 months and that the investment of time will pay off.<br><br>* Rajiv's work on equity-linked product showed an attention to legal and transactional detail that I think is critical for serious structured products players.<br><br>That is in addition to his work on the [redacted] and on the ill-fated [redacted] and any number of other projects I don't know about.<br><br>He is also very entertaining and fun to work with, and a natural as a mentor. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | Really smart guy and broad thinker, with extensive expertise across the ABS space. Over the years have worked with him on a variety of projects in different areas and have always found him to be thoughtful and hard-working. In the last year, have worked closely with him on the [redacted] which he has been an effective negotiator, with good judgment and focus on advancing the firm's interests. A real team player and a pleasure to work with, with an excellent sense of humor. |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | Peer | Product/Business Knowledge<br>Teamwork<br><br>I have worked closely with Rajiv for 5 years, first on the CDO new issue/structuring side and then when he moved over to begin Mortgage Derivative business. Kamilla is arguably one of the most knowledgeable and well versed people at the firm on Mortgage Derivs - he knows the contracts and economics better than the flow traders who are trading it. He is the "go to person" when any issues arise in this space and is often called upon in Industry forums to speak and provide guidance.<br><br>Over the past 2 years, this business as seen explosive growth and Rajiv has been at the center of many new products offering in this space .<br>One of the things that further makes Rajiv stand out is his awareness of all the infrastructure and downstream support that is required for this business. To that end , he has proven to be a great partner - reaching out where appropriate and proactivley consulting with others to make sure that we are not only in the loop , but that we have the most effective tools to manage the business.<br><br>He is fiercely intelligent, proactive and a huge contributor to this business. |
| [redacted] | Extensive | More Junior | Rajiv is pivotal in creating new business in the structured products space. This has been something Rajiv has focused and excelled in continually. He is instrumental in driving the growth and start up of new businesses. His knowledge is ever expanding ranging from knowledge about products and processes. I have worked with Rajiv in various capacities from the perspective of the synthetic market as well as international projects. In both situations, Rajiv has been a key driver of ensuring that each and every aspect of the project is thoroughly looked into and explored.<br><br>Rajiv not only helps the business grow in terms of products but he also is concerned about the people he interacts with. He has acted as a mentor to many and has been a guide to various people throughout their careers. He takes interest in other's growth and has become someone others have come to look towards for guidance in their careers. |
| [redacted] | Extensive | More Junior | Rajiv has excellent structuring skills and a very broad knowledge base across legal, accounting , rating agency and market instruments. He is a very energetic particpant in group transactions and is very diligent on following up on trades. He is also very thoughtful on issues and provides very good analysis with his answers. |
| [redacted] | Extensive | More Senior | - team player<br>- outstanding technical skills<br>- extremely creative<br>- market leader in the derivative space |
| [redacted] | Extensive | More Junior | Very knowledgeable of the business, have never heard a question he does not know the answer to<br>Aggressive at pushing for the interests of the firm, never listens to the word "no" if he thinks there is a viable solution<br>Has developed a very deep network at GS, knows people around the firm in many different groups<br>Very quick learner |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | Communication - reaches out to various groups when necessary, pulls in the right people to make decisions, communicates the issues and solutions concisely<br><br>Problem Solving - thinks of creative solutions, gets the necessary information from around the firm to help solve problems<br><br>Rajiv has developed good relationships with Credit, which has allowed us to work together through a difficult market environment and find the right balance between protecting the firm and doing business. |
| [redacted] | Moderate | More Junior | My staff supports many trading desks across Credit and Equity Derivatives - Rajiv is a true stand-out in so many ways. He is fiercely intelligent, always accessible and a thorough pleasure to interact with. He appreciates the risk-mitigation role of Operations and builds relationships. Beyond these strengths, the contribution Rajiv makes to the Dealer community is immeasurable. There isn't an ISDA Conference I attend where people don't know him and tell me how much they respect him. People look to him Streetwide for answers. I feel extremely fortunate to have him here at GS and to work with him personally. |
| [redacted] | Moderate | Peer | Extremely knowledgable from the most general to the most specific. If someone is looking for an answer to something, chances are that Rajiv will know it...and he will know even more about it than you needed to know<br><br>Rajiv has the rare ability to synthesize complicated facts and explain them in a clear, concise manner<br><br>Outstanding with clients - he impresses them with his deep thorough understanding....and he gets them to like and trust him. A rare combination that is invaluable |
| [redacted] | Moderate | Peer | Franchise contribution/Technical Innovation<br>- Rajiv is definitely a leader in new idea and product generation. He's able to tackle the most complex of products and is effective at looking into innovative ways/strategies for the clients and the firm to enter into profitable trades.<br>- Rajiv is also very responsive to sales people when they have client requests/want to schedule calls,etc. He always makes the time. As an example, we had a long call on property derivatives with one of my clients, and another about SIV structures w/ one of my hedge funds. Both clients found the calls very helpful.<br>- Rajiv has also been good about spotting important market news/articles (as an example, re: the monolines and my client ACA), summarizing them, and then sharing the information. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | Peer | Rajiv is working closely with one of my clients to set up a SIV. He has spent many hours instructing and educating TCW on the process. He is an expert on the structure and my client is very happy to be working with him. When synthetic trading was in its infancy, Rajiv was the expert for all our clients. |
| [redacted] | Moderate | Peer | Rajiv is very technical and analytical. He has a very good grasp on how structured finance deals work. Rajiv has also been a valuable resource on the trading desk, as part of the [redacted] Rajiv provided good contacts within the firm as it related to operational challenges. Rajiv also served as good conduit of information to the "26th floor". Rajiv was the ultimate team player when making sure the entire team received exposure for the work they were doing on the transaction. I always enjoy working with Rajiv because he communicates very directly and concisely. |
| [redacted] | Moderate | More Senior | No Comments Noted. |

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## VII. Written Comments (solicited and unsolicited) (Continued)

**Top Strengths**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | -extremely user friendly - sees big picture<br>-franchise oriented - wants to get good profitable trades done - makes them happen<br>-great team player<br><br>I was really a pleasure to work with him on the [redacted] He was committed to making it all happen, worked hard and was extremely respectful of our relationship with the client. I real pleasure to work with! |
| [redacted] | Moderate | More Senior | Rajiv is extremely thoughtful and intelligent in approaching situations, but yet very approachable and willing to do whatever it takes. He does not take credit for enough of what he does, but is integral to both the trading and finance businesses within Mortgages. Rajiv adds tremendous value, in that he can be thrown into virtually any complex situation and figure it out. Rajiv exhibits good teamwork, and is willing to explain things to everyone. He is doing a better job communicating with others about what he is doing and what is going on in the market that is relevant to our business.<br><br>In the past, Rajiv was at times overly negative or somewhat terse in dealing with others. I believe he has matured in that respect, and has developed a more positive demeanor, and acts as an owner of the business and a leader. Rajiv should be promoted to MD. |
| [redacted] | Moderate | More Junior | The following are the most effective aspects of Rajiv's performance:<br><br>1) Very effective problem solver - Rajiv played a key role during the [redacted] helping the team structure the transaction and negotiate terms and conditions. His insights into structuring this very complex and unique transaction were invaluable to the team.<br><br>2) Steps up to provide leadership in difficult situations - At several difficult times during the [redacted] Rajiv stepped up to provide leadership. In particular, when the deal was about to fall apart because the team could not develop a consensus view internally, Rajiv developed an alternative economic proposal that addressed the needs of the client while satisfying GS' risk parameters.<br><br>3) Encourages junior team members to get involved and make a contribution |
| [redacted] | Moderate | More Senior | N/A |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Actionable Areas for Development**

| Reviewer | Level of Interaction with Reviewee | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | More Senior | Brevity - clear communicator, but could be more economical with time<br>Leadership - not a weakness per se, but would like to see Rajiv take on more responsibility for people and businesses as opposed to just transactions/projects. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Junior | One area which Rajiv could work on is providing more qualitative guidance and feedback to those who work with him. In addition to analytical instruction, it would be valuable for those who work with him to hear his views on more high level yet significant issues such as increasing one's commercial effectiveness as well as how to think about approaching new sectors and trade ideas. |
| [redacted] | Extensive | Peer | I'd love to see Rajiv leverage himself more by getting more from his subordinates. Every hour spent mentoring will pay off by that much and more by the multiplier effect of developing the next generation so that they can contribute. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | A number of Rajiv's successes this past year have been obvious -- eg, ABX/TABX launch. A number of them are still in process but have a lot of potential. At this point Rajiv is juggling a lot of projects in various stages of completion. While not a weakness, to grow Rajiv needs to get projects off the assembly line so he can refocus/regroup as he seems stretched a bit thin. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Senior | (1) Stretched very thin - Rajiv gives every opportunity his all and never says no to anything; should become better at prioritizing among initiatives and leveraging other areas of the firm to do the heavy lifting<br>(2) Communication - Rajiv is generally smarter than his audience; he should make more of an effort to deliver information so that his audience can better understand his message; also, should better gage the level of detail required in various situations, tends to be over thorough |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Senior | Communication could be a little more tailored to the specific audience - sometimes his hard charging style can put people off<br><br>Sometimes needs to understand that others are not as quick/smart as he is and slow down a bit - seems to prefer one speed |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | He has a significant amount of knowledge and expertise but often has difficulty synthesizing and conveying that in a clear and concise manner. |
| [redacted] | Extensive | Peer | No Comments Noted. |



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## VII. Written Comments (solicited and unsolicited) (Continued)

**Actionable Areas for Development**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | More Junior | Rajiv embodies the qualities of a GS employee. He works incredibly hard and cares about the people, the work and new opportunities to help the growth of the company and business. There is not any area in my opinion that Rajiv needs to develop as he mastered most if not all of his skills and expertise. He has become a leader in my opinion in the structured products group. |
| [redacted] | Extensive | More Junior | He tends to get carried away with ideas that dont have traction and could work on the skill of marking to market trades faster. |
| [redacted] | Extensive | More Senior | - needs to leverage himself better |
| [redacted] | Extensive | More Junior | Sometimes quick to jump to conclusions prior to hearing all views on a given subject |
| [redacted] | Moderate | Peer | No comments. |
| [redacted] | Moderate | More Junior | NA |
| [redacted] | Moderate | Peer | Hard to get a hold of him because he is pulled off on so many projects |
| [redacted] | Moderate | Peer | When on the phone w/ clients, just work on speaking a little more consisely |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | Peer | Rajiv is very comfortable explaining the difficult concepts to experts in the same arena, he must be able to teach the basics of his market as well. |
| [redacted] | Moderate | Peer | Everything seems to be urgent with Rajiv and this may just be his level of intensity; however, everything can not have the same level of urgency. Rajiv should temper his level of excitement for items less urgent. |
| [redacted] | Moderate | More Senior | No Comments Noted. |
| [redacted] | Moderate | Peer | -keep up the enthusiasm and good work |
| [redacted] | Moderate | More Senior | No Comments Noted. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | More Senior | N/A |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Additional Performance Feedback**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Extensive | More Junior | A key aspect of GS' franchise in structured products. About as close to a irreplaceable talent as it comes. Has demonstrated strong year over year growth in leadership. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | Peer | There have been several bumps along the road to the DPC, and Rajiv's ability to maneuver through them should be noted. He deftly handled our partners who are providing capital and management, and the ratings agencies. He kept this project on track. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Senior | Awesome performer, key asset to the GS team |
| [redacted] | Extensive | More Senior | Rajiv is a great team player who clearly adds value to any transaction. Given his level, over time it would great to see him have a more tangible role / set of responsibilities / platform to develop and to be able to see him develop people management skills. That said, would be great to have him on any team / involve in any transaction we work on in any role in the future. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | Peer | No Comments Noted. |
| [redacted] | Extensive | More Junior | Rajiv has helped the launch of TABX and property derivatives and has been a key person defining how soft credit events should be handled when the mortgage synthetic market experienced its first events. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Extensive | More Senior | No Comments Noted. |
| [redacted] | Extensive | More Junior | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Junior | NA |
| [redacted] | Moderate | Peer | No Comments Noted. |





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## VII. Written Comments (solicited and unsolicited) (Continued)

**Additional Performance Feedback**

| Reviewer | Level of Interaction | Reviewer's Relationship to Reviewee | Comments |
|---|---|---|---|
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Senior | No Comments Noted. |
| [redacted] | Moderate | Peer | No Comments Noted. |
| [redacted] | Moderate | More Senior | No Comments Noted. |
| [redacted] | Moderate | More Junior | No Comments Noted. |
| [redacted] | Moderate | More Senior | N/A |

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**From:** Tourre, Fabrice
**Sent:** Wednesday, February 21, 2007 10:14 PM
**To:** Lehman, David A.
**Subject:** RE: ACA/Paulson post

My idea to broker the short. Paulson's idea to work with a manager. My idea to discuss this with ACA who could do supersenior at the same time...

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, February 21, 2007 9:50 PM
To: Tourre, Fabrice
Subject: Re: ACA/Paulson post

Ok - but how long have we been working on this and whose idea was it? Need to refresh my memory

Walk josh through the $, if that makes sense let's go

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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: 917-[redacted]
e-mail: david.lehman@gs.com

----- Original Message -----
From: Tourre, Fabrice
To: Lehman, David A.
Sent: Wed Feb 21 21:47:39 2007
Subject: RE: ACA/Paulson post

Sorry, just saw your email. I think people will be on board with this - Egol, Ostrem, Rosi and even Sweny sound ok with it, it is really Josh I need to walk carefully through my thinking. Sparks is really relying on us at this point. He is mostly focused on covering our single-names/idyosyncratic short trades to get better observability.

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, February 21, 2007 10:50 AM
To: Tourre, Fabrice
Subject: Re: ACA/Paulson post

Put the #s in front of josh and/or swenny (live) as a gut check and walk them through it.

As u know, I am for doing this deal for them/with them, let's just make sure we are charging enough for it given our axe as principal in this type of risk

Also post sparks live (I'm assuming he is sitting next to you)



Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1621

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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: Tourre, Fabrice
To: Lehman, David A.
Sent: Wed Feb 21 10:00:58 2007
Subject: RE: ACA/Paulson post

14mm before. We are asking for higher min fee and wider strikes

-----Original Message-----
From: Lehman, David A.
Sent: Wednesday, February 21, 2007 10:00 AM
To: Tourre, Fabrice; Swenson, Michael; Ostrem, Peter L; Rosenblum, David J.; Birnbaum, Josh
Cc: Wisenbaker, Scott; ficc-mtgcorr-desk
Subject: Re: ACA/Paulson post

The 19mm compares to what # before ? (assuming equal not'l sold)

---

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: Tourre, Fabrice
To: Lehman, David A.; Swenson, Michael; Ostrem, Peter L; Rosenblum, David J.; Birnbaum, Josh
Cc: Wisenbaker, Scott; ficc-mtgcorr-desk
Sent: Tue Feb 20 16:29:16 2007
Subject: RE: ACA/Paulson post

OK, based on the price thoughts circulated in the previous email for the ABACUS 2007-AC1 transaction, I would like to update the Paulson engagement letter to reflect the following:

-- Up to $1,300mm of supersenior @ a strike spread of 60bps. Distribution fee of 0.25% + 1/2 the upside vs. the strike spread
-- Up to $240mm of Aaa/AAA @ an all-in strike spread (including portfolio advisory fees) of 125bps. Distribution fee of 1.25% + 1/2 the upside vs. the strike spread
-- Up to $100mm of Aa2/AA @ an all-in strike spread (including portfolio advisory fees) of



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200bps. Distribution fee of 2.50% + 1/2 the upside vs. the strike spread
-- Up to $80mm of Aa3/AA- @ an all-in strike spread (including portfolio advisory fees) of 250bps. Distribution fee of 3.00% + 1/2 the upside vs. the strike spread
-- Up to $100mm of A2/A @ an all-in strike spread (including portfolio advisory fees) of 500bps. Distribution fee of 4.00% + 1/2 the upside vs. the strike spread

My assumption is that we can execute at the levels below, and P&L in that case would be up to $19mm for this trade:

-- supersenior @ 50bps
-- Aaa/AAA @ L+75bps (+25bps of portfolio advisory fees) = 100bps
-- Aa2/AA @ L+90bps (+50bps of portfolio advisory fees) = 140bps
-- Aa3/AA- @ L+115bps (+50bps of portfolio advisory fees) = 165bps
-- A2/A @ L+300bps (+100bps of portfolio advisory fees) = 400bps

Please let me know if you have comments on this, thanks.

---

From: Tourre, Fabrice
Sent: Thursday, January 18, 2007 9:59 AM
To: Lehman, David A.; Swenson, Michael; Ostrem, Peter L; Rosenblum, David J.
Cc: Wisenbaker, Scott; ficc-mtgcorr-desk
Subject: ACA/Paulson post

ACA is going to be ok acting as portfolio selection agent for Paulson, in exchange for a portfolio advisory fee of at least $1mm per year. We will have to distribute supersenior through single-A rated notes off a static portfolio of mezzanine subprime RMBS obligations selected by ACA.

The transaction will not be broadly marketed until February 23 since ACA is already locked with another investment bank until that date. If everyone agrees, the idea is to quietly show this trade to a select number of accounts, and broadly announce the transaction on Feb 23 if it fits with the overall CDO pipeline and if we feel ok with our existing Baa2 RMBS risk position.

We are trying to get Paulson to give us an order on the following tranches:

-- Up to $1,300mm of supersenior @ a strike spread of 34bps. Distribution fee of 0.20% + 1/2 the upside vs. the strike spread
-- Up to $240mm of Aaa/AAA @ an all-in strike spread (including portfolio advisory fees) of 100bps. Distribution fee of 1.00% + 1/2 the upside vs. the strike spread
-- Up to $100mm of Aa2/AA @ an all-in strike spread (including portfolio advisory fees) of 150bps. Distribution fee of 2.00% + 1/2 the upside vs. the strike spread
-- Up to $80mm of Aa3/AA- @ an all-in strike spread (including portfolio advisory fees) of 175bps. Distribution fee of 2.50% + 1/2 the upside vs. the strike spread
-- Up to $100mm of A2/A @ an all-in strike spread (including portfolio advisory fees) of 425bps. Distribution fee of 3.00% + 1/2 the upside vs. the strike spread

My assumption is that we can execute at the levels below, and P&L in that case would be up to $15mm for this trade ($7.5mm for a $1bn trade):

-- supersenior @ 25bps
-- Aaa/AAA @ L+60bps (+20bps of portfolio advisory fees) = 85bps
-- Aa2/AA @ L+80bps (+50bps of portfolio advisory fees) = 130bps
-- Aa3/AA- @ L+95bps (+50bps of portfolio advisory fees) = 145bps
-- A2/A @ L+275bps (+100bps of portfolio advisory fees) = 375bps



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**From:** Swenson, Michael
**Sent:** Friday, June 29, 2007 3:56 PM
**To:** Lehman, David A.
**Subject:** RE: ABS Update

No he is in spain - don't worry I am fine 49-00 bid on the screens for 07-1 bbb- right now

Please relax and enjoy your day off

-----Original Message-----
From: Lehman, David A.
Sent: Friday, June 29, 2007 3:31 PM
To: Swenson, Michael
Subject: Re: ABS Update

Is josh in?

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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

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----- 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
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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1621

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----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Fri Jun 29 15:00:59 2007
Subject: RE: ABS Update

Lilly sent out the seating chart caused a major problem here - I am running p and l on a napkin and I have ben wigging out - ugghhh

-----Original Message-----
From: Lehman, David A.
Sent: Friday, June 29, 2007 2:17 PM
To: Swenson, Michael
Subject: Re: ABS Update

U shd let them know we have added 250mm of A/BBB/BBB- CMBS CDS risk as the mkt has widened today. Across cmbs and correlation.

---

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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e-mail: david.lehman@gs.com

---

----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Fri Jun 29 13:59:57 2007
Subject: RE: ABS Update

Yes - it is probably more but I had to haircut egol

Cmbs is up 2 bucks

-----Original Message-----
From: Lehman, David A.
Sent: Friday, June 29, 2007 1:56 PM
To: Swenson, Michael
Subject: Re: ABS Update

U incl cmbs?

---

David A. Lehman
Goldman, Sachs & Co.
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----- Original Message -----
From: Swenson, Michael
To: Mullen, Donald; Montag, Tom; Sparks, Daniel L; Brafman, Lester R
Cc: Lehman, David A.; Birnbaum, Josh
Sent: Fri Jun 29 13:54:24 2007
Subject: RE: ABS Update

+10 - 15

-----Original Message-----
From: Mullen, Donald
Sent: Friday, June 29, 2007 1:45 PM
To: Swenson, Michael; Montag, Tom; Sparks, Daniel L; Brafman, Lester R
Cc: Lehman, David A.; Birnbaum, Josh
Subject: Re: ABS Update

Pnl est?

----- Original Message -----
From: Swenson, Michael
To: Swenson, Michael; Mullen, Donald; Montag, Tom; Sparks, Daniel L; Brafman, Lester R
Cc: Lehman, David A.; Birnbaum, Josh
Sent: Fri Jun 29 13:36:48 2007
Subject: RE: ABS Update

06-1 ABX (2005 vintage) down the most today (2+ points). The WSJ article really has the account base very concerned on the vintage.

06-2 and 07-1 Single-As are down 2pts on the day (80bps) - UBS on the dealer side has been pounding on it all day. Highbridge and Polygon have been active as well.

There is absolutely no support at the lower levels from the street.

CDOs are wider by 50bp or more.

---

From: Swenson, Michael
Sent: Friday, June 29, 2007 9:22 AM
To: Mullen, Donald; Montag, Tom; Sparks, Daniel L; Brafman, Lester R
Cc: Lehman, David A.; Swenson, Michael; Birnbaum, Josh
Subject: ABS Update

ABX - 2005 vintage (06-1) under pressure (down 1/2 point) due to today's article in the wsj that attributed the poor performance of Cambridge's overweight of the 2005 vintage collateral in the fund it has decided to close down.

Single-Names - continued short covering 10 CDS BWICs totaling $675mm. QVT who has been very big from the short side in single names for 18 months now has asked to work out of comp in helping them cover some of the Tier 4 shorts that they had put on. This will take a number of days to get the liquidity but is a very good trading opportunity for us.

CDOs - 2 small BWICs (Ischus, Investec) from mangers who are well along in ramping a CDO warehouse. Names are seasoned and very clean. Investors are in a holding pattern for the next few days as margin calls and month-end marks are being digested.

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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



NEW PRODUCT MEMORANDUM

| | |
|---|---|
| **To:** | Federation New Products Committee - Americas |
| **From:** | John Birnbaum, Structured Products Group Trading<br>Rajiv Kamilla, Structured Products Group Trading<br>Jeremy Primer, FICC Strategy - Mortgages |
| **Date:** | December 18, 2006 |
| **Subject:** | Launch of US Property Derivatives Trading |
| **Partner Sponsor:** | Dan Sparks, Global Structured Products and Mortgages |

**Executive Summary**

**Description of Business / Overview:** While a US property derivative market has been considered for some time, a number of trends have now converged to make such a market viable on a large scale:

- There has been major recent growth of global interest in alternative asset classes that are decorrelated to G-7 equities and fixed income. Among these have been commodities, physical real estate, hedge funds, and private equity. Of these, real estate is the largest asset class without a derivatives market directly linked to it.
- The major residential and commercial property indices now have the availability and sponsorship required of derivative underliers. Earlier this year, some of the Fiserv/Case-Shiller indices were branded by Standard & Poor's with the intent of supporting index trading activity. This gave the Case-Shiller indices additional credibility and visibility. It is the residential index family we prefer for trading, though the indices published by OFHEO (Office of Federal Housing Enterprise Oversight) provide an alternative. On the commercial side, the NCREIF index is the major benchmark commercial index for US money managers, but it has been unavailable for broad-based trading over the past two years owing to an exclusive license agreement between Credit Suisse and NCREIF. Credit Suisse is now waiving their exclusive in an effort to open up the market.
- The recent focus on US residential real estate prices has raised the level of interest in hedging and expressing trading views in that market.

In 2006, the US structured products business at Goldman Sachs and at other dealers has traded significant notional in derivatives referenced to RMBS and CMBS, namely ABS credit-default swaps (CDS) and the related indices ABX.HE and CMBX. There have been several drivers of growth in this space, with CDOs on the long side, and macro hedge funds largely on the short side, buying protection against a downturn in underlying property values. The growth in the business is partly a reflection of investors looking to express views on property values using derivatives.

In anticipation of the launch of this market, a multi-dealer working group (including GS) is, in conjunction with ISDA, drafting industry-standard definitions (Property Index Derivatives Definitions of 2007) and standardized confirmation templates for this business.

In preparation for this launch, we have built an index database framework, tradables, marking tools, and risk management tools for property index derivatives. The tradable for forward contracts is complete at this time, and has been approved by DA and MCD. The tradable for TRS has been developed, though it still requires approval. The team will build a tradable for vanilla options, which will be tested and down-streamed prior to our trading in options.



Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1622

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Based on our discussions with several players, we see the following likely applications:

**Pension Funds, Mutual Funds, Insurance Companies:** Gain access to new derivative products giving exposures that are complementary to existing property exposure. Property derivatives allow for diversification into single-family homes as well as additional commercial sectors. Its low correlation with other asset classes, together with long-run correlation to inflation, makes property particularly attractive to pension funds.

**Hedge funds:** Take direct exposure to real estate, and make relative value plays versus real estate-related equities and credit.

**Banks and GSEs:** Hedge and diversify real estate exposure.

**Developers and Builders:** Hedge and diversify their pipelines, and at times taking on long exposure in derivatives in lieu of physical properties

**Mortgage Originators, Servicers and Insurers:** Hedge real estate exposure. Servicers have a natural housing short in place through their prepayment exposure, which they may wish to cover with longs in property derivatives.

**Dealers**: Provides a new product for market-making, hedging loan portfolios and hedging ABS/CMBS residuals and structures.

**CDOs**: Buy rated property derivative index loss contracts.

**ETFs**: Outright long and short positions, and/or relative value trades, depending on fund mandate.

**Previous Committee Approvals**: none

**Approval Requested:** Approval to trade the transactions described herein, under "Types of Transaction"

**Expected Start Date:**

Residential Forwards: January 2, 2007
Total Return Swaps, Commercial Forwards: January 16, 2007
Vanilla Options: February 20, 2007
Bespoke Property transactions: as they arise

**Types of Transaction**: We plan on doing the following types of transaction:

Forwards
Total Rate of Return Swaps ("TRS")
Vanilla Options
Bespoke Transactions

Terms will range from 3 months to 5 years.

We plan on referencing the following indices:

S&P Case-Shiller Home Price Indices



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OFHEO House Price Indices
NCREIF Property Index and its components (National Council of Real Estate Investment Fiduciaries)

The indices are described in detail in Appendix 1 (PowerPoint).

Forward trades will be cash-settled forwards on a single underlying index; at expiration, the short party will pay the long party an amount involving the observed index minus the strike.

Total Rate of Return Swaps will be vanilla swaps with a LIBOR leg and a property leg. The property leg will pay the periodic return on the underlying index. This type of vanilla TRS contains no optional or varying structural features.

We expect most residential transactions to be forward contracts based on the S&P/Case-Shiller House Price indices. We expect most commercial transactions to be Total Rate of Return Swaps based on the NCREIF Property Index or its sector-specific or geographic sub-indices.

We expect vanilla options on forwards to trade in the major indices. These will include European and American puts and calls, as well as caps and floors. We also expect to do bespoke transactions on individual indices or on baskets in response to the needs of particular customers.

Some plausible but imperfect hedges for property trades include (i) property index derivative trades in other indices or with alternative structures, (ii) credit default swaps in the ABS/CMBS space (iii) interest rate products, (iv) equity index trades in related sectors, (v) corporate credit default swaps in related sectors.

**Business Analysis:**

**Benefits.** The US fixed income market has capitalization of $25.9 trillion, US equities has $16.4 trillion, US housing $22.2 trillion, and US Commercial Real Estate approximately $5.0 trillion (as of March 31, 2006). For many cash and physical markets that have developed associated derivative markets, the size of the derivative market is now significantly greater than that of the underlying cash market, e.g. global government bonds, corporate credit, RMBS/CMBS credit, and equities. Entering the property derivatives business gives dealers direct access to the real estate market and a large potential revenue stream. It will also leverage our structured products franchise, which is focused on origination, structuring and trading of residential and commercial mortgage loans and associated securities. Of 400 accounts that we cover in ABS, only about 80 have printed synthetic ABX or single-name ABS CDS trades with us, but many of the remainder would be interested in direct plays on asset values. We expect the property derivatives business to also open up a whole range of additional, property-related end users to our trading and structuring franchise.

**Risks.** We plan to run a large and diversified book of business in the sector, and the risks are comparable to those in any major commodity and derivatives businesses. They comprise market risk, hedging risk and index risk. The market risk can be decomposed into (i) changes in spot levels, (ii) changes in the shape of the forward curves, and (iii) changes in volatility and correlation, both implied and realized. There is also the possibility that the presence of a derivatives market may lead to changes in the dynamics of the underlying physical markets that need to be considered. As noted above (in "Types of Transaction"), various hedges will be used in the business, so there are risks associated with hedge efficiency. Finally, the business will be reliant on a number of indices, and although the index providers have gone to great lengths to ensure the indices will continue to be published and will not contain errors, the business is exposed to risks associated with index publication. We expect this risk to be small; based on our survey of



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the index providers, they have never had any errors in the past. Some of the indices have a scheduled publication of revisions, but the draft ISDA definitions for property derivatives contemplate this and treat revisions differently than errors.

**Financial Analysis:** We believe the revenue opportunity for Goldman Sachs to be in the $50 million to $200 million range for the 2007 fiscal year. Following the first year, we would expect this business to gross $100 million to $300 million annually.

**Volume**: Initially we expect 5 to 20 trades per week, most with size in the $5 to $50 million notional range. Some trades may be in the $100 million to $500 million notional area.

**Goldman Sachs Entity:** Goldman Sachs Capital Markets (GSCM), Goldman Sachs International (GSI)

## Risks/Issues and Associated Mitigants

**Compliance** The team met with Steve Elia and Jordan Horvath to discuss compliance concerns. Any use of retail aggregators would have to comply with the GS aggregator policy; however, at this time, we are only requesting approval to trade with institutional accounts, so the policy is not applicable. No other concerns were noted.

**Controllers** The team met with Sal Fortunato to discuss financial reporting. The only issues identified are generic to new businesses, and concern price transparency and bid-offer reserve policy. The business will provide controllers with whatever market information is available regarding forward curves in an index group prior to engaging in any option transactions in that group.

We have spoken with John Chartres about CSE regulatory capital for the business. CSE regulatory capital will be based on charges for incremental value-at-risk as well as charges for counterparty credit risk on positive mark-to-market amounts. Given the uncertain nature of hedging relationships of property index derivatives with any existing financial assets, the team does not believe there should be any capital charge reduction on account of hedge positions at the launch of this business, and hence property derivatives positions and any other hedge positions will contribute independently to CSE regulatory capital requirements.

We have also spoken with Martin Ashworth regarding GSI regulatory capital. The nexus of the market risk in this business will be at GSCM, there being a back-to-back swap between GSI and GSCM for each trade. GSI regulatory capital is comprised of risk based charges for position risk (market and specific), counterparty risk and large exposure or concentration risk. For GSI, the back-to-back nature of the property derivative trades neutralises the position risk charge but generates counterparty risk to the client and counterparty risk plus concentration risk to GSCM. Any GSCM mark-to-market exposure in GSI is however mitigated by the collateral process in place between the entities. The counterparty risk and concentration risk calculations are based on the positive mark-to-market plus a percentage of the notional of the derivative.

**Credit** The team had discussions with Ilana Ash and Nicolas Friedman in Credit. They have emphasized the following considerations:

***Credit risk exposure considerations***

- GS Credit has been working with the team to understand credit risk implications of the simpler products (forward and TRS) expected to be traded initially. More complex structures such as CDS and options will be reviewed and analyzed subsequently



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- Key considerations to quantify credit risk include liquidity as well as technical and sentiment risk expected to generate intra-month MTM volatility before reference indices are published
- Although some more validation work will be required, Credit has developed the following preliminary initial margin (aka "IA") schedule that we intend to apply to high risk counterparties (such as hedge funds) to fully collateralize our risk.
  - This schedule is intended to cover a 2-week, greater than 99% CI move in MTM
  - It is expected to be revised as liquidity improves and market data becomes available
  - Although GS Credit's initial preference was to apply one uniform schedule for all MSAs, this approach could have resulted in adverse business selection whereby trading volume of low volatility markets would be significantly reduced
  - As a result, GS Credit grouped MSAs in three main buckets: Low, Medium and High volatility markets, and uniform IA levels were developed for each volatility bucket:

***Initial Margin as % of notional (preliminary schedule)***

| HPA vol type | Low | | Medium | | | | | High | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tenor / MSA | CHI | DEN | BOS | LAX | LAV | NYM | SDG | MIA | SFR | WDC | COMPOSITE |
| 1 Y | 2.8% | 2.8% | 4.2% | 4.2% | 4.2% | 4.2% | 4.2% | 5.6% | 5.6% | 5.6% | 3.6% |
| 2 Y | 4.1% | 4.1% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 8.3% | 8.3% | 8.3% | 5.2% |
| 3 Y | 4.8% | 4.8% | 7.2% | 7.2% | 7.2% | 7.2% | 7.2% | 9.6% | 9.6% | 9.6% | 6.0% |
| 4 Y | 5.1% | 5.1% | 7.6% | 7.6% | 7.6% | 7.6% | 7.6% | 10.1% | 10.1% | 10.1% | 6.3% |
| 5 Y | 5.2% | 5.2% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 10.4% | 10.4% | 10.4% | 6.5% |

*Operational considerations*

- The margining process will be manual (at least initially)
- As such, GS Credit will need to be contacted for every trade in order to determine margin, set up trade level terms and ensure margin terms go on the confirm

*Legal considerations*

- This new product will be offered to new types of counterparties, namely real estate developers, home builders, REIT and PWM clients, against which GS does not have credit exposure traditionally.
- Front Office will need to contact Credit ahead of a trade and help provide necessary documentation required for credit review a new counterparty if necessary
- Credit will liaise with Legal to start the negotiation of ISDA/CSA documents for new counterparties

**Human Capital Management** There are no outstanding headcount issues specific to launching this business, so the team did not meet with HCM.

**Legal** The team met with Glade Jacobsen, Darren Littlejohn and Erin Holland of the Legal Department.

All counterparties facing GSI and GSCM in property derivative transactions must qualify as "eligible contract participants" under the US Commodity Exchange Act. Most US counterparties provide representations confirming this fact under their ISDA Master Agreement with GS. All transactions will have to be confirmed using templates approved by the legal department for the relevant index and transaction type. The templates must be finalized before any trading activity begins. The publication of a property derivatives definition booklet by ISDA (see below) in early 2007 should help standardize documentation in this area. In addition, all marketing materials will need to be reviewed by legal and compliance before being distributed to prospective counterparties.

The underlying components of any index referenced in a property derivatives transaction must be actual properties (and not mortgage backed securities, for example). The legal analysis related to this business would likely differ if the indices referenced securities or anything other than actual properties.



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To the extent there are recurrent dealings in the market in these types of property derivatives transactions, GS should receive favourable netting and collateral treatment under the US Bankruptcy Code for US counterparties.

License Fees - GS has entered into a non-exclusive contractual agreement with S&P that will allow us to reference the applicable S&P/Case-Shiller index in our property derivative contracts. We expect to enter into a comparable contract with NCREIF within a few weeks. Teresa de Turris and Philip Cenatiempo (eCommerce) have handled the negotiations and contracting.

Contract Structure and Confirmations – GS is a member of a multi-dealer working group that is, in conjunction with ISDA, drafting industry-standard definitions (Property Index Derivatives Definitions of 2007) and standardized confirmation templates. Darren Littlejohn and Erin Holland have been involved in these discussions. Draft confirmations are available from ISDA's counsel.

**Market Risk** We have over 20 years of data in each of the tradable index series. With this data, the team has built a structural VaR model which can form the basis of VaR calculations prior to the existence of a trading history in the market. The team is able to work with MRMA to make alterations to this model if needed for VaR calculation. After a period of time, the usual GS VaR methodology, based on actual price movements of forward contracts, will supersede this.

We have proposed initial stress test levels based on a combination of (a) a view of the magnitude of moves in the forward curve that would allow for a statistical arbitrage versus physical properties, net of transaction costs, and (b) a long-dated version of the VaR framework that allows for calibration of risks across trade in different indices and tenors, as well as portfolio-level stress. MRMA may consider using a scenario-based stress test in lieu of this.

We have discussed these issues with MRMA (Arbind Jha, Victor Ng, and Fei Luo), and they feel that we have addressed them appropriately to enable MRMA to risk monitor this business at the outset, though the methods will need to be revisited by MRMA as the business grows.

The team has produced risk analytics that will be provided in production form to MRMA prior to day one trading in each product.

**Operational Risk** Trades will be booked, risk-managed and processed in SecDb and Odyssey.

**Operations** The team has met with John Godfrey, Carly Scales, Claudia Downing, and Kerrill O'Mahony of Credit Derivative Operations. Their chief concerns have been trade processing and confirmations. All property derivative products will initially be implemented in the "Generics" flow, (i.e. non STP). In this flow, payment data flows automatically to Odyssey, but confirm generation is not automatic.

We will commit to operating within the guidelines communicated to the Regulators with regard to confirm issuance & execution. These guidelines require documents being issued within t+10, and executed within t+30.

In order to meet this target, the following support will be required from Trading & Sales

1 - Prior to any trading, the desk will agree with any given counterparties to trade under the draft standard ISDA terms. Written confirmation will be received from the counterparty indicating their adherence to these standard terms
2 - Trading and Sales will ensure that all activity is accurately booked on trade date



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3 - Trading and Sales will assist Operations in obtaining executed confirmations from our counterparts as required
4 - If Operations identify a counterparty who consistently fails to meet the industry guidelines with respect to confirmation and/or settlement execution, trading with that counterparty will be suspended

***Forwards Product***
Operations have reviewed the Forwards product and have had open dialogue with the desk and IT around the challenges posed by this product. There is not currently a published ISDA document for these transactions (publication is anticipated in February 2007).

The weekly trading limit will be 20 trades.

***TRS Product***
Operations have reviewed the TRS product and have had open dialogue with the desk and IT around the challenges posed by this product. There is not currently a published ISDA document for these transactions (publication is anticipated in February 2007).

The weekly trading limit will be 20 trades.

***Options & Bespokes***
The terms under which this product will trade are not yet finalized, therefore Operations are not in a position to indicate the limits that would be appropriate for the controlled roll out of these products. As more information becomes available, Operations will work closely with the desk & IT to ensure a controlled & successful implementation.

***Removal of Trading Limits***
Each trading limit will be revisited once monthly (Ops mgmt designate & Trading desk) as native Odyssey implementations (per calculator) comes to fruition.

In order to remove or expand the trading restrictions Operations will need to see evidence of
1 - Standard ISDA Documentation
2 - Native implementation within our technology infrastructure, resulting in STP for the product
3 - A sustained period of time during which the product is operating within the Regulatory guidelines (t+10 issuance & t+30 execution)

We will use industry standard ISDA documentation (Property Index Derivatives Definitions of 2007 and associated confirmation templates) to facilitate logistics associated with execution and processing of confirms. Unique & market standard ID's per Case-Shiller, OFHEO, NCREIF indices (and revisions) will be essential for processing.

**Reputational Risk** We do not believe the property derivatives business poses any incremental reputational risks to GS. We also expect the business will be launched by a number of dealers simultaneously or in close succession. At this time, we are only requesting approval to trade with institutional accounts, so the retail aggregator policy does not apply (see "Compliance" section).

**Tax** The team spoke with Mary Harmon, Jay Friedman, and Kristen Garry of the Tax Department. The Tax Department has discussed the proposed housing derivatives with external counsel, Sullivan & Cromwell. Based on those discussions, they believe that forwards and swaps based on property indices such as the S&P/Case-Shiller indices or the NCREIF indices should likely not constitute "interests in U.S. real property." If these relevant derivatives were to be treated as "interests in U.S. real property", non-U.S. counterparties would be subject to a 30% U.S. withholding tax on gains. This contrasts sharply with



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the tax treatment of non-property derivatives, on which non-residents are exempt from U.S. tax. The Tax Department will continue to monitor the development of these derivatives to confirm that such a U.S. tax issue does not arise.

They have also preliminarily concluded that these housing derivatives are unlikely to generate good income for purposes of qualification tests for mutual funds or real estate investment trusts (REITs). However, structured notes with embedded exposure to the housing indices may be good assets for mutual funds.

**Technology** The team has worked with Sanjay Acharya and Anna Lukasiak in IT. The IT group is working on down-streaming the SecDb trade and tradable representations to Odyssey. Their work on forward trades is complete. For the other trade types, they expect to be able to complete down-streaming within three weeks of receiving the corresponding tradable from Strategy. The team has also met with cross-divisional IT to help them in relaying trades to the market risk and credit departments.

**Treasury** There are no funding issues. We will request a separate review and approval when we initiate funded index derivative trades that rely on access to GS funding/balance sheet.



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# *US Property Derivatives NPC Memo*

*Appendix I: Index Details*
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**December 20, 2006**

The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular. Capitalized terms used as defined herein.

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## Measuring Home Price Changes

- There are several sources of home price data. The following supply home price indices:
  - National Association of Realtors (NAR)
  - Office of Federal Housing Enterprise Oversight (OFHEO)
  - Fiserv Lending Solutions*
  - Standard & Poor's Case-Shiller**

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* Provides licenses for standard Case-Shiller indices, exclusively for research and analysis purposes

** Under permission granted by MacroMarkets LLC, licensing agent for the (tradable) S&P/Case-Shiller® Home Price Indices, for the purposes of creating, developing and settling housing-linked financial products



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## Home Price Methodologies
*A Comparative Analysis*

- There are two established methodologies for generating home price indices:
  - Median home price
  - Repeat sales

| | Median Home Price | Repeat Sales |
|---|---|---|
| **Description/Method** | ▪Based on the median price of home sales in a particular geographic area during a particular time period | ▪Computed by stringing together a series of repeat sales of the same property |
| **Indices** | ▪NAR | ▪S&P/Case-Shiller Home Price Indices<br>▪OFHEO<br>▪Case-Shiller |
| **Pros** | ▪Simple | ▪Eliminates distortions from changes in the quality of homes in a geographic area (i.e., increasing size, newer homes, etc.)<br>▪Better proxy for actual returns on owning residential real estate |
| **Cons** | ▪Volatile<br>▪Does not adjust for differences in range of housing values | ▪New homes not included |

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## Home Price Index Development
*Historical Timeline*

- 1991: Case, Shiller, Weiss Inc. founded to publish the Case-Shiller Indices
- 1995: OFHEO introduces a repeat home sales methodology
  - Similar in design to the Case-Shiller Indices
  - Based on home prices associated with only conforming loans, approximately 35% of the mortgage market in 2005*
  - Includes appraisals for refinancing, which introduce bias to the indices
- 2002: CSW is acquired by Fiserv and becomes Fiserv CSW Inc
  - MacroMarkets LLC is founded and retains the rights to develop financial products based on the Case-Shiller Indices
- 2006: MacroMarkets issues sublicense to Standard & Poor's to facilitate administration and dissemination of the S&P/Case-Shiller Home Price Indices, with a view towards stimulating development and trading of housing-linked products
  - Base period of January 2000 when indices are established at 100.00
  - Based on the universe of available sales (not limited to those associated with conforming loans)
  - GS is the first dealer to license the S&P/Case-Shiller Home Price Indices to create home price derivatives
- The Case-Shiller Home Price Indices have been used as a benchmark for home price changes for approximately 16 years

* Source: Inside Mortgage Finance, 2/24/06



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## Example of Repeat Sales Methodology

*How Home Sales Are Linked Together*

- Consider the following example of three homes in a specific neighborhood that change hands over a three-year period:

| Property | 2000 | 2001 | 2002 |
|---|---|---|---|
| A | $100,000 | $120,000 | NA |
| B | $75,000 | NA | $100,000 |
| C | NA | $100,000 | $105,000 |

- We can make the following inferences:
  - Property A's price rose by 20% from 2000-2001
  - Property B's price rose 33% from 2000-2002
  - Property C's price rose 5% from 2001-2002
- If we assume the sales information for Property A is correct, the home price change over year one is 20%, which implies a value for Property B of $90,000 in 2001
- Thus, the implied appreciation of Property B is 11% from 2001-2002
- Property C, however, suggests that the rate of increase was 5% over that time period
- From 2001 to 2002 the home price index change is based on the average of the increase in Property C and imputed increase in Property B, i.e. 8%
- In the repeat sales methodology, the averaging of price appreciation from different pairs of sales is done using a complex linear regression in which each pair is a separate observation. The Appendix contains a technical description of some additional details in the case of the S&P/Case-Shiller Home Price Indices

Source: Case-Shiller, www.cswonline.com



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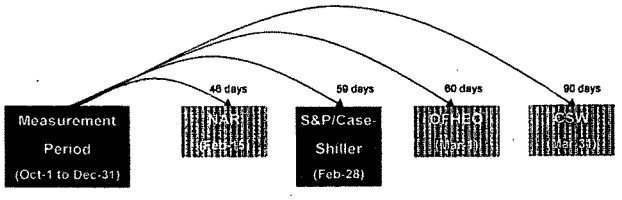
**Release Dates for Home Price Indices**
*Example Lag from Index Measurement to Release*




| | | | | |
|---|---|---|---|---|
| Release Frequency: | Monthly for national and regional Quarterly for MSAs | Monthly | Quarterly | Quarterly |



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## Overview of Home Price Indices
*Comparison of Key Characteristics*

| | NAR | OFHEO | Fiserv | S&P/Case-Shiller |
|---|---|---|---|---|
| **Release Frequency** | Monthly for national and regional Quarterly for MSAs | Quarterly | Quarterly | Monthly |
| **Computational Methodology** | Median Sales | Repeat Observations | Repeat Sales | Repeat Sales |
| **Transaction Coverage** | 30-40% of All Sales* | Repeat Observations; Conforming Loans Only; Includes Appraisals | All Repeat Sales | All Repeat Sales |
| **Calculation Agent** | National Association of Realtors | OFHEO | Fiserv | Fiserv |
| **Back-up Calculation Agent** | None | None | None | Standard & Poor's |
| **Tiers** | None | None | Low, Middle and High Priced; Condominium | Low, Middle and High Priced; Condominium |

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* http://www.realtor.org/Research.nsf/Pages/EHSMeth

Note: These indices are subject to revisions



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## MSA Definitions for S&P/Case-Shiller Home Price Indices

*Counties Included in Each MSA*

| Boston | Chicago | Denver | Las Vegas | Los Angeles | Miami |
|---|---|---|---|---|---|
| Essex, MA | Cook, IL | Adams, CO | Clark, NV | Los Angeles, CA | Broward, FL |
| Middlesex, MA | De Kalb, IL | Arapahoe, CO | | Orange, CA | Miami-Dade, FL |
| Norfolk, MA | Du Page, IL | Clear Creek, CO | | | Palm Beach, FL |
| Plymouth, MA | Grundy, IL | Denver, CO | | | |
| Suffolk, MA | Kane, IL | Douglas, CO | | | |
| Rockingham, NH | Kendall, IL | Elbert, CO | | | |
| Strafford, NH | McHenry, IL | Gilpin, CO | | | |
| | Will, IL | Jefferson, CO | | | |
| | | Park, CO | | | |

| New York | | San Diego | San Francisco | Washington DC | |
|---|---|---|---|---|---|
| Fairfield, CT | Warren, NJ | San Diego, CA | Alameda, CA | District of Columbia, DC | Falls Church City, VA |
| New Haven, CT | Bronx, NY | | Contra Costa, CA | Calvert, MD | Fauquier, VA |
| Bergen, NJ | Dutchess, NY | | Marin, CA | Charles, MD | Fredericksburg City, VA |
| Essex, NJ | Kings, NY | | San Francisco, CA | Frederick, MD | Loudoun, VA |
| Hudson, NJ | Nassau, NY | | San Mateo, CA | Montgomery, MD | Manassas City, VA |
| Hunterdon, NJ | New York, NY | | | Prince Georges, MD | Manassas Park City, VA |
| Monmouth, NJ | Orange, NY | | | Alexandria City, VA | Prince William, VA |
| Middlesex, NJ | Putnam, NY | | | Arlington, VA | Spotsylvania, VA |
| Monmouth, NJ | Queens, NY | | | Clarke, VA | Stafford, VA |
| Morris, NJ | Richmond, NY | | | Fairfax, VA | Warren, VA |
| Ocean, NJ | Rockland, NY | | | Fairfax City, VA | Jefferson, WV |
| Passaic, NJ | Suffolk, NY | | | Falls Church, VA | |
| Somerset, NJ | Westchester, NY | | | | |
| Sussex, NJ | Pike, PA | | | | |
| Union, NJ | | | | | |

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## S&P/Case-Shiller Normalized Composite Weights

*Each MSA's Share of the Composite Index*

| MSA | 2000 Composite Weight |
|---|---|
| Boston | 7.41% |
| Chicago | 8.69% |
| Denver | 3.66% |
| Las Vegas | 1.46% |
| Los Angeles | 21.16% |
| Miami | 4.98% |
| New York | 27.24% |
| San Diego | 5.51% |
| San Francisco | 11.79% |
| Washington, DC | 7.85% |

Source: S&P; "S&P/Case-Shiller Home Price Indices Methodology"



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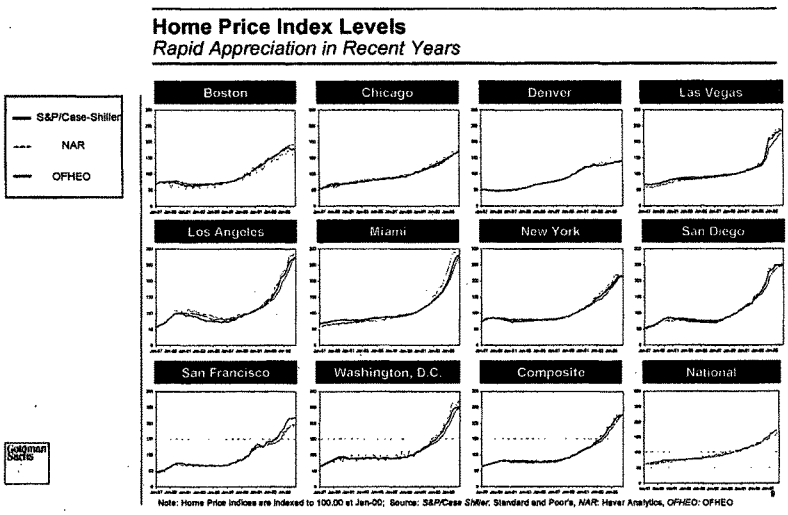


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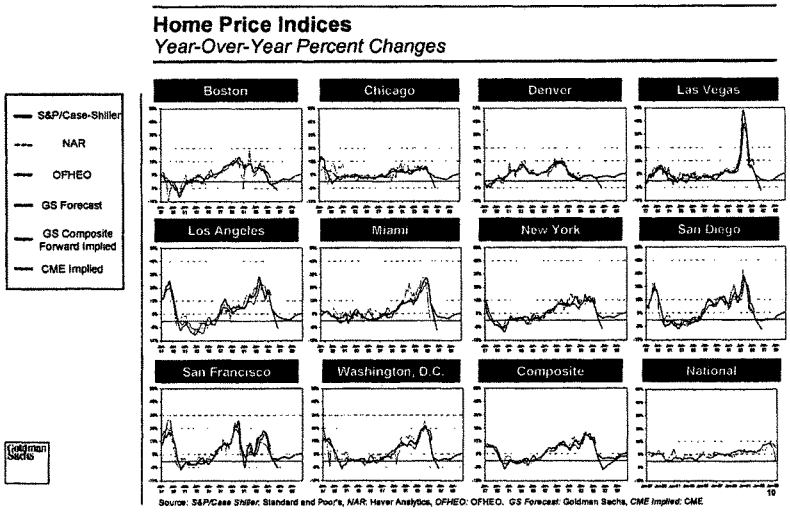




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## Measuring Commercial Real Estate Changes

- There are several sources of commercial real estate data. The following supply commercial real estate indices:
  - National Council of Real Estate Investment Fiduciaries (NCREIF)
  - Global Real Analytics (GRA)

| | NCREIF | GRA Commercial Real Estate Index (CREX) |
|---|---|---|
| **Description/Method** | ▪Total Return Index<br>▪Based on property performance data collected from NCREIF data contributing members | ▪Market Cap Index<br>▪Computed by measuring average price per square foot then applying a weighting factor to calculate total aggregate value of commercial real estate |
| **Pros** | ▪Reflects returns of owning commercial real estate<br>▪Properties held entirely or partially in fiduciary environment by institutional investors<br>▪Large database of appraisals and sales | ▪Transaction based<br>▪Utilizes only arms-length transactions which eliminates below market sales between family members or other inter-related parties<br>▪Computationally simple |
| **Cons** | ▪Appraisal based<br>▪Member firm data only | ▪Smaller sample size<br>▪Volatile |

Source: NCREIF: *User's guide to NPI, CREX: GRA Commercial Real Estate Index Methodology*



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## NCREIF Property Index Development

*Historical Timeline*

- 1981: Frank Russell Company establishes the FRC Property Index—the first ever private real estate performance index
- 1982: NCREIF established to develop private real estate market databases and risk-return measures
- 1991: Index is renamed to Russell-NCREIF Property Index to reflect NCREIF's identity and its increasing role in overseeing data collection and promoting standardization
- 1995: NCREIF assumes full Index responsibility
- 2005: Credit Suisse granted exclusive license to use the NCREIF indices for creating derivative transactions
- 2006/07: Dealer community expects to begin trading derivatives based on the NCREIF indices



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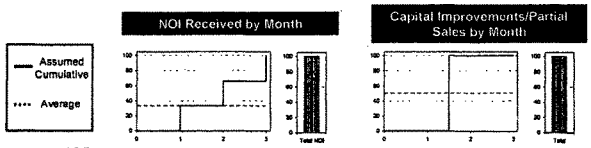
## Total Return Methodology
*How Income and Capital Returns are Measured*

- NCREIF Property Index (NPI) quarterly returns provide an estimate of a property's IRR as if it were purchased at the beginning of the quarter and sold at the end of the quarter with the investor receiving all net cash flow during the quarter
- Calculations are based on quarterly returns of individual properties before the deduction of portfolio level management fees, but inclusive of property level management fees
  - Returns are weighted by the property's market value
  - Formulas assume (i) net operating income (NOI) is received at the end of each quarter, (ii) capital expenditures occur at mid-quarter and (iii) partial sales occur at mid-quarter
- Income Return measures the portion of total return resulting from the net operating income of a property
  - **Income Return** = NOI / (Beginning Market Value + ½ Capital Improvements – ½ Partial Sales – ½ NOI)
- Capital Value Return measures the change in market value from one period to the next
  - **Capital Value Return** = (Ending Market Value – Beginning Market Value + Partial Sales – Capital Sales) / (Beginning Market Value + ½ Capital Improvements – ½ Partial Sales – ½ NOI)
- **Total Return** = Income Return + Capital Value Return
- The adjustments in the denominator reflect an estimate of the average investment throughout the period given the assumptions above




Source: NCREIF: *User's guide to NPI*

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## Overview of Real Estate Indices
*Comparison of Key Characteristics*

| | NCREIF | CREX |
|---|---|---|
| **Release Frequency** | Quarterly | Monthly, Released last Wednesday of each month |
| **Measurement Period** | Quarterly | Quarterly on a rolling basis |
| **Computational Methodology** | Total return | Market cap weighted method |
| **Data Source** | Member firms | Public and quasi-public information |
| **Coverage** | All member properties | Arms-length sales |
| **Property Type Indices** | Apartment, Hotel, Industry, Office, Retail | Apartment, Office, Retail, Warehouse |
| **Regional Indices** | East, Midwest, South, West | Desert Mountain West, MidAtlantic South, Midwest, Northeast, Pacific West |
| **Return Tiers** | Capital return, income return | None |
| **Trade Method** | OTC dealer market | CME |
| **Calculation Agent** | NCREIF | GRA |

Source: NCREIF: *User's guide to NPI, CREX: GRA Commercial Real Estate Index Methodology*

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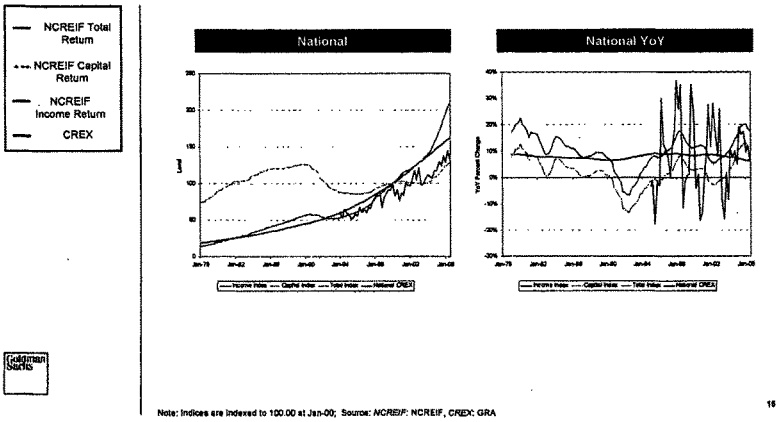
## Commercial Real Estate Indices

*Rapid Appreciation in Recent Years*




Note: Indices are Indexed to 100.00 at Jan-00; Source: *NCREIF*: NCREIF, *CREX*: GRA

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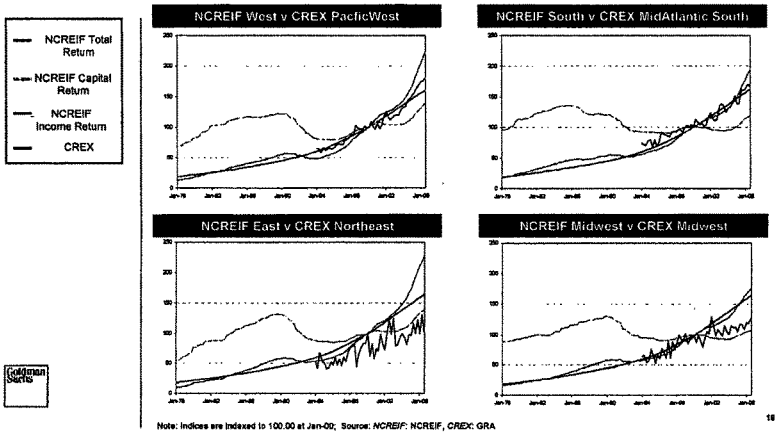
## Regional Commercial Real Estate Indices




Note: Indices are indexed to 100.00 at Jan-00; Source: *NCREIF*: NCREIF, *CREX*: GRA

18



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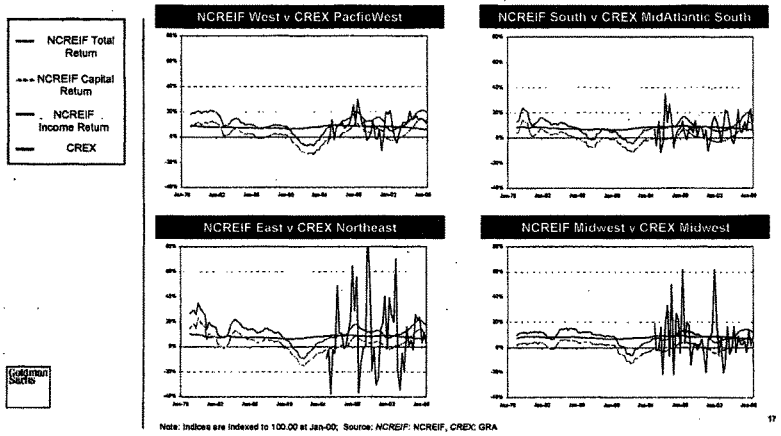
## Regional Commercial Real Estate Indices

*Year-Over-Year Percent Changes*




Note: Indices are indexed to 100.00 at Jan-00; Source: *NCREIF*: NCREIF, *CREX*: GRA

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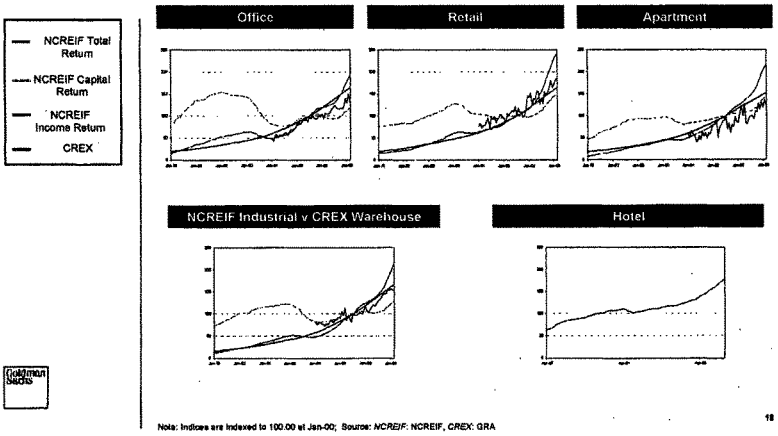
## Property Specific Commercial Real Estate Indices




Note: Indices are indexed to 100.00 at Jan-00; Source: *NCREIF*: NCREIF, *CREX*: GRA

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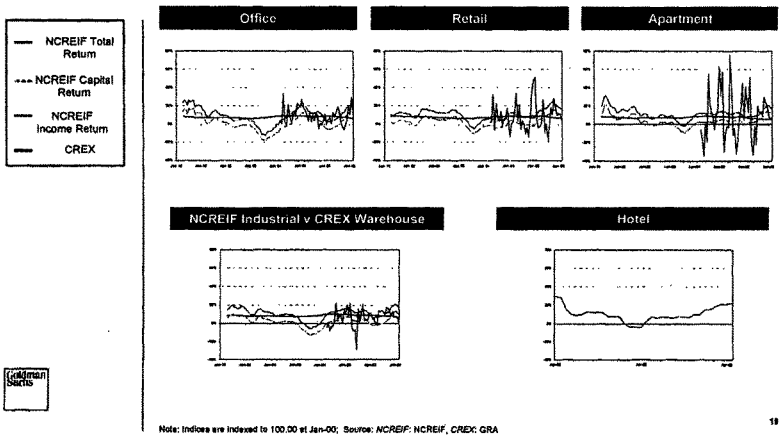
## Property Specific Commercial Real Estate Indices

*Year-Over-Year Percent Changes*




Note: Indices are indexed to 100.00 at Jan-00; Source: *NCREIF*: NCREIF, *CREX*: GRA

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**From:** Swenson, Michael
**Sent:** Tuesday, May 16, 2006 10:08 AM
**To:** Birnbaum, Josh
**Subject:** RE: Housing Futures and Options

It means other people ie cw dealer desk is thinking about it

-----Original Message-----
From: Birnbaum, Josh
Sent: Tuesday, May 16, 2006 9:50 AM
To: Swenson, Michael
Subject: FW: Housing Futures and Options

what does he mean?

-----Original Message-----
From: Swenson, Michael
Sent: Friday, May 12, 2006 1:26 PM
To: Birnbaum, Josh
Subject: FW: Housing Futures and Options

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: William Grady [mailto:WGrady@ramius.com]
Sent: Friday, May 12, 2006 1:18 PM
To: Swenson, Michael; Salem, Deeb
Subject: FW: Housing Futures and Options

FYI-The cat is crawling out of the bag.

William E. Grady
Ramius Capital Group, LLC
Chrysler Center
666 Third Avenue, 26th Floor
New York, NY 10017
Em wgrady@ramius.com
W (212) 201-4827, M (908) [redacted]
F (708) 570-7562

-----Original Message-----
From: gmichael1@bloomberg.net [mailto:gmichael1@bloomberg.net]
Sent: Friday, May 12, 2006 1:05 PM
To: undisclosed-recipients
Subject: Fwd: Housing Futures and Options

----- Original Message -----
From: JONATHAN LIEBER, COUNTRYWIDE SECURITI
At: 5/12 13:02:11

Synthetic instruments have begun to make significant inroads into the world of structured products. Late in 2005, the standardization of trading documentation for ABCDS contracts increased investors' ability to hedge RMBS exposure - or take an outright short position - which led to a short and sharp widening of subordinated spreads (this widening was short lived and spreads are now tighter than "pre-ABCDS" levels). This was followed by the introduction of the ABX.HE indices in January, a product line that so far seems to have led to increased market liquidity, price discovery, and two-way flow in the subordinated



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HEL sector. On May 22nd, the next synthetic vehicle that may be of interest to RMBS investors will debut when the Chicago Mercantile Exchange (CME) begins trading a pure real-estate-linked futures contract, as well as options on these futures.

The CME housing futures will represent ten major metropolitan areas: Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York, San Diego, San Francisco, and Washington D.C. Housing price indices for each of these MSAs will be determined by an index of repeat home sales in that region, as measured and tracked over time by Case-Shiller.
Simply put, participants will be able to go long or short housing price appreciation in these MSAs by taking long or short positions in the appropriate futures contracts. These indices will be marked to market every day, and will settle in cash. As noted, options on these contracts will also be available, allowing participants to take a long or short position via calls or puts on the MSA of interest.

These housing futures and options are likely to be of interest to businesses that have direct exposure to regional housing markets (e.g., home builders in Miami may find it useful to hedge price risk in ongoing construction projects by going short Miami CME futures). It is also possible that these instruments will be used as more of a speculative vehicle for individuals or institutions wishing to express a particular view on the housing market in any particular region (e.g., taking a bearish view on Las Vegas real estate). As for RMBS investors, it remains to be seen just how useful the market will find these products.
Although RMBS investors are concerned with housing-price appreciation - especially in regions to which their collateral pools have concentrated exposure - it is important to note that bond returns are not "linearly correlated" with changes in housing prices. In other words, the spread/price performance of a bond is not particularly sensitive to changes in underlying HPI until or unless the underlying HPI is very weak (or negative). Our initial thought is that some holders of RMBS debt at the lower end of the capital structure may explore options on these indices as "insurance" against severe HPI downturns, perhaps by buying out of the money puts on specific indices. We expect to monitor activity and index performance in these new synthetic products going forward.

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**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** |
| **Account Name** | **99 31/32** |
| 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] = **Redacted by the Permanent Subcommittee on Investigations**

Cactus Raazi
212.902.3943 direct
917.[redacted] 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 Ameriquest on servicer watch observation could cause some early pain Friday.
Ameriquest 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 tranched protection CDS



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

They had asked us to do another tranched 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



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# Mortgage Department Update

## January 9, 2007

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



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# 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



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# Mortgage Department P&L

| $mm<br>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** | **285** | **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 | 792 | 955 | 1,143 | 29 |
| **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.***



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# ABX / ABS CDS Risk

Insert risk report



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# 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<br>$221mm resids and bonds funded vs. $344mm market value | $2.5B High Grade<br>$2.2B mezzanine | $10mm minority equity investment (Senderra & LownHome) |
| **Primary Risk** | LIQUIDITY & COUNTER-PARTY<br>✓Spreads widen pre-deal<br>✓Counterparty failure - EPDs<br>✓Liquidity dries up, can't issue bonds | REALIZED LOSSES<br>✓Losses exceed estimates | MARKET SPREADS<br>✓ABX/single name CDS basis widens | COUNTER-PARTY CREDIT<br>✓Counterparty defaults and misses margin calls | MARKET SPREADS<br>✓CDO liabilities widen making deal uneconomic and assets in warehouse widen | REPUTATIONAL & COUNTER-PARTY |
| **Mitigant** | ✓Largest exposures generally to better capitalized counterparties<br>✓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<br>✓Directionally flat | ✓Mark-to-market rights<br>✓All margin lending<br>✓Ability to trap cash and offset | ✓Risk Sharing<br>✓CDS on CDOs<br>✓Pre-placement | ✓Board Seats<br>✓Additional oversight<br>✓Loan due diligence |



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# 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 |



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# Competitive Benchmarking

| | GS | LEH |
|---|---|---|
| **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 Mortages (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.



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# 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



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# Appendix

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



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# Subprime Recent History

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



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# GS CDO Pipeline

[redacted] = 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 ProRataII | 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 | | | |



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# 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 tranched 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 |



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# Risks, Challenges and Structural Issues

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



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# 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



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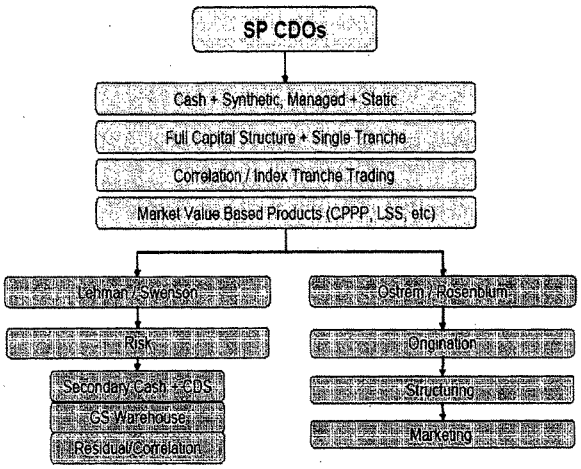
# Cash & Synthetic SP CDOs Combination



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**From:** Krausz, Amy
**Sent:** Thursday, November 02, 2006 10:15 AM
**To:** ficc-abstrading; ficc-wlcredit
**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**
Mortgage Strategies
Fixed Income, Currencies, and Commodities
Tel: 212.357.4794
Fax: 212.256.2498

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*Wall Street & The Financial Crisis*
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**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**



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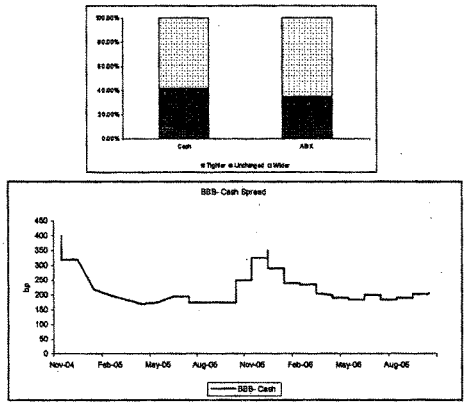
In both cash and ABX spreads, investors are generally of the opinion that BBB-s will widen (55% and 62%, respectively), comparable to results of early surveys. Fewer investors think BBB- spreads would tighten (10% now vs. 19% 3 months ago). Investors are still less bearish when compared to historical 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%).



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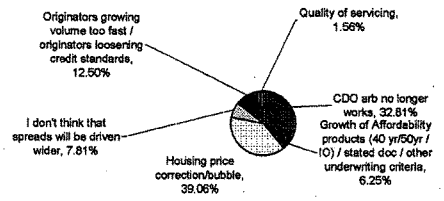
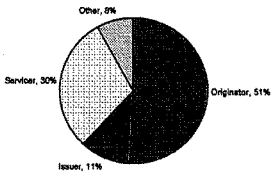



Investors' greatest concerns in new product risk are high LTV loans (40% of respondents), stated/no doc loans (31%), and Pay Option ARMs (22%).

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 at 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.



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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:

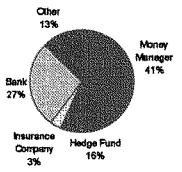
| | Most scrutinized factor |
|---|---|
| Second Liens | CLTV |
| Option Arms | FICO |
| S&D | FICO, CLTV, DOC |
| Reperforming | FICO, CLTV, DOC, OCC |

**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.



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| | 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% | 9.43% | 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% |



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| | 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% | 28.15% |
| 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% |



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| | 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% |

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| | 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% |
| | | | | |
| | RMs | SBCs | | |
| For Reverse Mortgages (RMs), 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 knowledge 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% | | |



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660511.219

**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] = 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 withourt 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 ([redacted] consists of [redacted] equity of predominately [redacted] risk (they have bought equity in a couple of [redacted] 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 [redacted] 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] = 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

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66051.221

**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 | BCC0PL4B8 | Baa1e | 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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GS MBS-E-016445770

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660511.222

**Footnote Exhibits - Page 3479**

| | | | | | |
|---|---|---|---|---|---|
| $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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660511.223

[redacted] = 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 asssets 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 underlyin 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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660511.224

**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



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660511.225

**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



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

[redacted] = 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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**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



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**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. C-Bass claims we are the only one margin calling. Our marks are appropriate for moves in the



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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.



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**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 reidiential mortgage businesses w/ credit risk:
* Subprime (Matt Nichols)
* Scratch & Dent (Michael Cawthon)
* Alt-A (Genevieve Nestor)
* Prime Hybrids/Option Arms (Clay DeGiacinto) => 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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*     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).
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<<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 dilg 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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**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.



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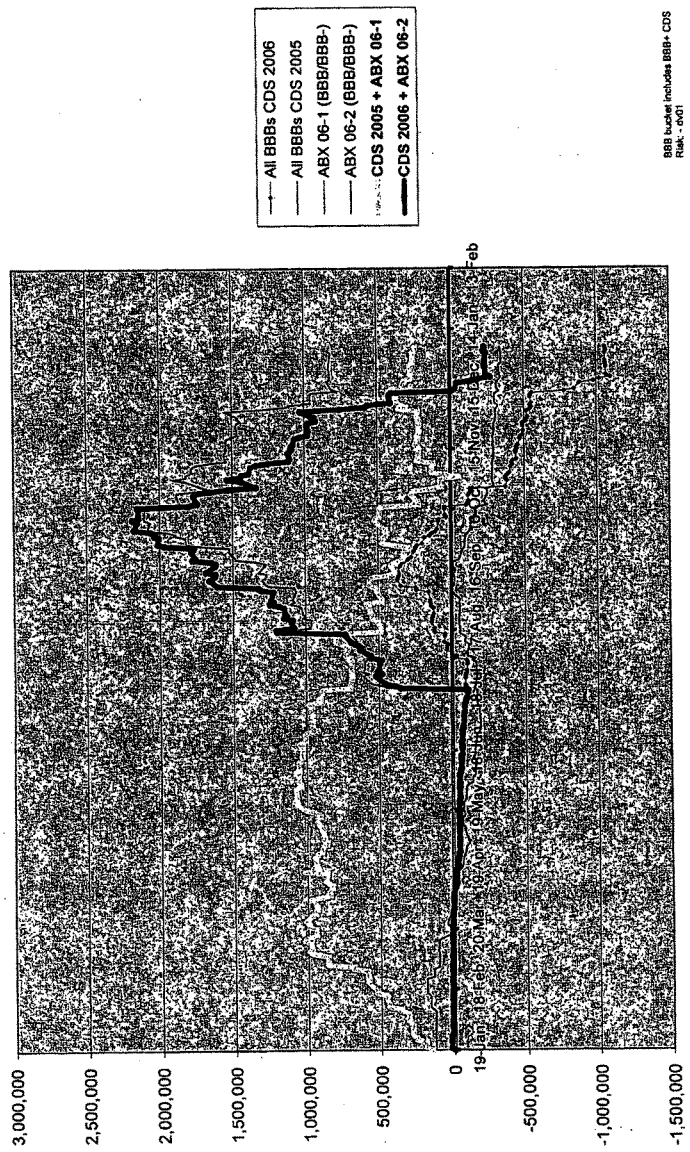
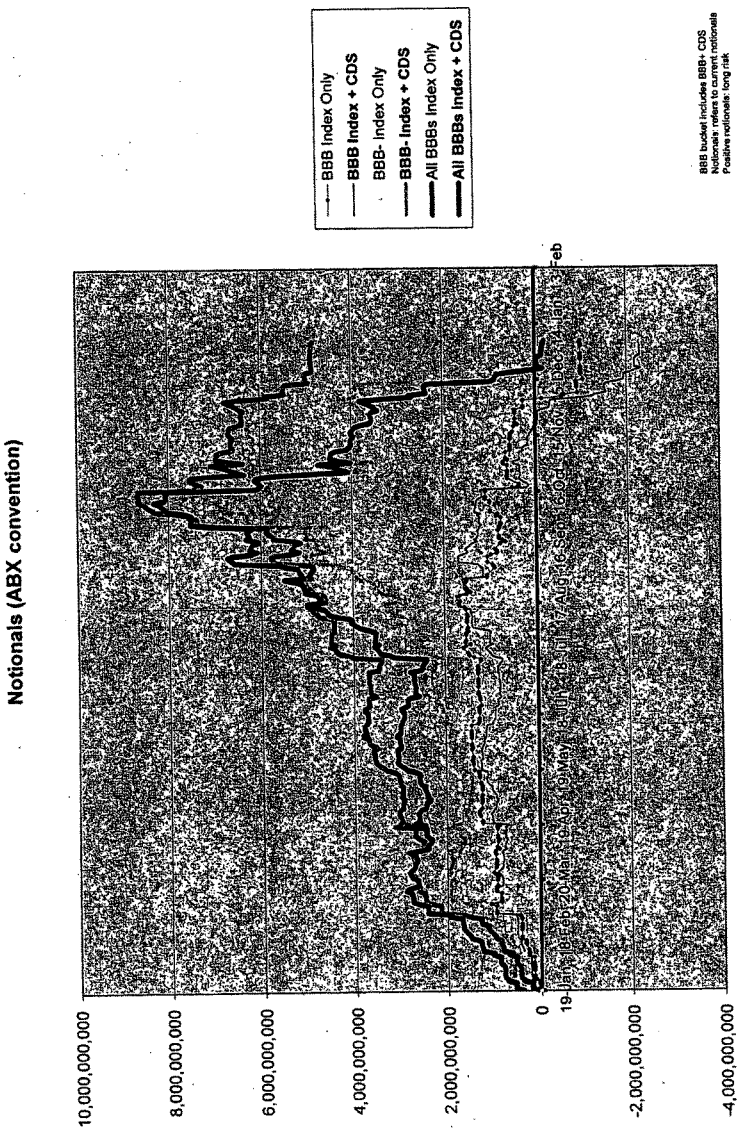
**Footnote Exhibits - Page 3493**

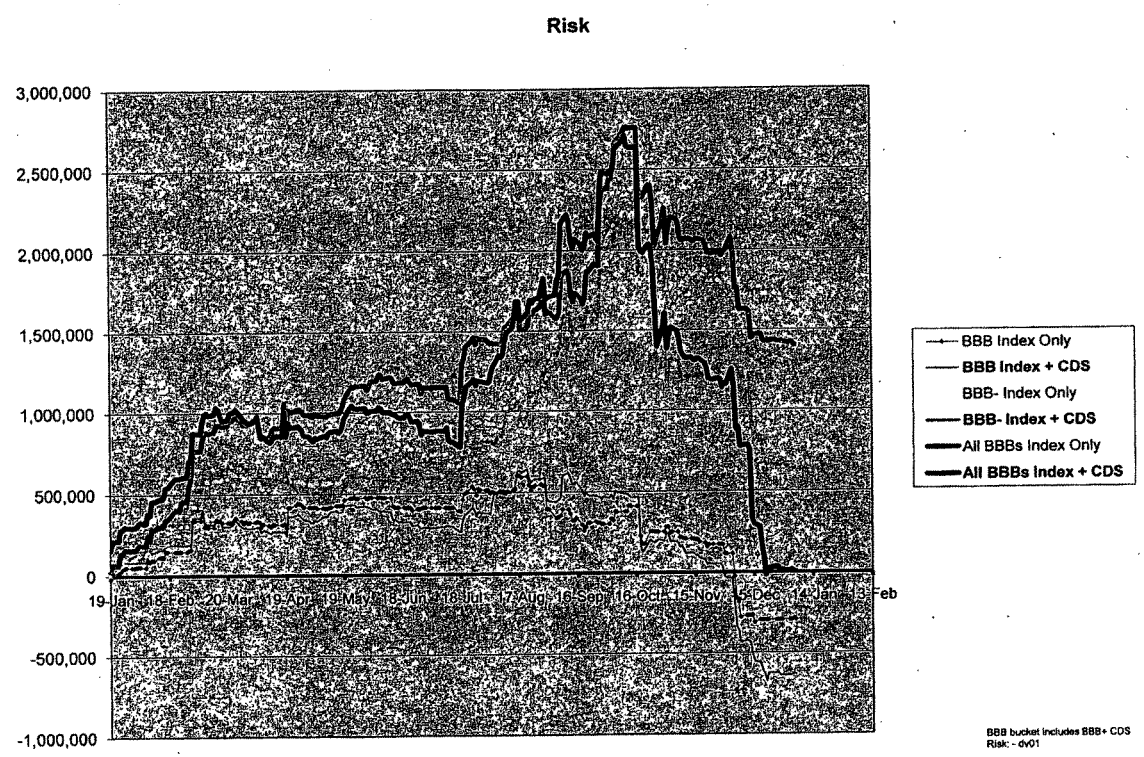
**Risk By Vintage / Index**



**Footnote Exhibits - Page 3494**



Footnote Exhibits - Page 3495



**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...

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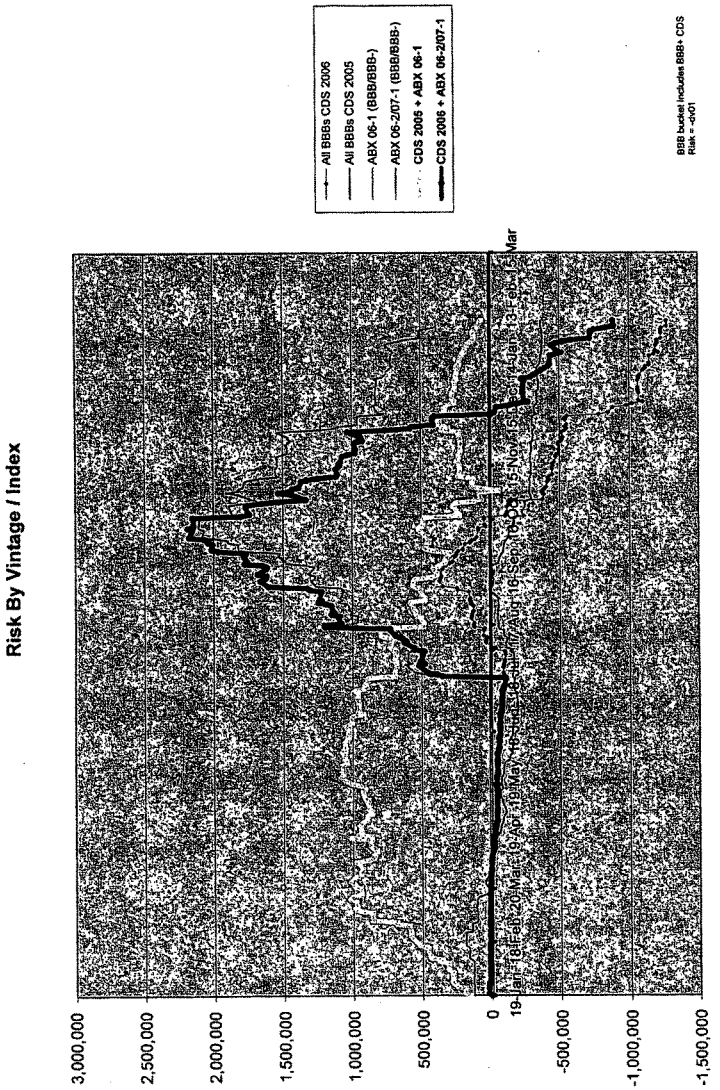
**Footnote Exhibits - Page 3497**

**Risk By Vintage / Index**



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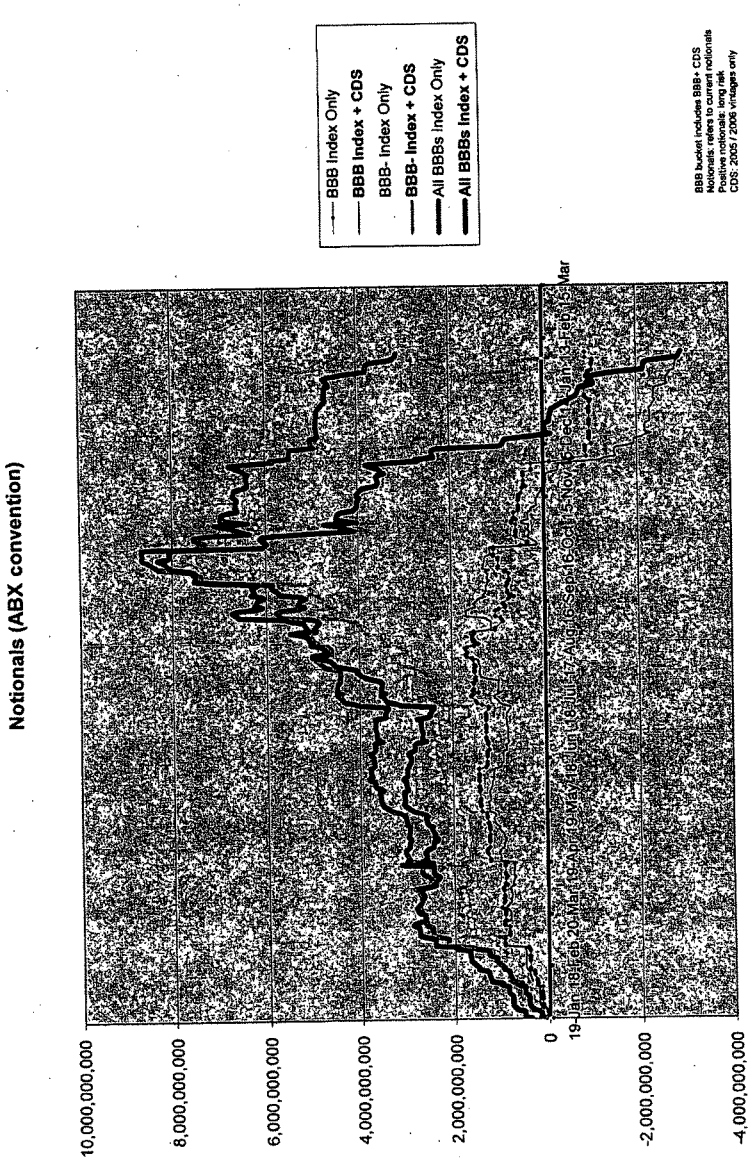
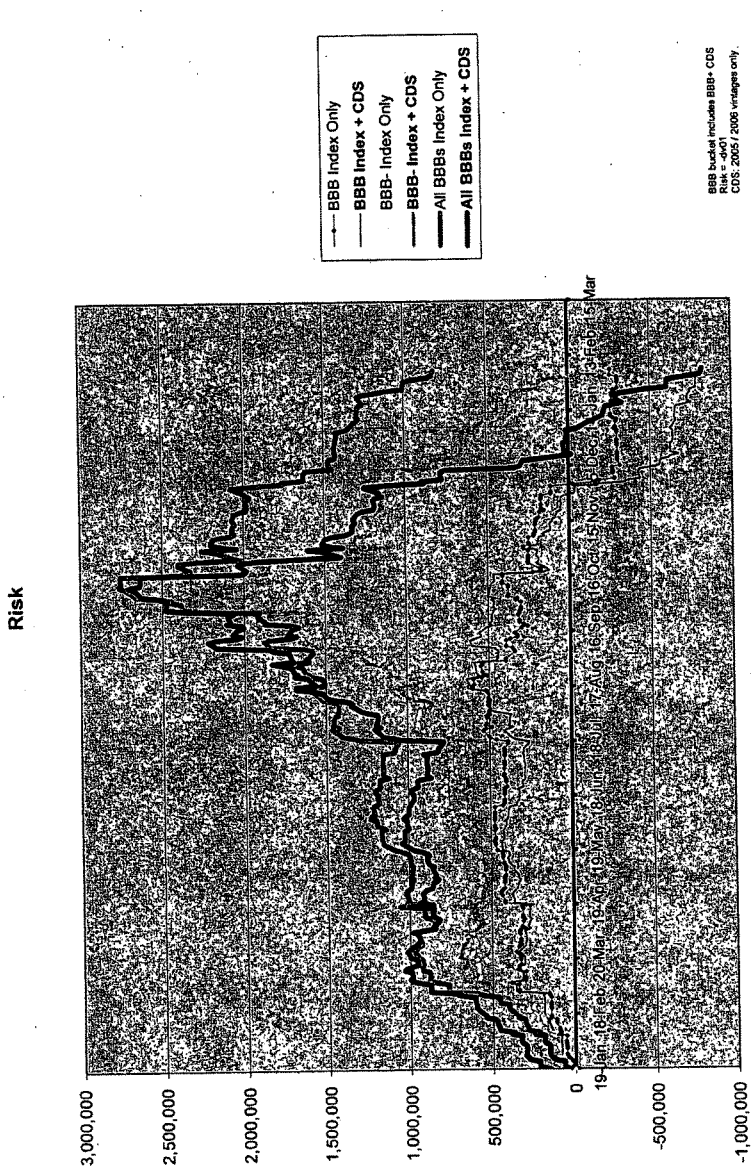


**Footnote Exhibits - Page 3499**



**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...



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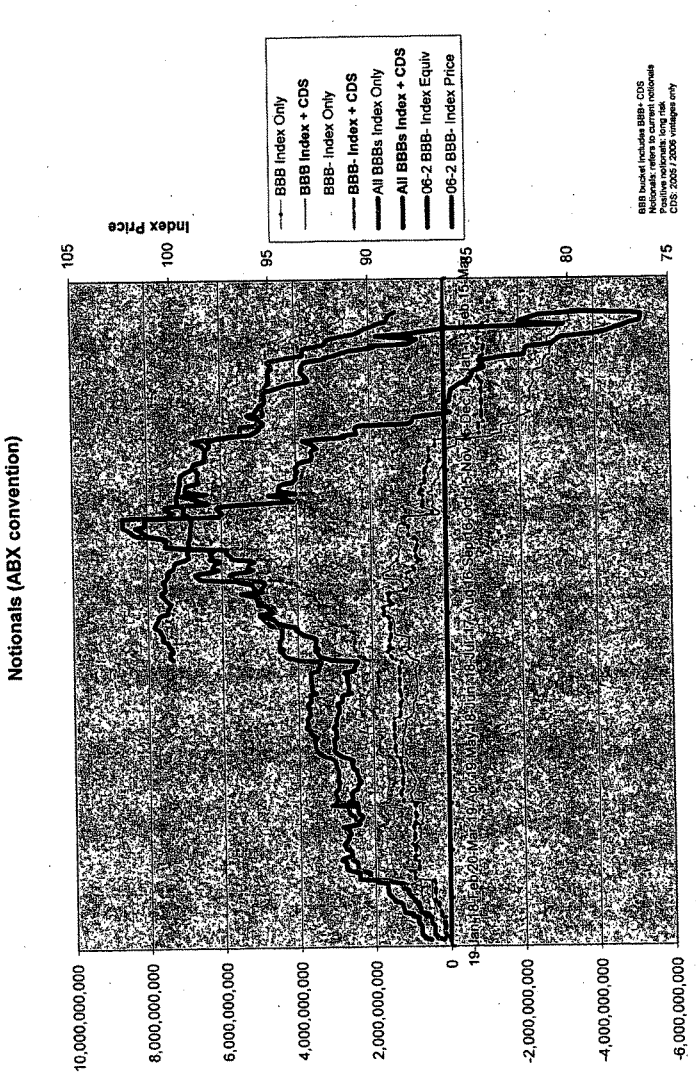
**Footnote Exhibits - Page 3501**

Notionals Chart with ABX Price




Page 1

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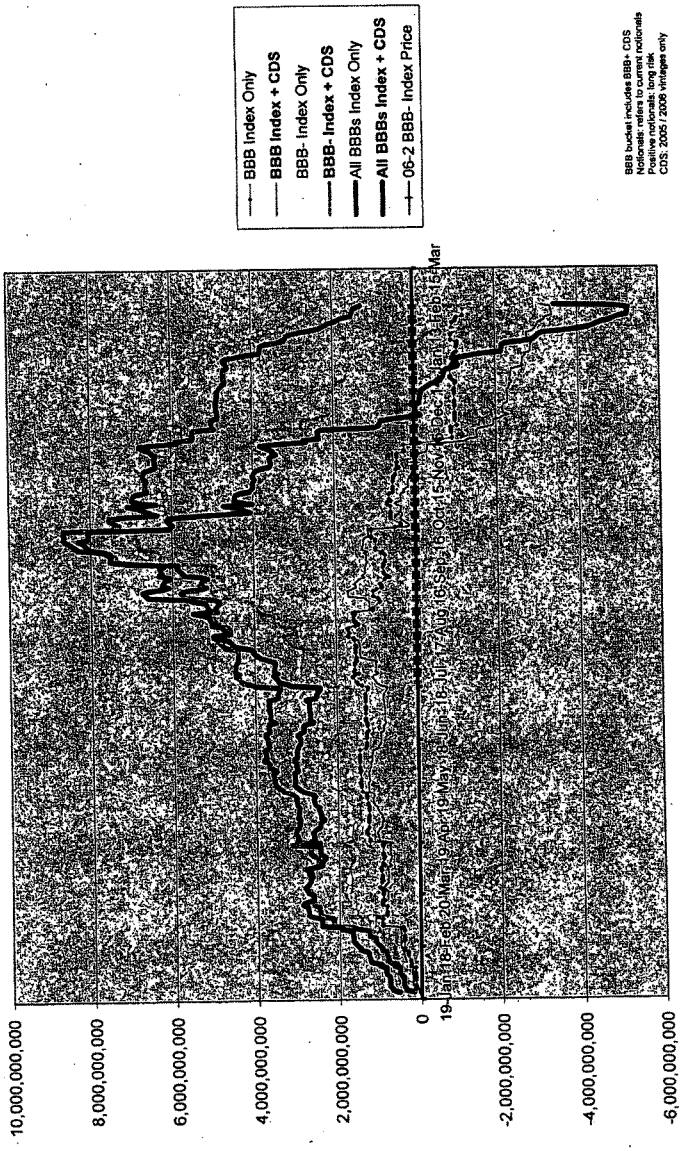
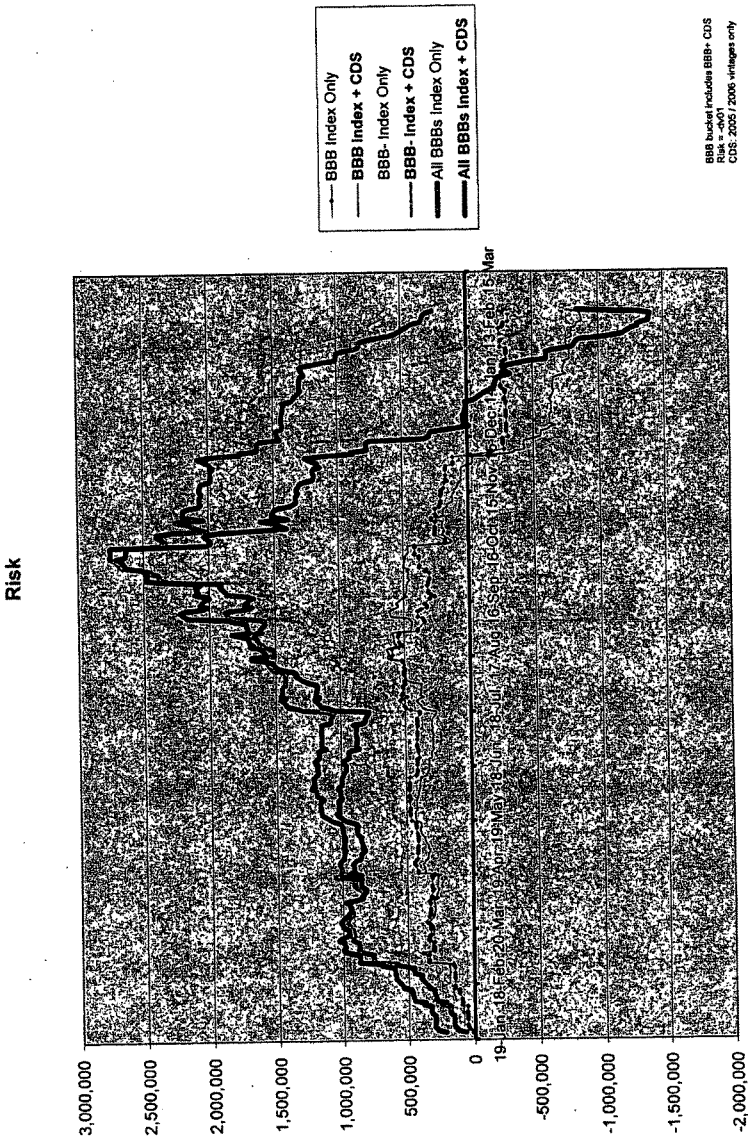


**Footnote Exhibits - Page 3503**



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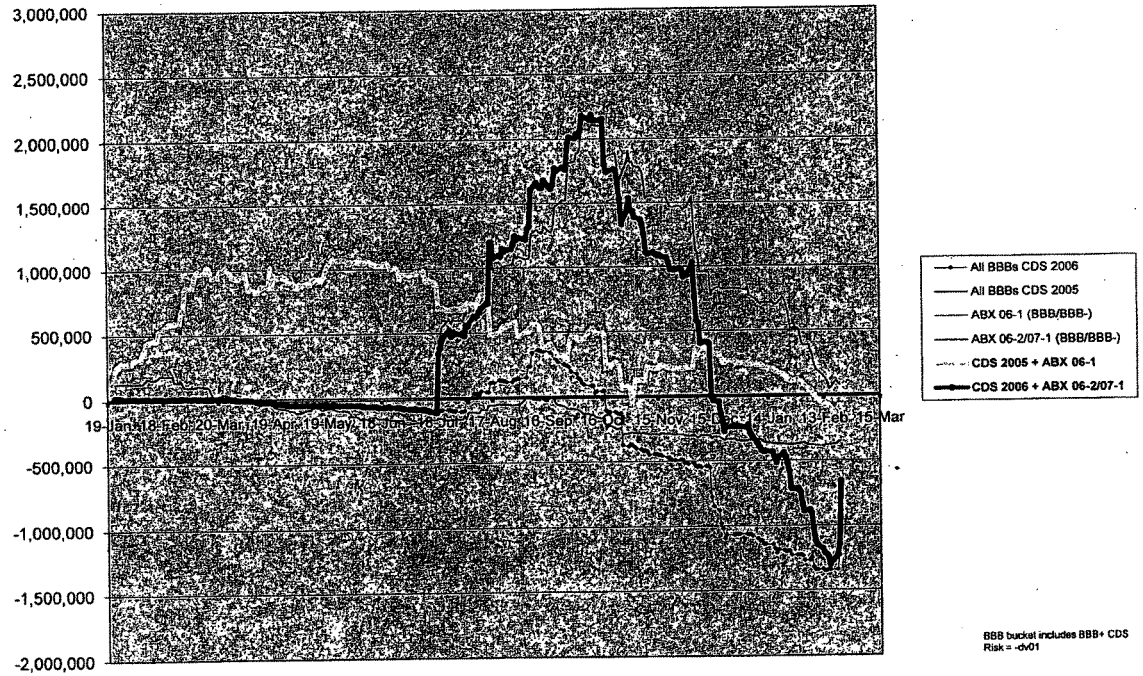
SENSITIVE INFORMATION

**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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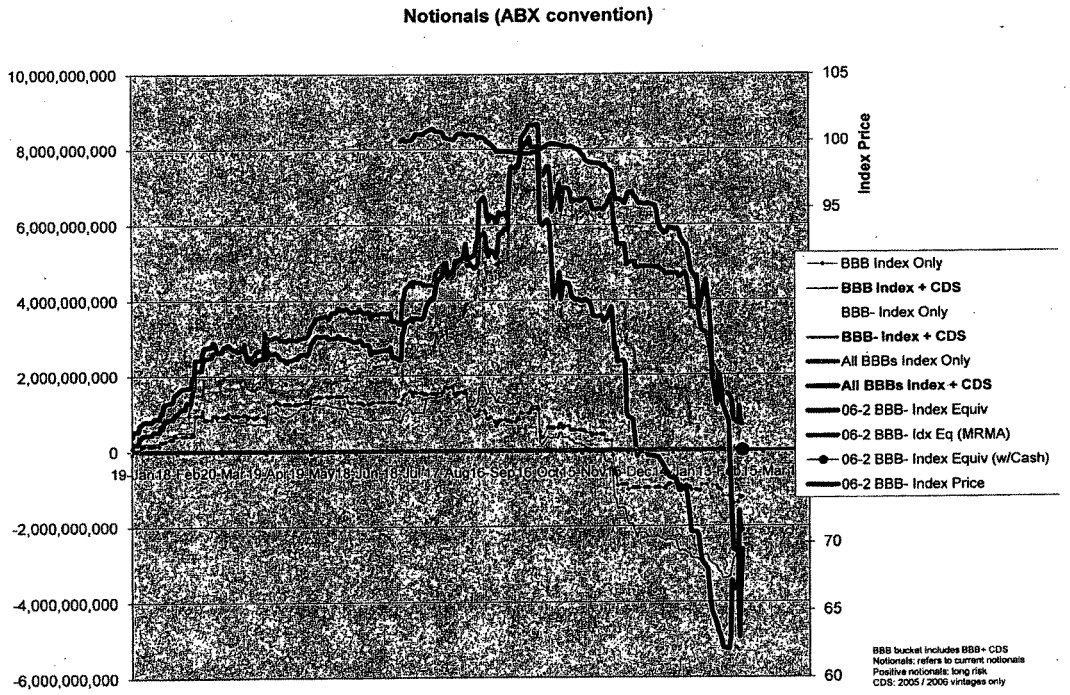
Notionals Chart with ABX Price



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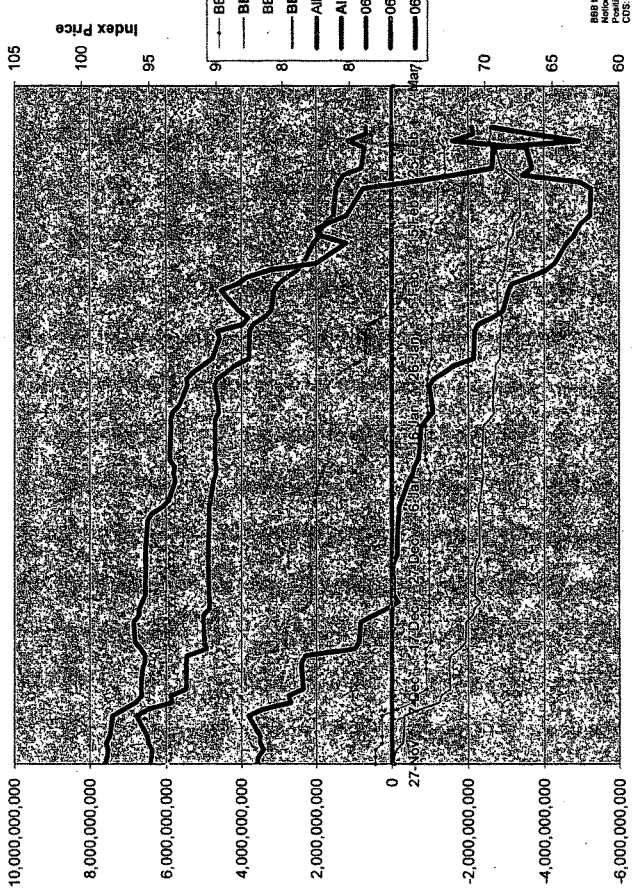
**Footnote Exhibits - Page 3507**

Notionals Chart w ABX - 2007

**Notionals (ABX convention) - Fiscal Year 2007**



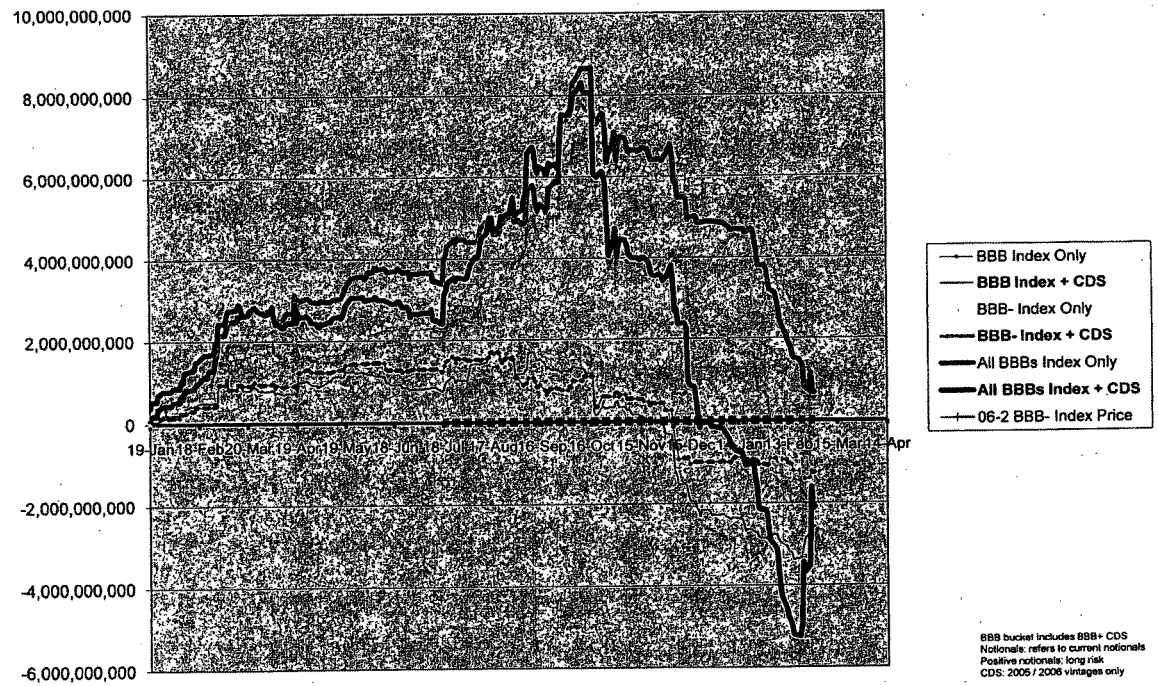

Page 1

**INTERNAL ONLY**

Footnote Exhibits - Page 3508

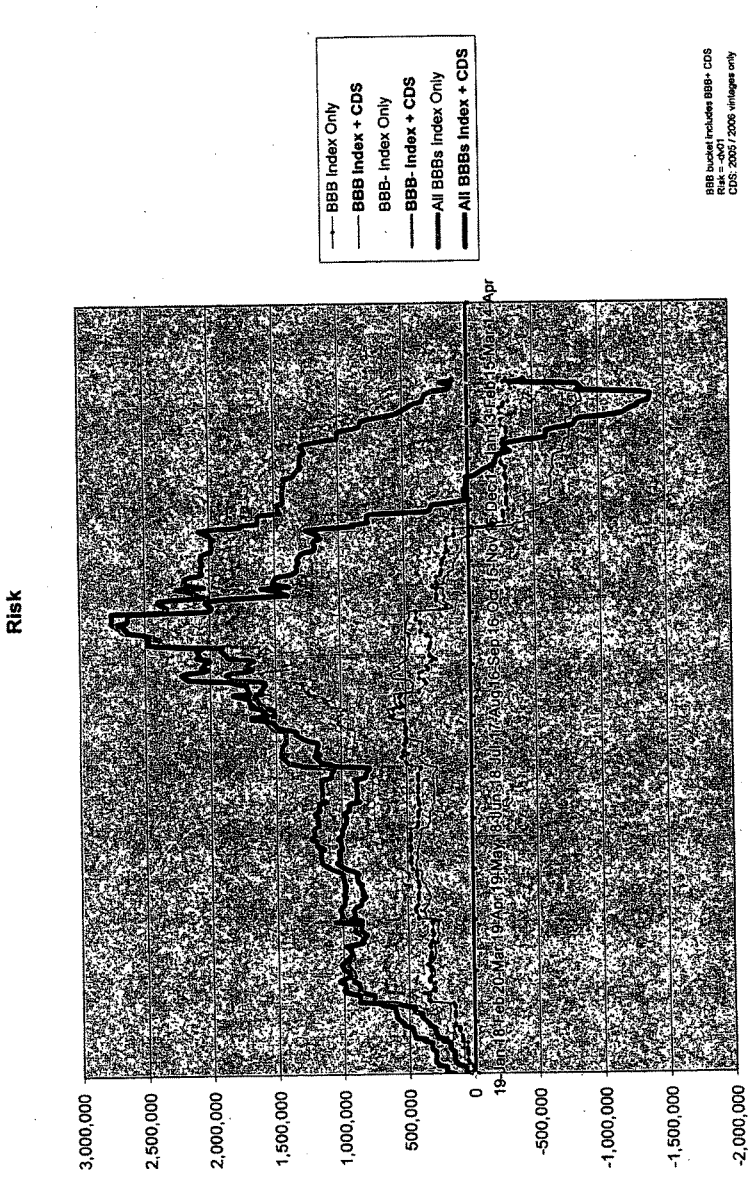
SENSITIVE INFORMATION

## Notionals (ABX convention)




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

**Footnote Exhibits - Page 3509**



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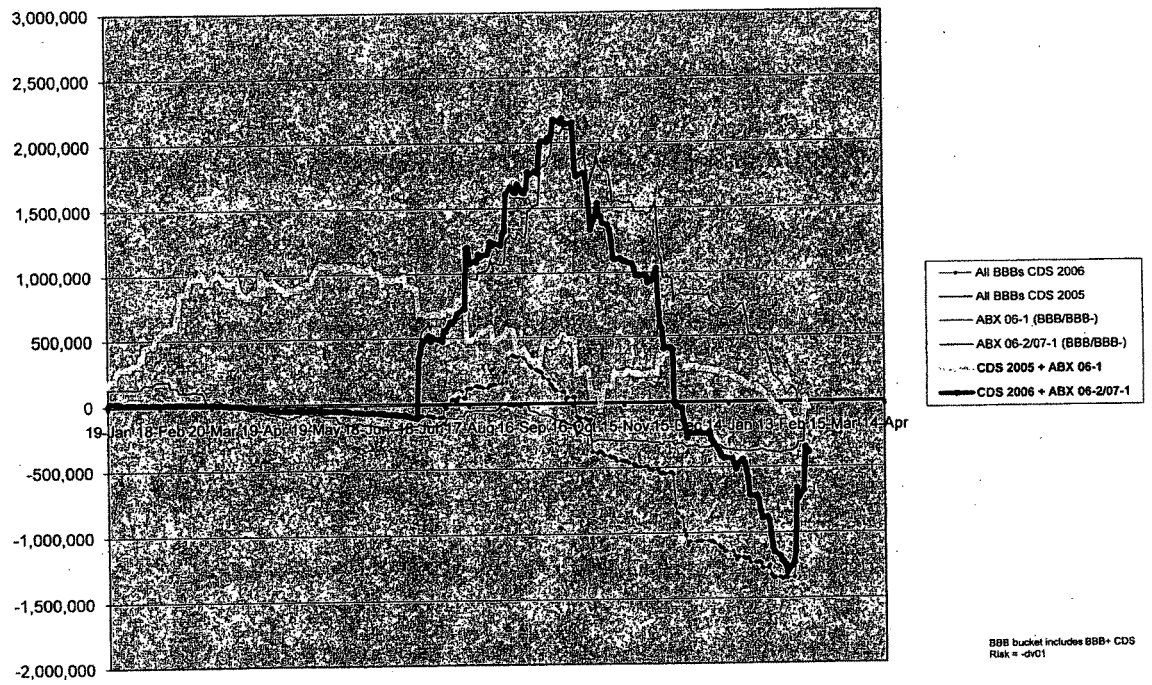
SENSITIVE INFORMATION

## Risk By Vintage / Index



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# Presentation to SEC

## Subprime Mortgage Business

**14-Mar-2007**

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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1656

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II. Recent Events in the Subprime Mortgage Sector
III. Looking Forward
IV. Appendix: Subprime Mortgage Originators

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## I. Subprime Overview



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## 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 | ■ Highest credit quality: no recent foreclosures, delinquencies or bankruptcies |
| **Alt-A**[1] | 640-730 | 11% | ■ $400bn | ■ Self-employed and/or non-resident borrowers<br>■ Limited disclosures on income and assets of borrower<br>■ Agency non-conforming due to credit issues, payment history or minimal documentation |
| **Subprime** | 605-640 | 17% | ■ $600bn | ■ Lowest credit quality: borrowers with average to poor credit profiles, including first time homebuyers, people who did not previously have credit available to them<br>■ Agency non-conforming due to credit issues, payment history or minimal documentation<br>■ 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 640-680).*



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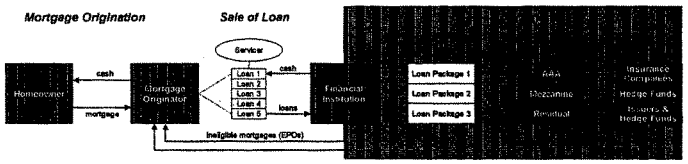
## Subprime Mortgage Overview

**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



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## GS Subprime Mortgage Business

| Type of Business | Market Risk | Credit Risk |
|---|---|---|
| **Loans** | | |
| **Financing**<br>*GS extends lines of credit directly to subprime mortgage originators to fund mortgages while they are held on the companies' balance sheets.* | ▪ 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**<br>*GS buys and holds bulk and conduit subprime loans from mortgage originators for the purpose of securitization.* | ▪ Mark to market losses on loans during accumulation period (if securitizations are not completed)<br>▪ Some loss sharing arrangements exist | ▪ Counterparty risk during the extended settlement period (typically 30-60 days)<br>▪ Put option to originator if individual mortgages suffer from early homeowner defaults (EPDs) or reps and warranties are breached |
| **Securitization** | | |
| Securitization Underwriting<br>*GS underwrites, structures and distributes securities for ourselves and clients.* | ▪ Mark to market gains and losses on securitized instrument until distribution | ▪ Reputational risk / underwriters liability<br>▪ 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<br>*GS structures and distributes liabilities related to pools of assets, many of which relate to subprime RMBS.* | ▪ Mark to market risk during ramp up period if deal failure occurs<br>▪ Mark to market risk on retained positions | ▪ Risk share partners<br>▪ Forward commitments / pre-sold liabilities |
| **Securities Trading** | | |
| Residential Mortgage Backed Securities<br>*GS trades RMBS subprime securities as a secondary business.* | ▪ Mark to market gains and losses on RMBS securities over the hold period | ▪ Counterparty risk on repo transactions with RMBS underliers |
| Residuals<br>*GS retains all or a portion of mortgage residuals from securitization.* | ▪ Mark to market gains and losses on residuals over the hold period | ▪ Counterparty risk on repo transactions with residual underliers |
| Derivatives<br>*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)* | ▪ Mark to market risk on long or short positions | ▪ Counterparty risk to writer of option or OTC derivatives counterpart |
| Equity stakes in mortgage originators | ▪ Potential write down of investment | ▪ None |



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## II. Recent Events in the Subprime Mortgage Sector



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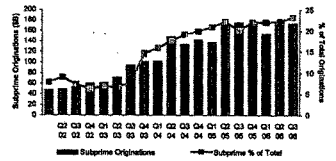
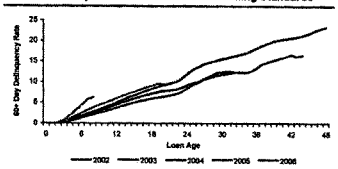
## Market Trends

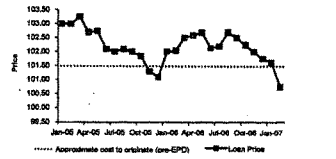
Volumes Increase Significantly[1]



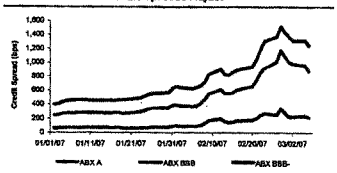

Credit Quality Declines: Relaxed Underwriting Standards




Pricing Pressure: Subprime Mortgage Loan Pricing Levels




Credit Spreads Adjust




[1] *Latest available data*



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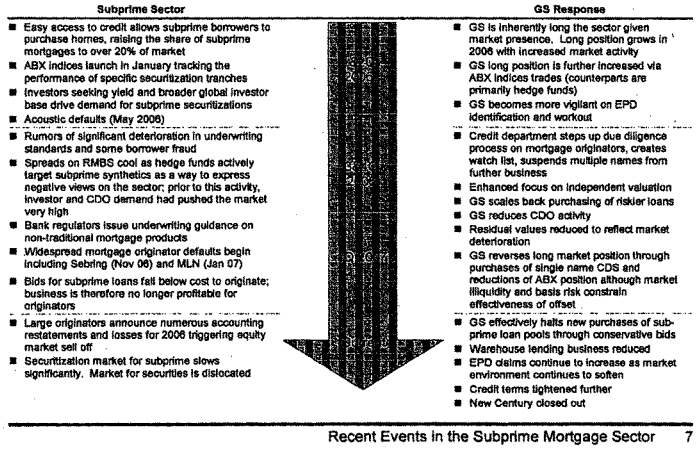
## Timeline of Major Events & GS Response




Recent Events in the Subprime Mortgage Sector 7



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## 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) | Notional Exposure ($mm) | Potential Exposure ($mm) | Notional Exposure ($mm) | Potential Exposure ($mm) | Notional Exposure ($mm) | Potential Exposure ($mm) |
| Warehouse Lending: | | | | | | | | |
| Actual Funded | $388 | $22 | $834 | $48 | $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 | $76 | $2,486 | $74 | $6,329 | $209 | $6,115 | $243 |
| Whole Loan Purchases Post-Settlement Exposure (EPDs): | | | | | | | | |
| Total EPD Claims | $1,137 | $427 | $1,137 | $427 | $845 | $317 | $636 | $351 |

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



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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] |
| 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 $36.3mm in outstanding EPD claims and $5.6mm in pre-settlement risk from $194.36mm pending settlement trades.



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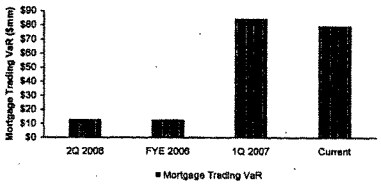
## Market Exposure Summary




- 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



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## III. Looking Forward



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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



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## 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



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## 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 | 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 |



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**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 Faxtor-sponsored HG deal. Punchline is they are not liquidating, I surmise Llody'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.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1657



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| 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 |
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| US16678WAD83 | 16678WAD8 | CCMFC 2006-2A | B2 | 6,000,000 |
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| US52522HAM43 | 52522HAM4 | LXS 2006-8 | 3A4 | 22,500,000 |
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| US28257EBF60 | 28257EBF6 | Eirles 2 - 259 | 1 | 12,500,000 |
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| US02146QAN34 | 02146QAN3 | CWALT 2006-OA10 | M3 | 6,888,000 |
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| 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 |



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| | | | | |
|---|---|---|---|---|
| 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 positionsFrom

**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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...ort Footnote #1658



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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).



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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.

<< OLE Object: Picture (Metafile) >>



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**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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GS MBS-E-010474

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



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**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 ideosyncratic 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-mtgcdstrat
**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,

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Arbind
**Cc:** ficc-mtgcdstrat
**Subject:** Subprime Risk Report

Attached are the short form Subprime Risk reports for 22Jan07

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**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 discusion of valuation metrics. Also, a discussion of what are competitors are saying as well about valuation. It also will incolve our views on the affects the tranched 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...



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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] = 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-[redacted]
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.

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660511.284

**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] = 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



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660511.265

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...



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660511.286

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

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Email: alexandra.prigent@gs.com

Alexandra Prigent

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66051.267

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

Fyi

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



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660511.288

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



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660511.269

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

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e-mail: ki-jun.bin@gs.com

Ki-Jun Bin
Finance Division

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660511.290

**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...



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660511.291

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

[redacted]

----- 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]

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660511.292

**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 |



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660511.293

| | | |
|---|---|---|
| **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**

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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

| | Stress Test ($MM) | | |
|---|---|---|---|
| Desk | 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] | | | |
| SPG Trading | -153 | -142 | 160 |
| CDO/CLO | 84 | 84 | 55 |
| Manager | 0 | 0 | [redacted] |
| CDO Warehouse | 139 | 139 | 170 |
| CDO | 74 | 74 | 100 |
| CLO | 65 | 65 | 70 |

(results include both US and Europe CLO Warehouse)



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660511.294

**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



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660511.295

**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] = 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.
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tel: +1 212 357 3349 | mobile: +1 917 [redacted] | fax: +1 212 428 1247
e-mail: jonathan.egol@gs.com

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**Jonathan M. Egol**
Structured Products Trading

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660511.296

**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.



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660511.297

**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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660511.298

**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

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660511.299

**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



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GS MBS-E-01127013

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660511.300

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] 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]).

[redacted] = Redacted by the Permanent Subcommittee on Investigations

---

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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660511.301

**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.

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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01304 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.302

**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:

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660511.303

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?



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660511.304

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

Buyback single names in size today



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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01307 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.305

**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-OFT2 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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66051.306

[redacted] = Redacted by the Permanent Subcommittee on Investigations

> ACCR 2006-2 M8
> NSTR 2006-B M8
> CBASS 2006-CB1 B2
>
>
> _____
> Nicholas Valtz
> Vice President
> Capital Structure Sales
> Securities Division
>
> Goldman, Sachs & Co.
> 1 New York Plaza 50th Floor | New York, NY 10004
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> _____
>
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> and we will send the contents to you.
>

**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 |



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| | | |
|---|---|---|
| HASC 2006-OPT2 M9 | 40430HEJ3 | 800 |
| HEAT 2006-3 B1 | 437084VA1 | 975 |
| JPMAC 2006-ACC1 M9 | 46628RAP0 | 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 |
| SURF 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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66051.309

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

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Bought 1.5bb of sn baa3 risk from harbinger

Goldman, Sachs & Co.
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

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660511.310

**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 MV9 | 46629BBB4 | Baa3 |



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66051.311

**Footnote Exhibits - Page 3568**

| | | |
|---|---|---|
| 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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660511.312

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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 prioirty 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 puruse index sales once we have better clarity.

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

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e-mail: michael.swenson@gs.com
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Michael J. Swenson
Fixed Income, Currency & Commodities

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



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660511.313

**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
Securities Divison

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1 New York Plaza 50th Floor | New York, NY 10004
Tel: 212 357-8405 | Cell: 917[redacted]
e-mail: avanish.bhavsar@gs.com

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660511.314

**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

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<<Harbinger Single-A Offerings.xls>>



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660511.316

**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 actuall 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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Michael J. Swenson
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66051.317

**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



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660511.318

**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.



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660511.319

**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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660511.321

**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...

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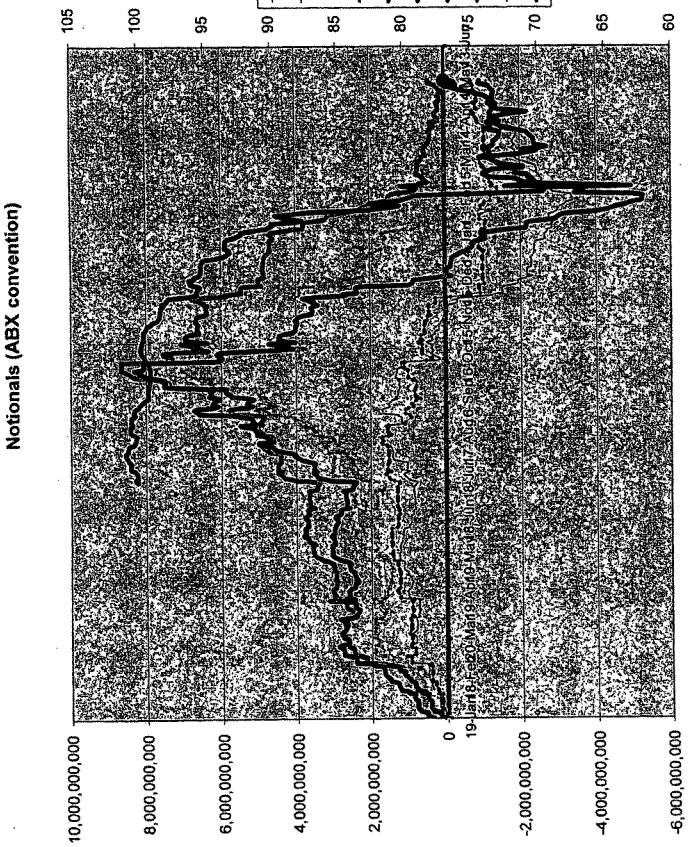
660511.322

**Footnote Exhibits - Page 3579**

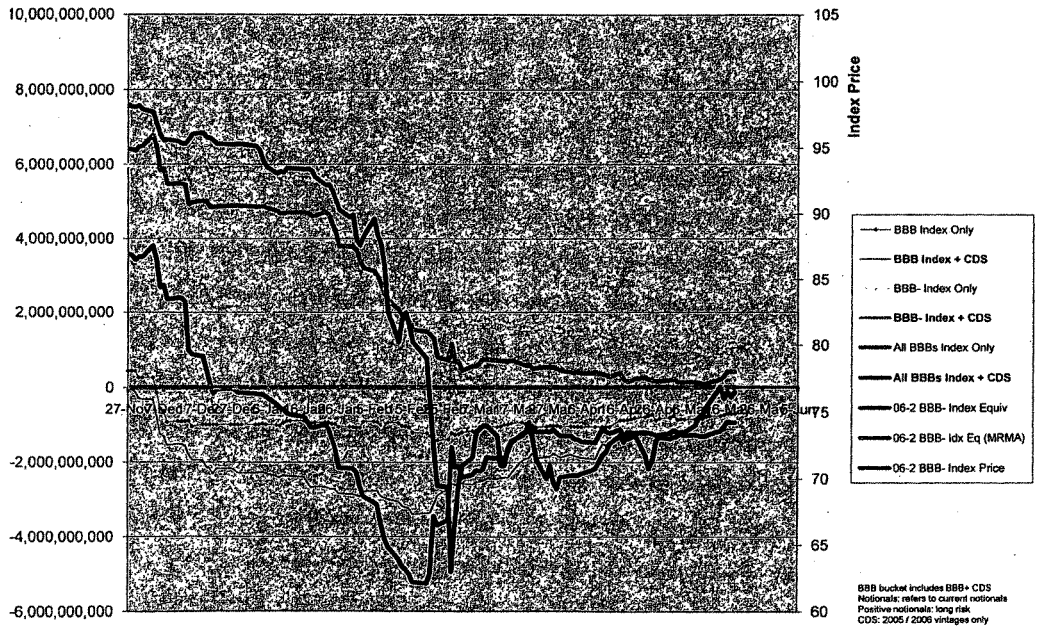
Notionals Chart with ABX Price




Page 1

Notionals Chart w ABX - 2007

**Notionals (ABX convention) - Fiscal Year 2007**





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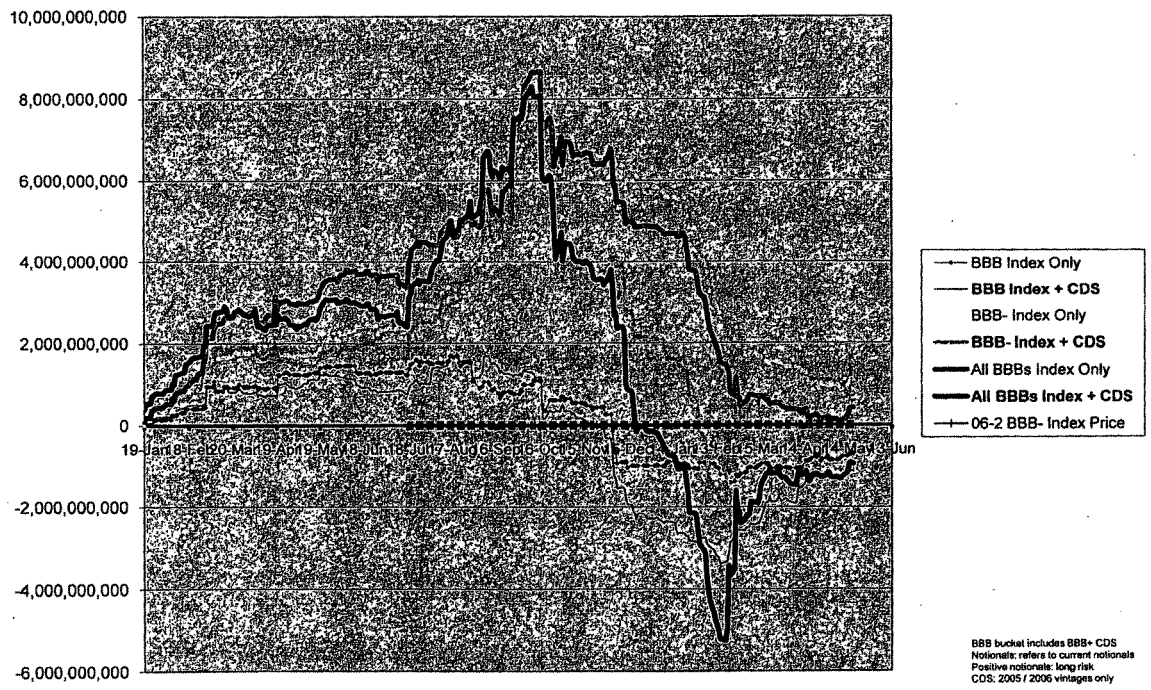
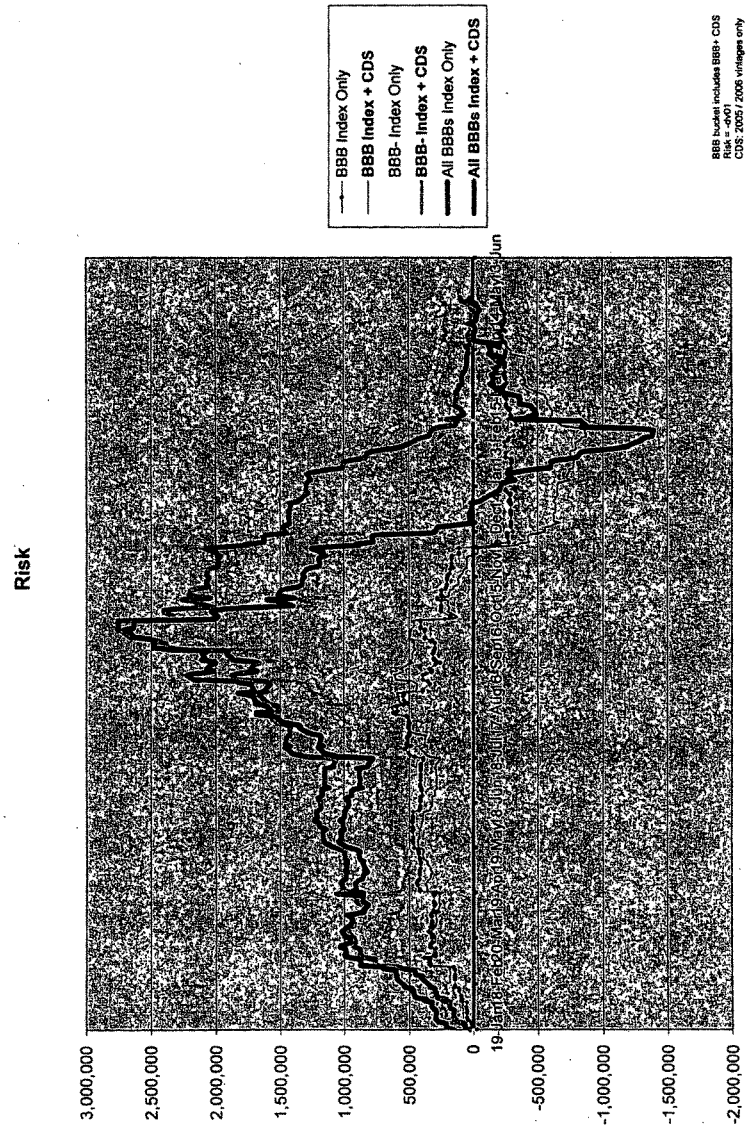
## Notionals (ABX convention)



**Footnote Exhibits - Page 3582**



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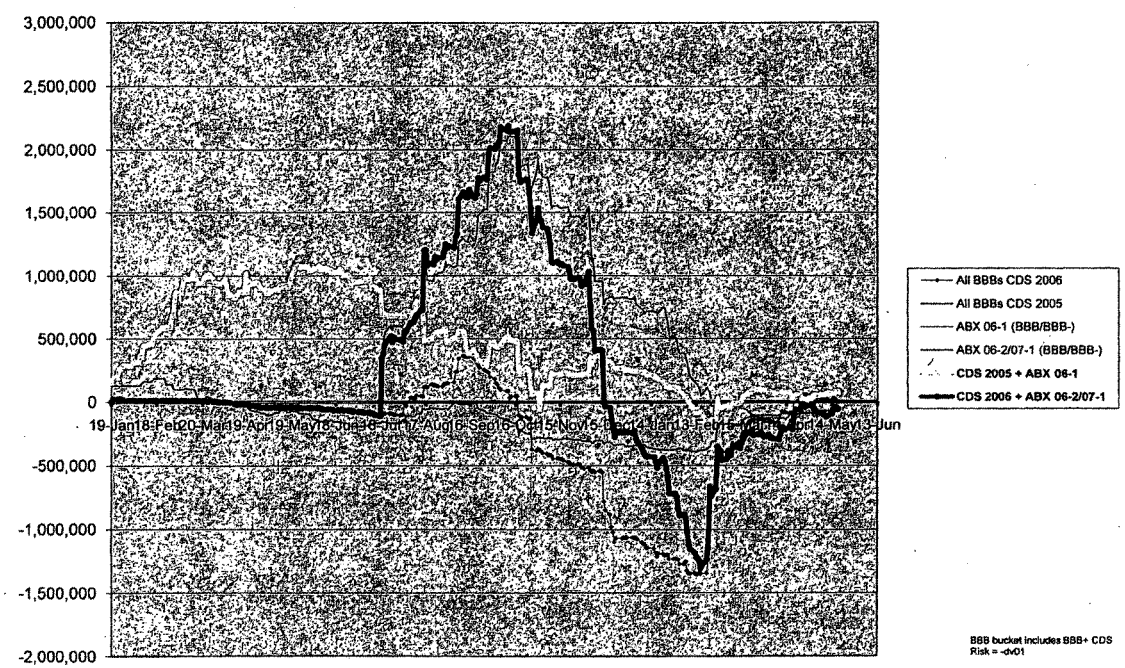
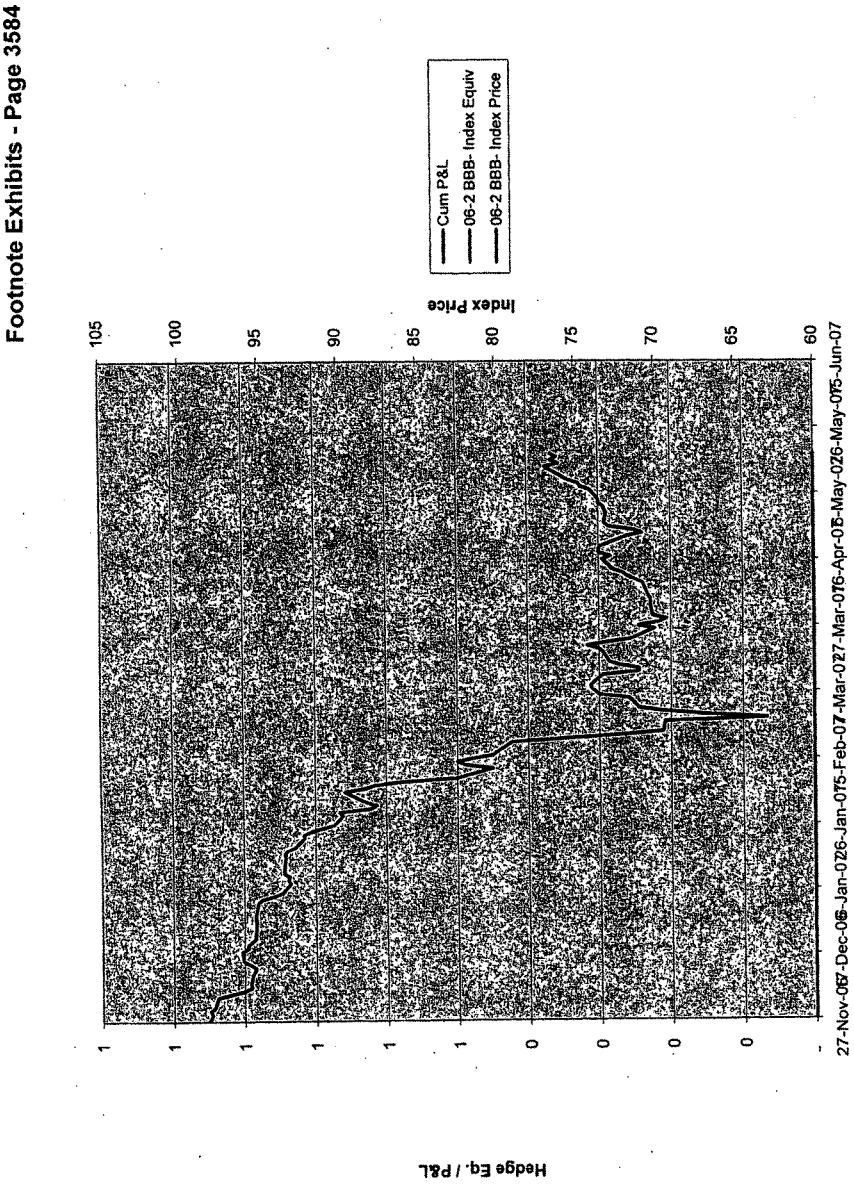
## Risk By Vintage / Index




Footnote Exhibits - Page 3584
Cum P&L
06-2 BBB- Index Equiv
06-2 BBB- Index Price
Index Price
105
100
95
90
85
80
75
70
65
60
Hedge Eq. / P&L
1
1
1
1
1
1
0
0
0
0
-
27-Nov-06
27-Dec-06
26-Jan-07
26-Feb-07
27-Mar-07
27-Mar-07
26-Apr-07
26-May-07
26-May-07
25-Jun-07

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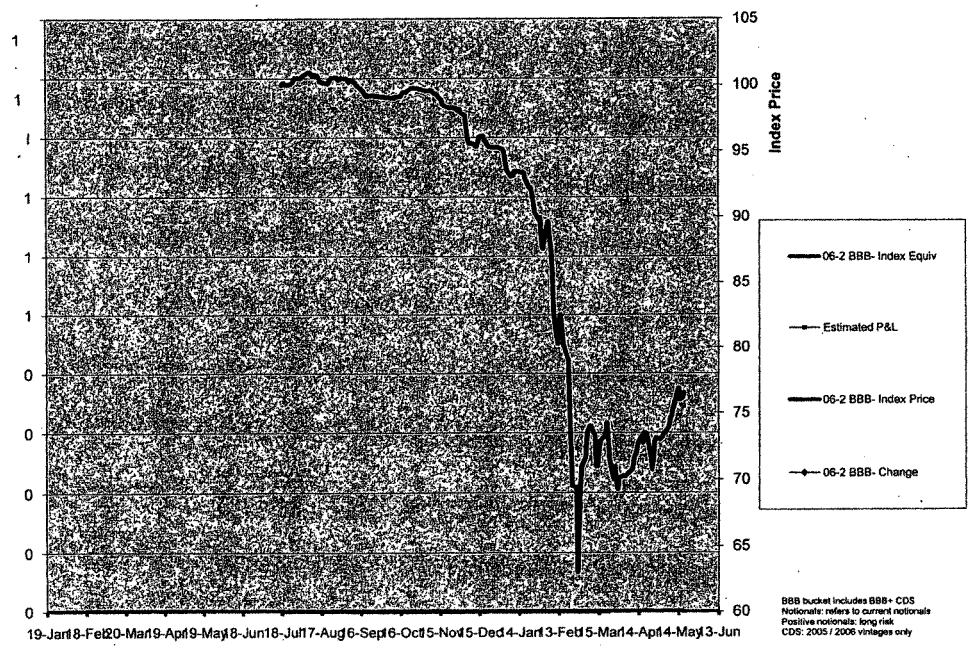
P&L Estimate

### Notionals (ABX convention)



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660511.329

**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)
qrtrly 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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660511.330

**From:** Ostrem, 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:** Ostrem, 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.; Ostrem, Peter L; Nichols, Matthew; DeGiacinto, Clayton; Cawthon, Michael; Pouraghabagher, Darlush; 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 | Sprime | 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 | Sprime | 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:** Tourre, 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: Tourre, 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

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**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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IV. Looking Forward
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## I. GS Mortgage Business Overview



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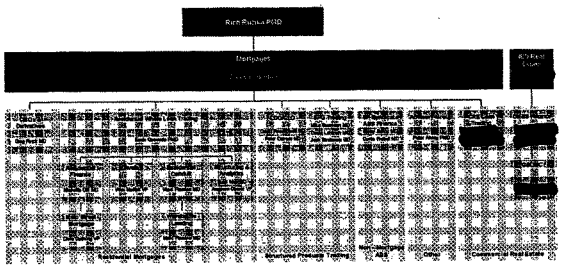
## Mortgage Business Organizational Structure

**North America Mortgages**





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## Business Unit Descriptions

**Residential Mortgage Businesses**

| Department | Description of function |
|---|---|
| Residential mortgages, including warehouse lending | ■ Trading, pricing and risk management of residential mortgage loans and residual interests<br>■ Manage the underwriting process of our securitization business ($18bn subprime volume through August 2006)<br>■ Perform due diligence of residential mortgage loans purchased, monitor performance of the loans over time<br>■ Servicing of residential mortgage loans: collection of payments from borrowers, management of delinquency and foreclosure processes ($10bn boarded in 2006)<br>■ Wholesale origination of loan inventory: purchase closed loans from correspondents (2006 volumes - $17bn total, $6bn subprime)<br>■ Extend lines of credit directly to residential and commercial mortgage and other asset backed (autos, credit cards) lenders in order to fund loans ($2.6bn average funding in 2006)<br>■ Manage the structuring of the securitization in order to meet credit rating criteria and cash flow requirements |
| Commercial real estate | ■ Aggregate and securitize commercial real estate related loans |
| Non-mortgage ABS | ■ Aggregate and securitize non-mortgage assets such as credit card and auto loans |
| Structured Products Trading (including derivatives) | ■ Secondary trading of residential and commercial mortgage and other asset backed securities, as well as single name and index derivatives.<br>■ Warehousing of mortgage and other asset backed securities as well as bank loans, securitization of these pools of assets |
| Other | ■ Includes the Advisory Group, which [to come] |



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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 | 28 |
| Commercial real estate | [redacted] | | | |
| Non-mortgage ABS (credit card, auto) | | | | |
| 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) | | | | |
| Structured Products Trading (including derivatives) | 181 | 114 | 292 | 134 |
| Other | - | - | - | - |
| TOTAL, Gross | 67 | 54 | 516 | 315 |



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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 | ■ Highest credit quality: no recent foreclosures, delinquencies or bankruptcies |
| Alt-A[1] | 640-730 | 11% | ■ $400bn | ■ Self-employed and/or non-resident borrowers<br>■ Limited disclosures on income and assets of borrower<br>■ Agency non-conforming due to credit issues, payment history or minimal documentation |
| Subprime | 605-640 | 17% | ■ $600bn | ■ Lowest credit quality: borrowers with average to poor credit profiles, including first time homebuyers, people who did not previously have credit available to them<br>■ Agency non-conforming due to credit issues, payment history or minimal documentation<br>■ 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 640-680).



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## Subprime Mortgage Overview

**How the securitization process works**

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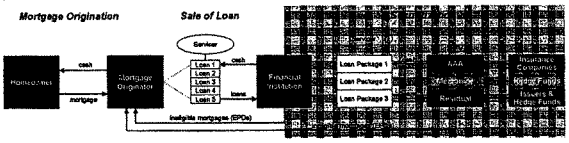


**Participants:**

- 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<br>*GS extends lines of credit directly to subprime mortgage originators to fund mortgages while they are held on the companies' balance sheets.* | ▪ 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<br>*GS buys and holds subprime loans from mortgage originators for the purpose of securitization* | ▪ Mark to market losses on loans during accumulation period (if securitizations are not completed)<br>▪ Some loss sharing arrangements exist | ▪ Counterparty risk during the extended settlement period (typically 30-60 days)<br>▪ Put option to originator if individual mortgages suffer from early homeowner defaults (EPDs) or reps and warranties are breached |
| **Securitization** | | |
| Securitization Underwriting<br>*GS underwrites, structures and distributes securities for ourselves and clients.* | ▪ Mark to market gains and losses on securitized instrument until distribution | ▪ Reputational risk / underwriters liability<br>▪ 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<br>*GS structures and distributes liabilities related to pools of assets, many of which relate to subprime RMBS.* | ▪ Mark to market risk during ramp up period if deal failure occurs<br>▪ Mark to market risk on retained positions | ▪ Risk share partners<br>▪ Forward commitments / pre-sold liabilities |
| **Securities Trading** | | |
| Residential Mortgage Backed Securities<br>*GS trades RMBS subprime securities as a secondary business.* | ▪ Mark to market gains and losses on RMBS securities over the hold period | ▪ Counterparty risk on repo transactions with RMBS underliers |
| Residuals<br>*GS retains all or a portion of mortgage residuals from securitization* | ▪ Mark to market gains and losses on residuals over the hold period | ▪ Counterparty risk on repo transactions with residual underliers |
| Derivatives<br>*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)* | ▪ Mark to market risk on long or short positions | ▪ Counterparty risk to writer of option or OTC derivatives counterpart |
| Equity stakes in mortgage originators | ▪ Potential write down of investment | ▪ None |



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## III. Recent Events in the Subprime Mortgage Sector



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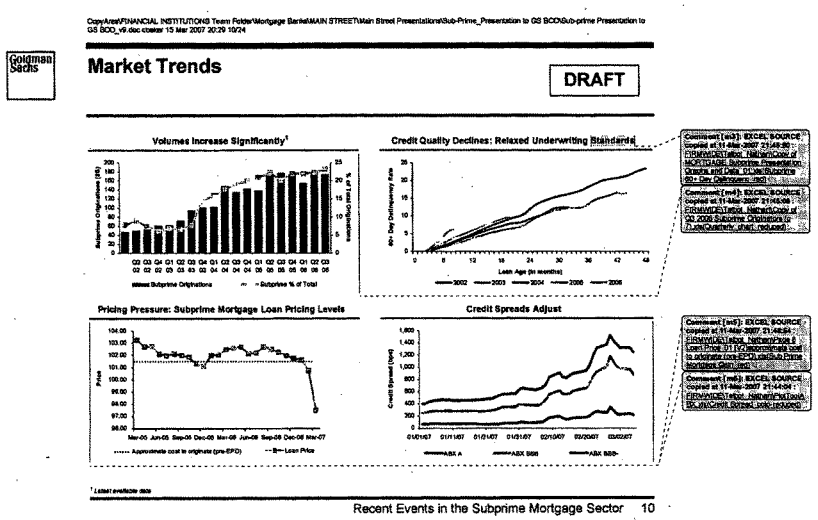




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## Timeline of Major Events & GS Response

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| Subprime Sector | | GS Response |
|---|---|---|
| ■ Easy access to credit allows subprime borrowers to purchase homes, raising the share of subprime mortgages to over 20% of market<br>■ ABX indices launch in January tracking the performance of specific securitization tranches<br>■ Investors seeking yield and broader global investor base drive demand for subprime securitizations<br>■ Acoustic defaults (May 2006)<br>■ Rumors of significant deterioration in underwriting standards and some borrower fraud<br>■ 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<br>■ Bank regulators issue underwriting guidance on non-traditional mortgage products<br>■ Widespread mortgage originator defaults begin including Sebring (Nov 06) and MLN (Jan 07)<br>■ Bids for subprime loans fall below cost to originate; business is therefore no longer profitable for originators<br>■ Large originators announce numerous accounting restatements and losses for 2006 triggering equity market sell off<br>■ Securitization market for subprime slows significantly. Market for securities is dislocated | 1H2006<br>2H2006<br>1H2007<br>2H2007<br>Current | ■ GS is inherently long the sector given market presence. Long position grows in 2006 with increased market activity<br>■ GS long position is further increased via ABX indices trades (counterparts are primarily hedge funds)<br>■ GS becomes more vigilant on EPD identification and workout<br>■ Credit department steps up due diligence process on mortgage originators, creates watch list, suspends multiple names from further business<br>■ Enhanced focus on independent valuation<br>■ GS scales back purchasing of riskier loans<br>■ GS reduces CDO activity<br>■ Residual values decline to reflect market deterioration<br>■ GS reverses long market position through purchases of single name CDS and reductions of ABX<br>■ GS effectively halts new purchases of sub-prime loan pools through conservative bids<br>■ Warehouse lending business reduced<br>■ EPD claims continue to increase as market environment continues to soften<br>■ Credit terms tightened further<br>■ 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<br>$0.4bn residuals | $0.2bn loans funded<br>$0.2bn bonds funded | $5.0bn bonds<br>$4.9bn CDO warehouse<br>$0.3bn index | $25mm investments in originators |
| Short | $6.1B ABX index | | $1.4bn Real Single Name<br>$8.7bn CDO Single Name | |
| Net | Short $3.6bn | Flat - lines are over-collateralized | Flat | Long $25mm |
| Primary Risk(s) | BASIS<br>LIQUIDITY<br>COUNTERPARTY CREDIT[1] | COUNTERPARTY CREDIT | BASIS<br>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] CPO or Repo & Warehouse



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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



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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 losses 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. Does not include $25mm reserve taken against potential losses.
[3] As of 3/29, total exposure was $19mm consisting of $13.2mm on $33.3mm in outstanding EPD claims and $5.8mm in pre-settlement risk from $194.36mm pending settlement trades. Does not include $1.04mm reserve taken against potential losses.
[4] Does not include $144,419 reserve taken against potential losses.
[5] Does not include a $637,013 reserve taken against potential losses.
[6] GS also holds fully collateralized $30mm commercial paper from Accredited's asset backed commercial paper program called Carmel Mountain Funding Trust.



Confidential Treatment Requested by Goldman Sachs GS MBS-E-002207725

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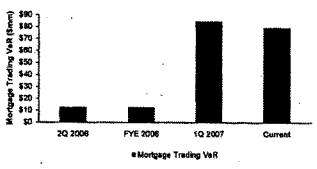
## Market Exposure Summary

DRAFT




- 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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GS MBS-E-002207726

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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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## IV. Looking Forward



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## Lessons Learned

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



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## Looking Forward

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- 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



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GS MBS-E-002207730

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## V. Appendix



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## Impact on Originators

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| 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**

| Rank | Lender | 3Q06YTD Market Share |
|---|---|---|
| 1 | Wells Fargo Home Mortgage | 13.1% |
| 2 | HSBC Finance | 8.5% |
| 3 | New Century Financial | 7.8% |
| 4 | Countrywide Financial | 6.0% |
| 5 | Fremont Investment & Loan | 5.5% |
| 6 | CitiMortgage | 4.8% |
| 7 | Ameriquest Mortgage | 4.7% |
| 8 | Option One Mortgage | 4.4% |
| 9 | Washington Mutual | 4.2% |
| 10 | First Franklin Financial Corp | 3.9% |

**Top 10 Subprime MBS Securitization Shelves**

| Rank | Lender | 3Q06YTD Market Share |
|---|---|---|
| 1 | Morgan Stanley ABS Capital | 7.5% |
| 2 | SASCO (Lehman) | 7.2% |
| 3 | CWABS | 6.8% |
| 4 | Merrill Lynch Mortgage Inv | 6.0% |
| 5 | Long Beach Securities | 5.9% |
| 6 | FASC (RBS GC) | 5.8% |
| 7 | GS Mortgage Securities | 4.9% |
| 8 | Ace Securities (Deutsche) | 4.1% |
| 9 | Argent Securities | 3.5% |
| 10 | JP Morgan Acceptance Corp | 3.1% |



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**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



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**Footnote Exhibits - Page 3616**

**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...



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**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.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Avanish R. Bhavsar
Managing Director
Capital Structure Sales
Securities Divison

Goldman, Sachs & Co.
1 New York Plaza 50th Floor | New York, NY 10004
Tel: 212 357-8405 | Cell: 917[redacted]
e-mail: avanish.bhavsar@gs.com

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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, Avanish 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, Avanish 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-ACC1 M9 | 46628RAP0 | 515bps |
| JPMAC 2006-FRE1 M8 | 46626LFV7 | 500bps |
| JPMAC 2006-NC2 M9 | 46629FAN0 | 415bps |
| LBMLT 2006-8 M8 | 542514RE6 | 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 |



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**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 Subcommittee on Investigations

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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 hs 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
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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

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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

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**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.



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**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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Goldman
Sachs

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

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**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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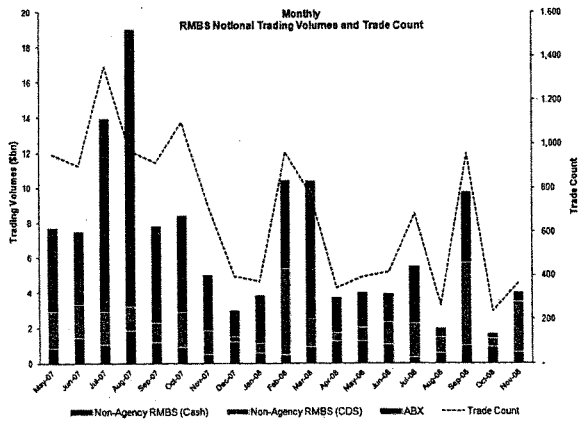




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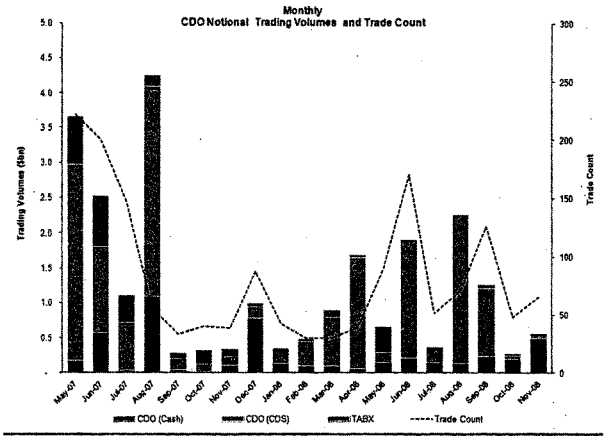


**How We Determined Pricing**

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:



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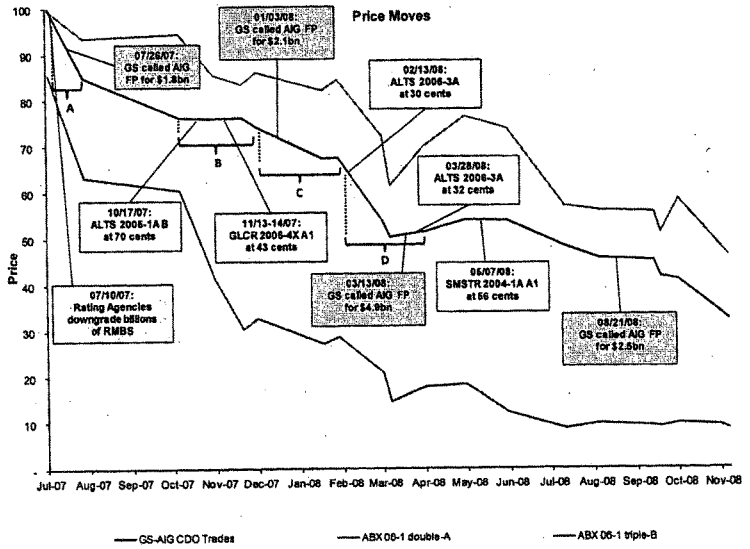
- CDO securities began to trade at a discount to NAV-implied values as market participants penalized less liquid and complex instruments during the market deterioration in 2007 and 2008;
- Valuations of the CDO securities reflected the allocation of NAV across the CDO's capital structure (e.g., senior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



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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.



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- 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. T he 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 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.



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- 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



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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.



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66051.379

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 counterparties 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.



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660511.380

**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



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66051.381

**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.

Goldman, Sachs & Co.
71 South Wacker Drive, Suite 500 Chicago, IL 60606
Tel: 312-655-4895 | Fax: 312-655-5368
e-mail: robert.gaddi@gs.com

Goldman
Sachs

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



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660511.382

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

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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[redacted]
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[redacted]
e-mail: david.lehman@gs.com

---

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660511.383

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----- 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-[redacted]
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.



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66051.384

85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-902-1691 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

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----- Original Message -----
From: Swenson, Michael
To: Lehman, David A.
Sent: Thu Jun 07 20:59:12 2007
Subject: Fw: BSAM Post

I am on the same pageas egol we nEed to mark hinm

----- 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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660511.385

**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 protecton 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

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660511.386

**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
IXCBO 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
HGCDO 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



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660511.387

**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



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| | | |
|---|---|---|
| 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 |
| HGCDO 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 |
| ACCDO 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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66051.389

**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

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660511.390

**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

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660511.391

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
```



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660511.392

**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 2( M9 |
| SDB981024636.1 | Mtg Default Swap | Buy | FHLT 2( M10 |
| SDB981644490.0 | Mtg Default Swap | Buy | MABS 2 MABS0 |
| SDB981644493.1 | Mtg Default Swap | Buy | MABS 2 MAB06 |

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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660511.393

**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.

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660511.394

**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 >>

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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01397 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.395

**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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e-mail: jonathan.egol@gs.com

Goldman Sachs

**Jonathan M. Egol**
Structured Products Trading

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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660511.396

**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:** Daviman, Andrew
**Subject:**


Book12.xls



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66051.397

**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 >>

---

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e-mail: geoffrey.williams@gs.com

Goldman
Sachs

Geoff Williams
Structured Products Trading

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66051.398

**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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660511.399

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.



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660511.400

**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

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| 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 |
| 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 | | |

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** ABACUS deal was collapsed into the correlation book

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| 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 |
| 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 | | |

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** ABACUS deal was collapsed into the correlation book



Permanent Subcommittee on Investigations
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Original document retained in the Subcommittee files.

660511.403

**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

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**From:** Loftus, Colleen
**Sent:** Monday, June 18, 2007 7:11 PM
**To:** Cafagna, Francesco; Ryan, Brendan F; Reinhart, Erik
**Cc:** Pilliego, Louis; Swann, Brian; Cameron, Patrick; Malloy, Breanne; Camacho, Robert; ficc-ops-repopricing; ficc-rcs-ny; Fong, Matthew A.; Sourov, 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] | |
| 002561AF5 | ABAC 2006-HG1A AMSS | 81 | 78 | Fabrice Tourre |
| [redacted] | [redacted] | [redacted] | [redacted] | |
| 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

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660511.404

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



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660511.405

**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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e-mail: david.lehman@gs.com

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660511.406

**David Lehman**
Fixed Income, Currency & Commodities

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660511.407

GS MBS-E-009747489

**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 |

**Footnote Exhibits - Page 3665**

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 7:08 PM
**To:** fico-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.

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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660511.410

**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

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Patience, patience. The CDO unwind has only begun.

-----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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660511.411

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660511.412

**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* | [redacted] |
| *- 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**

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**Footnote Exhibits - Page 3670**

| 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** | | [redacted] | |
| | *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 Al |
| | *GSI SP Credit Warehouse* | | |
| | *US CLO* | | |
| | *EURO CLO* | | |
| | *CRE CDO* | | |

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2



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| | | |
|---|---|---|
| | *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 | | (9,415,000) |
| **EUROPE** | | |
| **Acquisition Finance** | | |
| | *Syndicate* | |
| | *Trading* | |
| **European CMBS** | | |
| | *Syndicate* | |
| | *Trading* | |
| Total Europe | | - |
| Total Advisory | | - |
| Total PFG JV | | - |
| Total Manager's Account / Other | | - |

Goldman, Sachs & Co.
180 Maiden Lane | New York, NY 10038
Tel: 212-357-7385
e-mail: ki-jun.bin@gs.com

Goldman Sachs

**KI-Jun Bin**
Finance Division

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660511.415

**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.

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

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66051.416

**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

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660511.417

**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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# SPG Trading - 2007

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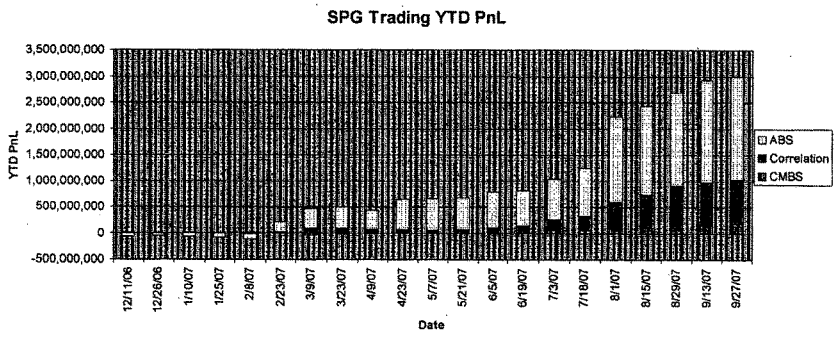
66051.419

# 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.

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660511.420

# 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.

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660511.421

# 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.

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660511.422

# 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."

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# 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.

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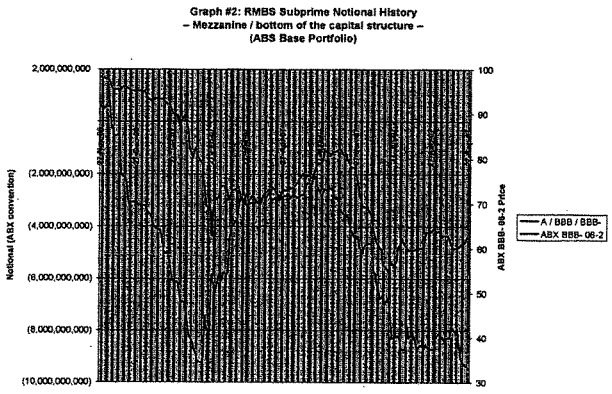
66051.424

# Graph #1

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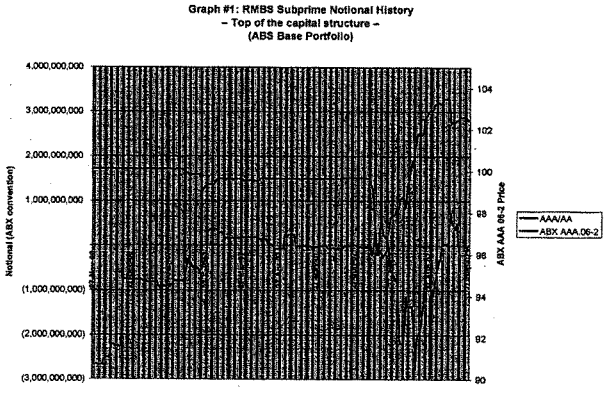
# Graph #2

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660511.426

# 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*.

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660511.427

# 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.

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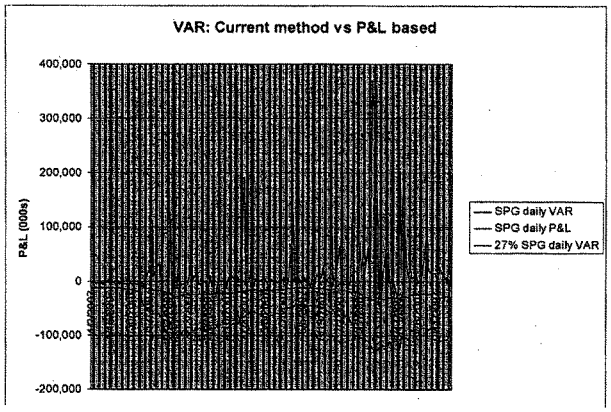
66051.428

# Graph #3

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660511.429

# 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?

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660511.430

# 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.

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660511.431

# 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.

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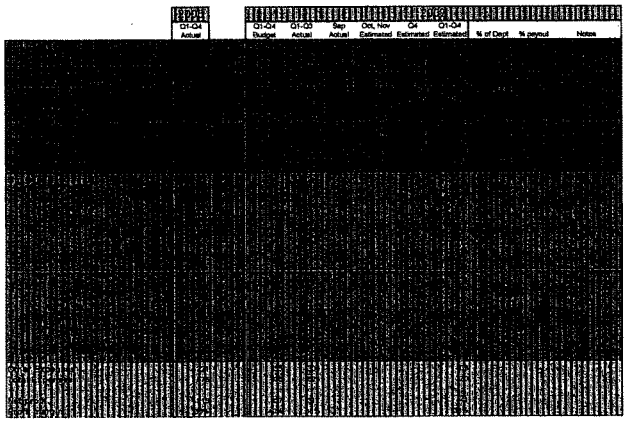
66051.432

# Proposed Mortgage Department Compensation Breakdown

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660511.433

**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.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
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660511.434

**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.

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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01437 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.435

**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*
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660511.436

**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.

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660511.437

**Redacted By The Permanent Subcommittee on Investigations**

GS MBS-E-010876358 – GS MBS-E-010876360

**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
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66051I.439

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

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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----- 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-[redacted]
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

[redacted]

-----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



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66051.440

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 d[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]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----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

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]



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**Footnote Exhibits - Page 3698**

8303 JP <Equity>



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660511.442

**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] = 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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660511.443

Total $1,555mm

ABS and Correlation Desk Net ABX Risk Change on the Week:

| | |
|---|---|
| AAA | +464mm |
| AA | +125 |
| A | + 40 |
| BBB | + 60 |
| BBB- | +133 |
| 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



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660511.444

**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

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660511.445

**Footnote Exhibits - Page 3702**

**Sent:** Wednesday, August 08, 2007 4:19 PM
**To:** Lehman, David A.; Swenson, Michael
**Subject:**

what happened today?

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660511.446

**From:** Winkelried, Jon
**Sent:** Thursday, August 09, 2007 2:06 PM
**To:** Blankfein, Lloyd; Cohn, Gary
**Subject:** FW:

fyi

[redacted] = Redacted by the Permanent 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

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660511.447

**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

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**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] = 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

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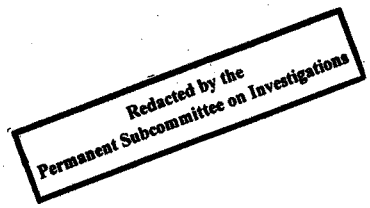
hedged with?



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66051.450

**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 |

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**Footnote Exhibits - Page 3708**

~~1787~~ 1805

**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, Gr
**Subject:** RE: Mtg Department Weekly Update

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 currenty 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**

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: 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



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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 covewred 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 subrprime 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 1bb of AAA risk which was the desk selling down a natural long (i.e. from long 1bb 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



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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 |



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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



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unched
* 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 unched @ 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 tights (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 a 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 +/- unched
* AAs - Desk long risk 125k/bp via CDS, position entirely in CMBS trading - Wk/Wk this position is unched
* 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 unched

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



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**From:** Avanessians, 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..

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Brazil, Alan
Sent: Monday, July 30, 2007 6:03 PM
To: Avanessians, Armen
Subject: FW: Some important questions about AAA subprime-- pls advise as to who can answer--

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 unwound. In this event, the sponsoring bank would step in an 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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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

[redacted] = Redacted by the Permanent Subcommittee on Investigations

-----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?



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-----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
Goldman, Sachs & Co.
(Work) 212-902-6941
(Mob) 917-[redacted]
(Fax) 212-256-5819

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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660511.459

**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.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1812

**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.

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

**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 up1-2 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.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1814



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01463 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.461

**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.

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*Wall Street & The Financial Crisis*
Report Footnote #1815



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01464 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.462

**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 agreemnt 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] = Redacted by the Permanent Subcommittee on Investigations

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

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660511.464

**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]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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*Wall Street & The Financial Crisis*
Report Footnote #1820

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660511.465

**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 | [redacted] |
| - ABS L&F | [redacted] |
| - 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) | |



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Report Footnote #1821

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GS MBS-E-009640287

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660511.466

| | | | |
|---|---|---|---|
| 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 | | | |
| Floater Large Loan | | | |
| Fixed Conduit | | | |
| Transitional Loans | | | |
| CRE CDO | | | |
| ABS Loans & Finance | | | |
| Consumer | | | |
| Commercial | | | |
| Europe | | | |
| Warehouse | | | |
| 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 | - | | |

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660511.467

| | | |
|---|---|---|
| Total Structured Products | 71,410,000 | |
| EUROPE | | |
| Acquisition Finance | - | |
| Syndicate | [redacted] | |
| Trading | | |
| European CMBS | [redacted] | |
| Syndicate | | |
| Trading | | |
| Total Europe | 1,225,000 | |
| Total Advisory | - | |
| Total PFG JV | - | |
| Total Manager's Account / Other | - | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Goldman, Sachs & Co.
180 Maiden Lane | New York, NY 10038
Tel: 212-357-7385
e-mail: ki-jun.bin@gs.com

Ki-Jun Bin
Finance Division

Goldman Sachs

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660511.468

**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 8:15 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



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01471 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.469

**From:** Salem, Deeb
**Sent:** Thursday, August 09, 2007 8:13 AM
**To:** Birnbaum, Josh
**Subject:** RE:

could be a messy one today...

**From:** Birnbaum, Josh
**Sent:** Thursday, August 09, 2007 8:11 AM
**To:** Birnbaum, 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:** Birnbaum, 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.



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660511.470

**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:

so who lost the hundy

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**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.

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Report Footnote #1825

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660511.471

**From:** Montag, Tom
**Sent:** Wednesday, August 08, 2007 4:19 PM
**To:** Lehman, David A.; Swenson, Michael
**Subject:**

what happened today?



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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01474 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.472

**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.

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Report Footnote #1827



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01475 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.473

**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**
**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



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01476 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.474

**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.

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660511.475



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...



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660511.476

**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.

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660511.477

**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] |
| Mortgs | 96 | 102 | 40% |
| [redacted] | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

1

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660511.478

95% VaR by Product Category ($mm)

| | 10-Aug | 9-Aug | % Contr |
|---|---|---|---|
| Trading | 159 | 150 | 100% |

Credit Scenario ($MM)

| | 10-Aug | 9-Aug | Limit |
|---|---|---|---|
| Mortges. | (313) | (289) | (750) |
| Warehouse | 56 | 52 | (170) |

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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 >>



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660511.479

**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; Filgueiras, 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

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**Footnote Exhibits - Page 3737**

| | JPY[1] | EUR[1] | S&P 500 | US 10y Swap | Nikkei 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 | | | | | | | | | -9m |
| 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 | -6.0m |
| Scenario 18 | -$1.1Bn | -$2.1Bn | +$1.1Bn | +$0.9mm/bp | -$1.7Bn | -$1.0Bn | +$2.1Bn | -$2.9Bn | -7m |



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660511.481

**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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660511.482

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])
- $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



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660511.483

**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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660511.484

**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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660511.485

**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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660511.486

**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; Moritag, 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 |



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660511.487

**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] = 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, lNYP/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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660511.488

**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+l 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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660511.489

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)



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660511.490

**Redacted By The Permanent Subcommittee on Investigations**

GS MBS-E-009589085 — GS MBS-E-009589086

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# SPG Trading

## Mortgages Weekly Metrics 16-November-2007

INTERNAL USE ONLY

| | P&L ($000) | | | | | | Sales Credits | | |
|---|---|---|---|---|---|---|---|---|---|
| Desk | WTD | PWA | Variance % | 07 YTD | YTD Annl | 2006 FYE | 07 YTD | YTD Annl | 2006 FYE |
| SPG Trading (Swenson, Lehmen, Birnbaum) | [redacted] | | | | | | | | |
| ABS Securities | (62,880) | (19,377) | 225% | (1,031,748) | (1,051,976) | 20,802 | 298,014 | 309,935 | 141,613 |
| ABS Synthetics | 85,890 | 63,667 | 35% | 3,269,058 | 3,333,158 | 38,150 | | n/a | - |
| Property Derivatives | 0 | 0 | n/a | 0 | n/a | 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 | 226,866 | 645,758 | 667,588 | 279,258 |
| Exit Price | 0 | 0 | n/a | 0 | n/a | (52,958) | - | n/a | - |
| Transfers | 126 | (14) | -982% | (597) | (598) | (10,504) | - | n/a | - |
| Net Total | 44,857 | 72,513 | -38% | 3,670,490 | 3,742,461 | 163,403 | 645,758 | 667,588 | 279,258 |

Actual P&L as of 15-November-2007 — As of 09-November-2007 (weekly lag)

| Risk Measures ($mm)* | | | |
|---|---|---|---|
| | VaR | Stress Test | SDV01 |
| SPG Trading | 61.2 | 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 | 6,238 | 10,000 | (494) |

As of 15-November-2007

* Risk, and Balance Sheet include SP CDOs

[redacted] = Redacted by the Permanent Subcommittee on Investigations

| | P&L ($000) | | | | | | Sales Credits | | |
|---|---|---|---|---|---|---|---|---|---|
| Desk | WTD | PWA | Variance % | 07 YTD | YTD Annl | 2006 FYE | 07 YTD | YTD Annl | 2006 FYE |
| CDO/CLO | (52,340) | (33,310) | 57% | (1,717,836) | (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)

### 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 Aioi 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 Quadarant 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.

Permanent Subcommittee on Investigations

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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1853





660511.492

**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.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1858



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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.

| | Market Value (Notional for CDS) | | | | | | | | | | R |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Desk / Sector** | **Total** | **AAA** | **AA** | **A** | **BBB** | **BBB-** | **Loan Resid** | **Sec Resid <2006** | **Sec Resid 2006+** | **Total Resid** | **DV** |
| **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



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660511.494

**Footnote Exhibits - Page 3751**

Goldman Sachs

Mortgage Strategies

Date 23Feb07
E-mail ficc-mtgstrat

## Mortgage Dept Top Sheet

| Group | Sector | Type | Market Value(MM$)(Notional for CDS) Total | AAA | AA | A | BBB | BBB- | NR | Loan Resid | Sec Resid <2006 | Sec Resid >=2006 | Total Resid | Rate DV01(k$) | Spread DV01(K$) AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dept | Total | | -8,500.8 | -814.4 | 883.0 | -4,682.8 | -3,771.1 | -1,560.2 | 1,378.5 | 226.0 | 223.3 | 515.0 | 964.5 | -437.2 | 1,081.4 | -848.8 | 2,238.1 | 944.5 | 334.1 | -214.8 |
| Prime/AAA | Total | | 2,196.2 | 1,829.4 | 98.8 | -25.2 | -15.1 | -18.8 | 283.2 | 38.9 | 68.5 | 110.4 | 212.8 | -288.8 | 133.3 | -28.2 | 14.5 | 4.3 | 2.2 | -41.8 |
| | AAA | Total | 2,336.3 | 1,829.4 | 94.8 | -23.1 | -15.1 | -18.6 | 250.0 | 38.9 | 65.5 | 110.4 | 212.8 | -498.8 | 133.3 | -28.2 | 14.3 | 4.5 | 2.3 | -41.8 |
| | | Bulk Loan | 2,212.3 | 2,052.7 | 56.3 | 40.2 | 20.1 | 17.2 | 0.2 | 25.6 | 0.0 | 0.0 | 25.5 | -340.7 | -304.8 | -12.0 | 4.1 | -4.0 | -5.4 | -0.0 |
| | | Conduit Loan | 1,670.8 | 1,461.4 | 42.5 | 37.8 | 14.4 | 12.2 | 0.7 | 11.4 | 0.0 | 0.0 | 11.4 | -279.8 | -242.1 | -11.3 | 4.7 | -3.5 | 3.2 | 0.2 |
| | | Bond | 176.8 | 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 | -28.0 |
| | | Residual | 351.6 | 0.0 | 0.0 | 6.1 | 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 | -32.0 |
| | | ABX | -1,875.0 | -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 | 528.3 | 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 | | 1,580.3 | -478.1 | 302.8 | -123.7 | -79.3 | 150.3 | 1,123.6 | 189.1 | 157.7 | 404.8 | 751.4 | -300.3 | 900.3 | -83.8 | 80.7 | 38.0 | -41.2 | -162.8 |
| | Scratch&Dent | Total | 738.5 | 214.4 | 28.8 | -144.8 | -4.8 | 70.2 | 545.2 | 21.3 | 20.4 | 28.4 | 76.2 | 28.2 | -21.8 | -7.8 | 13.8 | -1.3 | -16.2 | -32.0 |
| | | Bulk Loan | 808.8 | 214.4 | 28.8 | 19.2 | 28.8 | 16.0 | 478.4 | 25.6 | 0.0 | 0.0 | 25.6 | -40.0 | -21.8 | -7.6 | 4.4 | -7.5 | 4.1 | -0.0 |
| | | Bond | 148.8 | 0.0 | 0.0 | 38.3 | 42.0 | 56.2 | 13.1 | 0.0 | 0.0 | 0.0 | 0.0 | -10.8 | 0.8 | 0.0 | 11.3 | 10.9 | 12.1 | 8.1 |
| | | Residual | 107.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 53.7 | 0.0 | 20.4 | 33.4 | 53.7 | -20.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -15.9 |
| | | ABX | -370.0 | 0.0 | 0.0 | -300.0 | -70.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -3.1 | 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 |
| | | ED Future | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 48.8 | 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 | -1,120.7 | 204.7 | 41.1 | -48.3 | 82.3 | 908.5 | 124.8 | 135.9 | 303.9 | 564.6 | -133.7 | 741.5 | -38.3 | 37.1 | 32.8 | -23.8 | -122.0 |
| | | Bulk Loan | 1,020.1 | 740.5 | 93.6 | 44.4 | 22.9 | 31.7 | 0.0 | 87.0 | 0.0 | 0.0 | 87.0 | -166.2 | -130.8 | -33.6 | 15.8 | -7.8 | -11.7 | 0.0 |
| | | Conduit Loan | 479.3 | 349.6 | 43.2 | 22.2 | 9.1 | 15.8 | 0.0 | 37.8 | 0.0 | 0.0 | 37.8 | -64.3 | -46.7 | -15.6 | 4.4 | -4.3 | -10.7 | 0.0 |
| | | Bond | 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 | 0.0 | -45.1 |
| | | Residual | 579.8 | 0.0 | 0.0 | 19.4 | 24.7 | 55.0 | 340.2 | 0.0 | 135.9 | 303.9 | 439.8 | -101.6 | 0.0 | 0.0 | 0.8 | -4.0 | -2.2 | -76.7 |
| | | ABX | -2,595.0 | -2,250.0 | 0.0 | -150.0 | -170.0 | -25.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -4.8 | 922.4 | 0.0 | 44.0 | 41.0 | 5.4 | 0.0 |
| | | CDO | 265.8 | 20.0 | 70.0 | 105.0 | 65.0 | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -4.9 | 1.8 | 9.7 | 18.0 | 7.3 | 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 | 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 | -26.0 | -2.4 | 92.4 | 38.7 | 1.3 | 67.3 | 107.3 | -63.9 | 80.8 | -16.6 | 8.2 | 7.4 | 8.4 | -18.8 |
| | | Bulk Loan | 739.8 | 547.2 | 87.5 | 38.7 | 24.0 | 22.6 | 0.0 | 38.7 | 0.0 | 0.0 | 38.7 | -77.4 | -43.8 | -16.6 | 8.0 | -4.6 | -6.0 | 0.0 |
| | | Residual | 137.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 68.5 | 0.0 | 1.5 | 67.3 | 68.8 | -64.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -18.8 |
| | | ABX | -435.0 | -300.0 | 0.0 | -60.0 | -60.0 | -25.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -4.3 | 124.8 | 0.0 | 17.8 | 12.0 | 8.4 | 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 | -82.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RMBS Syndicate | Total | | -10,793.3 | -1,484.1 | 314.2 | -4,436.5 | -3,448.1 | -1,880.8 | | | | | | 0.0 | 84.8 | -193.4 | 1,138.3 | 788.2 | 373.2 | |
| | CDO | Total | -8,584.8 | -1,383.3 | 471.8 | -1,875.4 | -2,104.8 | -2,389.2 | | | | | | 0.0 | 106.3 | 117.2 | 444.2 | 433.3 | 506.5 | |
| | | >=06 | -1,073.3 | 0.0 | 0.0 | -435.1 | -331.6 | -306.6 | | | | | | 0.0 | 0.0 | 0.0 | 133.8 | 90.2 | 79.0 | |
| | | <06 | -7,511.2 | -1,383.5 | 471.8 | -1,440.3 | -1,773.0 | -2,082.6 | | | | | | 0.0 | 106.3 | 117.2 | 310.4 | 343.1 | 427.5 | |
| | Index | Total | 982.8 | -365.0 | 567.0 | -1,803.3 | -571.8 | 3,156.1 | | | | | | 0.0 | -44.2 | -398.5 | 441.8 | 136.5 | -485.3 | |
| | | >=06 | 5,103.7 | 2,365.0 | 337.0 | 1,595.5 | -415.8 | 1,022.0 | | | | | | 0.0 | -1,051.8 | -328.0 | -479.8 | 99.3 | -207.8 | |
| | | <06 | -4,120.8 | -2,630.0 | 230.0 | -3,399.0 | -155.9 | 2,134.1 | | | | | | 0.0 | 1,027.6 | -60.5 | 921.1 | 37.2 | -477.5 | |
| | Single Name | Total | -3,193.8 | 294.4 | 319.6 | -755.8 | -772.7 | -2,277.8 | | | | | | 0.0 | -17.6 | 412.1 | 252.5 | 216.5 | 351.8 | |
| | | >=06 | -3,312.3 | 0.0 | 175.0 | -716.9 | -1,186.6 | -1,584.7 | | | | | | 0.0 | 0.0 | -80.5 | 243.2 | 321.8 | 178.7 | |
| | | <06 | 118.7 | 294.4 | 144.0 | -39.9 | 413.9 | -693.7 | | | | | | 0.0 | -17.6 | -31.8 | 10.3 | -105.4 | 173.3 | |
| RMBS CDO Syn | Total | | -5,402.1 | -331.8 | 88.1 | -3,098.4 | -311.0 | 0.0 | | | | | | 0.0 | 96.8 | -96.8 | 1,011.7 | 108.8 | 0.0 | |
| | HG CDO | | -339.9 | -61.4 | 33.6 | -222.6 | 0.0 | 0.0 | | | | | | 0.0 | 25.7 | -25.8 | 106.3 | -0.0 | 0.0 | |
| | HG Single Name | | -44.9 | 15.0 | 20.0 | -45.0 | -29.9 | 0.0 | | | | | | 0.0 | -4.5 | -16.1 | 19.7 | 15.1 | 0.0 | |
| | Mezz CDO | | -1,954.9 | -180.8 | -381.4 | -1,237.3 | -85.7 | 0.0 | | | | | | 0.0 | -75.7 | -554.7 | 577.7 | 28.3 | -0.0 | |
| | Mezz Single Name | | -242.4 | 0.0 | 456.3 | -583.3 | -115.4 | 0.0 | | | | | | 0.0 | -1.0 | -257.2 | 306.4 | -81.5 | -0.0 | |



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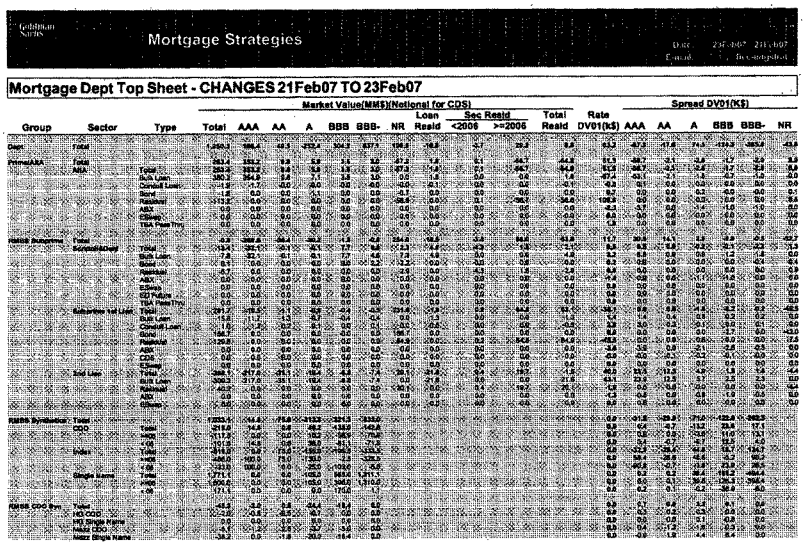


Mortgage Strategies

**Mortgage Dept Top Sheet - CHANGES 21Feb07 TO 23Feb07**

| Group | Sector | Type | Market Value(MM$)(Notional for CDS) Total | AAA | AA | A | BBB | BBB- | NR | Loan Resid | Sec Resid <2006 | Sec Resid >=2006 | Total Resid | Rate DV01(k$) | Spread DV01(K$) AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dep | Total | | | | | | | | | | | | | | | | | | | |
| Prime/Alt-A | Total | | | | | | | | | | | | | | | | | | | |
| | Alt-A | Total | | | | | | | | | | | | | | | | | | |
| | | Bulk Loan | | | | | | | | | | | | | | | | | | |
| | | Conduit Loan | | | | | | | | | | | | | | | | | | |
| | | Bond | | | | | | | | | | | | | | | | | | |
| | | Residual | | | | | | | | | | | | | | | | | | |
| | | ABS | | | | | | | | | | | | | | | | | | |
| | | CDO | | | | | | | | | | | | | | | | | | |
| | | TBA Pass-Thru | | | | | | | | | | | | | | | | | | |
| | Subprime 1st Lien | Total | | | | | | | | | | | | | | | | | | |
| | | Bulk Loan | | | | | | | | | | | | | | | | | | |
| | | Conduit Loan | | | | | | | | | | | | | | | | | | |
| | | Bond | | | | | | | | | | | | | | | | | | |
| | | Residual | | | | | | | | | | | | | | | | | | |
| | | ABS | | | | | | | | | | | | | | | | | | |
| | | CDO | | | | | | | | | | | | | | | | | | |
| | | TBA Pass-Thru | | | | | | | | | | | | | | | | | | |
| | 2nd Lien | Total | | | | | | | | | | | | | | | | | | |
| | | Bulk Loan | | | | | | | | | | | | | | | | | | |
| | | Residual | | | | | | | | | | | | | | | | | | |
| | | ABS | | | | | | | | | | | | | | | | | | |
| | | CDO | | | | | | | | | | | | | | | | | | |
| RMBS Synthetics | Total | | | | | | | | | | | | | | | | | | | |
| | CDO | Total | | | | | | | | | | | | | | | | | | |
| | | Index | | | | | | | | | | | | | | | | | | |
| | | Single Name | | | | | | | | | | | | | | | | | | |
| RMBS CDO Pos | Total | | | | | | | | | | | | | | | | | | | |
| | HG CDO | | | | | | | | | | | | | | | | | | | |
| | HG Single Name | | | | | | | | | | | | | | | | | | | |
| | Mezz CDO | | | | | | | | | | | | | | | | | | | |
| | Mezz Single Name | | | | | | | | | | | | | | | | | | | |



Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010386055

VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01499 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.497



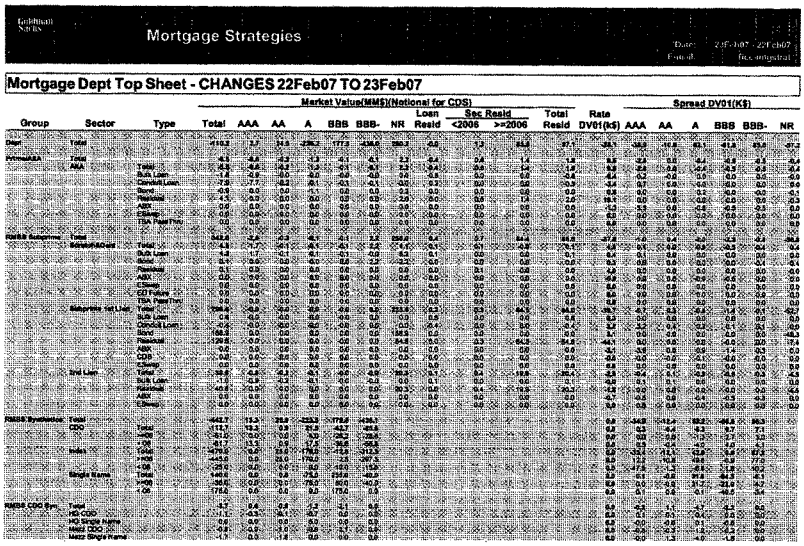



Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010386056

VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01500 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.498



Mortgage Strategies

**Mortgage Dept Top Sheet - CHANGES 22Feb07 TO 23Feb07**

| Group | Sector | Type | Market Value(MM$)(Notional for CDS) Total | AAA | AA | A | BBB | BBB- | NR | Loan Resid | Sec Resid <2006 | Sec Resid >=2006 | Total Resid | Rate DV01(k$) | Spread DV01(K$) AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Other | Total | | -110.2 | 0.1 | 0.1 | -0.1 | -1.2 | -108.8 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residential | Total | | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | AAA | | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | B/A 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 |
| | | Conduit 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 |
| | | Agency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Hybrids | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 0.0 |
| | | CDX | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | TRS - Total Rtn | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Agency Securities | Total | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Collateralized | Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | B/A 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 |
| | | Conduit 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 |
| | | Agency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Hybrids | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 0.0 |
| | | CDX | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | TRS - Total Rtn | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Mtge/Ass. Int Loan | Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | B/A 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 |
| | | Conduit 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 |
| | | Agency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Hybrids | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 0.0 |
| | | CDX | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | TRS - Total Rtn | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | B/A 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 |
| | | Conduit 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 |
| | | Agency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Hybrids | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Asset Backed | Total | | -46.7 | 13.3 | 2.3 | -0.3 | -17.2 | -44.1 | 0.0 | 0.0 | 0.0 | 0.0 | -46.7 | -41.2 | -6.2 | -1.4 | -0.3 | -8.2 | -11.4 | -9.3 |
| | CDO | | -11.7 | 4.3 | 0.8 | -0.3 | -6.2 | -10.3 | 0.0 | 0.0 | 0.0 | 0.0 | -11.7 | -9.5 | -1.7 | -0.4 | -0.1 | -2.1 | -3.0 | -2.4 |
| | | Total | -11.7 | 4.3 | 0.8 | -0.3 | -6.2 | -10.3 | 0.0 | 0.0 | 0.0 | 0.0 | -11.7 | -9.5 | -1.7 | -0.4 | -0.1 | -2.1 | -3.0 | -2.4 |
| | | Index | -34.9 | 8.9 | 1.5 | 0.0 | -10.9 | -33.8 | 0.0 | 0.0 | 0.0 | 0.0 | -34.9 | -31.7 | -4.5 | -1.0 | -0.2 | -6.1 | -8.4 | -6.9 |
| | | Single Name | -0.1 | 0.1 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Total | -46.7 | 13.3 | 2.3 | -0.3 | -17.2 | -44.1 | 0.0 | 0.0 | 0.0 | 0.0 | -46.7 | -41.2 | -6.2 | -1.4 | -0.3 | -8.2 | -11.4 | -9.3 |
| | | CDS | -34.9 | 9.0 | 1.5 | 0.0 | -11.0 | -33.8 | 0.0 | 0.0 | 0.0 | 0.0 | -34.9 | -31.7 | -4.5 | -1.0 | -0.2 | -6.1 | -8.4 | -6.9 |
| Agency CDO Sys. | Total | | -4.7 | 0.4 | 0.4 | 0.0 | -0.7 | -4.8 | 0.0 | 0.0 | 0.0 | 0.0 | -4.7 | -4.1 | -0.7 | -0.1 | 0.0 | -0.8 | -1.2 | -1.0 |
| | HG CDO | | -1.1 | 0.4 | 0.1 | 0.0 | -0.6 | -1.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1.1 | -0.9 | -0.2 | 0.0 | 0.0 | -0.2 | -0.3 | -0.2 |
| | HG Single Name | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Mezz CDO | | -3.6 | 0.0 | 0.3 | 0.0 | -0.1 | -3.8 | 0.0 | 0.0 | 0.0 | 0.0 | -3.6 | -3.2 | -0.5 | -0.1 | 0.0 | -0.6 | -0.9 | -0.7 |
| | Mezz Single Name | | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |



Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010386057

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660511.499






Confidential Treatment Requested by Goldman Sachs

GS MBS-E-010386058

VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01502 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.500

**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)

**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**

[redacted] = Redacted by the Permanent Subcommittee on Investigations

| | 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] | | | |
| SPG Trading | 180 | 194 | (160) |
| ABS/MBS CDO | (1) | (1) | (30) |
| Manager | 0 | 0 | |
| [redacted] | | | |

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1860



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660511.501

**Footnote Exhibits - Page 3758**

Market Risk Report — 8/8/07 — Mortgage Portfolio Summary

Mortgage VaR



Mortgage Credit Scenario



| Portfolio Name | VaR ($MM) 08/08/07 | VaR ($MM) 08/07/07 | Stress Test ($MM) 08/08/07 | Stress Test ($MM) 08.07.07 | Net MV (2) ($MM) | Rate DV01 ($MM/bp) | OAS DV01 ($MM/bp) | Vega ($MM/1%vol) | 2yr/10yr Steepener ($MM/bp) |
|---|---|---|---|---|---|---|---|---|---|
| Mortgage Structured Products | 95.0 | 97.6 | (256.5) | (257.5) | 40,386 | (2,424) | 1,441 | 5,910 | 110 |
| Mortgage Derivative | 3.8 | 3.9 | (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) | (7.9) | 1,237 | (124) | 171 | 142 | 227 |
| Agency Derivative | 0.6 | 0.5 | (3.8) | (4.8) | 913 | (85) | (50) | (859) | (210) |
| Whole Loan Derivative | 0.3 | 0.3 | (1.0) | (1.0) | 115 | (19) | (112) | 1,020 | 48 |
| Residential Prime | 3.5 | 3.1 | (103.5) | (103.9) | 13,445 | (1,897) | 248 | 2,953 | 145 |
| Agency CMOs | 1.9 | 1.0 | (9.7) | (10.7) | 2,378 | (55) | 267 | (467) | (52) |
| FHA/VA | 0.5 | 0.5 | (2.6) | (2.9) | 187 | (14) | 47 | (325) | (26) |
| Prime Hybrid | 8.8 | 8.5 | (44.3) | (42.2) | 3,038 | (605) | 263 | 2,845 | 291 |
| Prime Fix | 5.7 | 5.7 | (21.3) | (22.7) | 6,962 | (1,241) | (463) | 1,018 | (56) |
| ARMs | 0.5 | 0.5 | (1.3) | (1.4) | 572 | (82) | 130 | (117) | (2) |
| Subs[1] | 8.9 | 8.9 | (24.3) | (24.3) | 308 | - | - | - | - |
| Residential Credit | 8.6 | 8.6 | (106.9) | (111.4) | 3,409 | (237) | 954 | - | - |
| Alt A | 2.1 | 2.0 | (0.3) | (1.9) | 1,166 | | 311 | | |
| Subprime | 4.1 | 4.1 | 5.9 | 4.8 | 1,083 | | 190 | | |
| Second Lien | | | (2.9) | (2.9) | 88 | | 28 | - | - |
| Sub/Non-Performing | 1.6 | 1.6 | (30.9) | (31.1) | 783 | | 65 | | |
| Credit Residuals[3] | | | (80.2) | (80.2) | 320 | | | - | - |
| [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 | 44.6 | 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 | 39.8 | 44.6 | 199.1 | 214.0 | 194 | - | (2,348) | - | - |
| ABS/MBS CDO Origination | 24.8 | 24.8 | (0.5) | (0.5) | 519 | n/a | n/a | - | - |
| Manager Account | 0.0 | 0.0 | 0.0 | 0.0 | 0 | (0) | 0 | - | - |
| [redacted] | | | | | | | | | |
| Europe Mortgage[1] | 0.5 | 0.5 | 0.0 | 0.0 | 1,147 | - | - | - | - |

Note [1]: On Risk VaR [2]: Excludes hedges

| | CF | NCF | Total |
|---|---|---|---|
| Resi Prime | 78.1 | 56.0 | 134.1 |
| Resi Credit | 181 | 139 | 320 |

| | CDO | CLO | total |
|---|---|---|---|
| Equities | 26 | 0 | 26 |

Significant Risk Changes:
Acquisition Commitment is over its limit of $150mm
Resi 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 $160mm
Mtg SPG desk Stress test temporary limit is $650mm (vs. permanent $500mm)
MTG SPG desk VaR limit has been changed to $110mm

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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660511.502

**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

Confidential Treatment Requested by Goldma



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660511.503

GS MBS-E-013693128

Confidential Treatment Requested by Goldman Sachs





**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)** |

| 9/25/2007 | | Hedges | | |
|---|---|---|---|---|
| | Loans | 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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(3)

**Residuals, NIMs and Subs**

5/9/2007

| | Residuals | NIMs | Subs | ABX Hedges |
|---|---|---|---|---|
| Subprime | 273 | 88 | 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 | 11 | |
| 2nds | 0 | 12 | 12 | 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 | Alt-A | 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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(4)

**ABS Trading - RMBS Subprime**

5/9/07

| | Notional ($mm) | | | | Spread DV01 (000) | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash | SN | Index | Net | Cash | SN | Index | Net |
| AAA | 288 | (276) | 235 | 227 | (53) | 44 | (99) | (108) |
| AA | 49 | (1) | 289 | 337 | (19) | (85) | (113) | (197) |
| A | 218 | (840) | (291) | (913) | (47) | 230 | 47 | 230 |
| BBB | 187 | (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) |

9/25/07

| | Notional ($mm) | | | | Spread DV01 (000) | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash | SN | Index | Net | Cash | SN | Index | Net |
| AAA | 840 | (242) | 2,400 | 2,798 | (142) | 26 | (1,020) | (1,136) |
| AA | 413 | (1) | 764 | 1,176 | (101) | (43) | (227) | (371) |
| A | 192 | (1,257) | 253 | (842) | (23) | 254 | (56) | 175 |
| BBB | 141 | (1,602) | 108 | (1,353) | (13) | 119 | (35) | 71 |
| BBB- | 455 | (1,797) | 104 | (1,218) | (17) | 81 | 8 | 72 |
| | 1,851 | (4,919) | 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) | (815) | (1,593) | 94 | 27 | 248 | 369 |
| | 497 | (1,947) | 3,309 | 1,859 | (48) | 146 | (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%

Technicals:
- 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 |

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**ABS Credit IO**

| Date | Per Annum Value ($mm) | Duration | Market Value ($mm) |
|---|---|---|---|
| 2-Feb-07 | 11.9 | 2.3 | 27.8 |
| 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

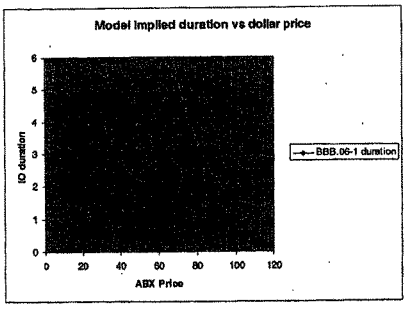
- Throughout April and May as we flattened out our net short position, by continuing to sell protection on par trades, the IO increased to $165mm per annum

- 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 notionals on risk table)

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# Goldman Sachs Mtg NYC Spg Trading Portfolio Summary 28Sep07

[redacted]

[redacted]

| Sector | Credit Rating | Notional(mm) | Hedge Eq(mm) | SDV01(k) | Contr VaR(mm) | VaR(mm) | Stress(mm) |
|---|---|---|---|---|---|---|---|
| RMBS | AAA | 2117.89 | 2118.00 | -955.77 | -11.78 | 13.10 | 5.25 |
| RMBS | AA | 950.41 | 961.52 | -273.36 | -12.29 | 14.12 | 13.70 |
| RMBS | A | -858.58 | -849.63 | 192.80 | 9.28 | 10.34 | 115.28 |
| RMBS | BBB | -2268.27 | -1949.07 | 233.20 | 28.04 | 28.10 | 324.42 |
| RMBS | BBB- | -1888.06 | -1358.61 | 139.19 | 17.70 | 21.16 | 342.13 |
| RMBS | BB | -93.56 | -93.89 | 6.07 | 0.00 | 0.00 | 3.80 |

[redacted]

| Sector | Credit Rating | Notional(mm) | Hedge Eq(mm) | SDV01(k) | Contr VaR(mm) | VaR(mm) | Stress(mm) |
|---|---|---|---|---|---|---|---|
| [redacted] | | | | | | | |

[redacted]

| Sector | Credit Rating | Notional(mm) | Hedge Eq(mm) | SDV01(k) | Contr VaR(mm) | VaR(mm) | Stress(mm) |
|---|---|---|---|---|---|---|---|
| CDO | AAA | -563.05 | -568.84 | 217.85 | 9.06 | 9.71 | 7.67 |
| CDO | AA | -686.86 | -713.51 | 201.84 | 12.41 | 12.84 | 28.05 |
| CDO | A | -1772.36 | -1796.04 | 300.76 | 37.87 | 38.64 | 42.87 |
| CDO | BBB | -356.85 | -369.39 | 49.12 | 7.02 | 7.45 | 7.05 |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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## Footnote Exhibits - Page 3767

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**SPG Trading - SP CDO Risk (9/25/2007)**
*Includes retained CDO positions*

| | CDO Cash and CDS (MV $mm) | | | ABX Hedges (Notional $mm) | | |
|---|---|---|---|---|---|---|
| | Mezz | High Grade | CDO^2 | Index | ABX 06-1 | ABX 06-2 |
| AAA | (102) | 212 | 171 | AAA | | |
| AA | (314) | (178) | 22 | AA | | |
| A | (319) | (38) | 0 | A | (500) | (60) |
| BBB | (101) | 6 | 1 | BBB | (56) | (54) |
| BB | 1 | - | - | BBB- | (49) | |
| Equity | 6 | 10 | 1 | | | |
| Total | (1,028) | (7) | 196 | 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 | 160 | 302 |
| 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 | (2,822) |
| 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) |

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## Footnote Exhibits - Page 3768

**SPG Trading - CMBS Risk**

**5/9/2007**

| | Cash | SN | Notional ($mm) Index | Syn CDO | TRS | Net | Cash | SN | Spread DV01 (000) 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 | - | 1,026 | (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**

| | Cash | SN | Notional ($mm) Index | Syn CDO | TRS | Net | Cash | SN | Spread DV01 (000) Index | Syn CDO | TRS | Net |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AAA | (209) | (2,482) | (2,431) | 4,368 | 1,314 | 360 | (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 | - | 811 | (60) | (1,152) | (1,060) | 2,800 | - | [redacted] |
| BBB/BBB- | (97) | 142 | (3,466) | 4,105 | (52) | 631 | (63) | 92 | (2,253) | 2,668 | (34) | [redacted] |
| BB+/BB | (40) | 46 | (29) | 378 | - | 355 | (26) | 30 | (19) | 246 | - | [redacted] |

**Changes from 5/9/2007 to 9/25/2007**

| | Cash | SN | Notional ($mm) Index | Syn CDO | TRS | Net | Cash | SN | Spread DV01 (000) 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) | [redacted] | - | 28 | (15) | 3 | (97) | [redacted] | - | 18 |
| A | (46) | (200) | (2,123) | [redacted] | - | (223) | (31) | (130) | (1,380) | [redacted] | - | (145) |
| BBB/BBB- | (14) | 80 | (1,582) | [redacted] | (52) | (146) | (9) | 52 | (1,028) | [redacted] | (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

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**Footnote Exhibits - Page 3769**

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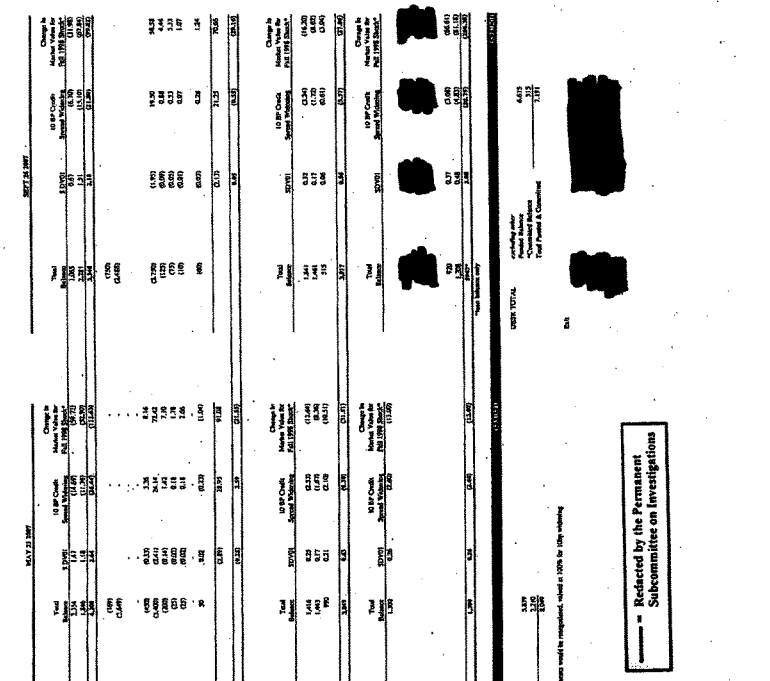


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**Footnote Exhibits - Page 3770**

**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 | - | - | - | - |

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# Footnote Exhibits - Page 3771

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## 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) | 293,535 | (457,567) | 80.65% | 78.73% |
| | 47,748,495.74 | 44,511,220 | 46,554,744 | 2,043,524 | 931,309 | 1,112,420 | 93.22% | 97.50% |
| | | 189,476,773 | 281,691,205 | 92,214,432 | 91,559,560 | 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 | 43,976,444 | 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% |
| | 37,829,732.77 | 34,926,619 | 37,442,890 | 2,516,271 | 772,974 | 1,743,296 | 92.33% | 98.98% |
| | | 79,914,563 | 92,296,112 | 12,381,539 | 25,538,496 | (13,156,958) | | |

(1) Is the face amount of the securities funded.

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# Footnote Exhibits - Page 3772

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## Warehouse - Commercial Book

5/9/2007

| Client | Facility Type | Maturity Date | Facility Size | Outstanding Balance | Borrowing Base | Excess (Deficit) | WAP |
|---|---|---|---|---|---|---|---|
| [redacted] | 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 | 184,321,351 | (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 | 61,184,586 | 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 | 849,403,190 | 66,191,516 | |

9/25/2007

| Client | Facility Type | Maturity Date | Facility Size | Outstanding Balance | Borrowing Base | Excess (Deficit) | WAP |
|---|---|---|---|---|---|---|---|
| CT REIT | Commercial | 06/29/09 | 150,000,000 | 71,900,722 | 119,912,026 | 48,011,304 | 99.2607 |
| [redacted] | 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 | 09/25/09 | 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 | 08/21/08 | 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 | 95,865,188 | |

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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-013693141

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## Footnote Exhibits - Page 3773

[redacted] = Redacted by the Permanent Subcommittee on Investigations

### Warehouse - ABS Book

| 5/9/2007 Client | Facility Type | Maturity Date | Facility Size | Outstanding Balance | Borrowing Base | Excess (Deficit) | WAP |
|---|---|---|---|---|---|---|---|
| [redacted] | ABS | 12/15/08 | 500,000,000 | 43,470,156 | 99,959,874 | 56,489,718 | 104.5189 |
| [redacted] | ABS | 10/28/07 | 750,000,000 | 467,410,346 | 562,986,439 | 95,576,093 | 0.0000 |
| [redacted] | ABS | 09/28/09 | 250,000,000 | 193,000,000 | 193,000,000 | - | 100.0000 |
| [redacted] | ABS | 10/27/07 | 100,000,000 | 35,943,686 | 35,943,686 | - | 100.0000 |
| BASIS CAPITAL | ABS | | 1,600,000,000 | 739,824,188 | 891,889,999 | 152,065,811 | |

| 9/25/2007 Client | Facility Type | Maturity Date | Facility Size | Outstanding Balance | Borrowing Base | Excess (Deficit) | WAP |
|---|---|---|---|---|---|---|---|
| [redacted] | ABS | 12/15/08 | 500,000,000 | 145,452,399 | 150,834,842 | 5,382,444 | 102.6348 |
| [redacted] | ABS | 10/28/07 | 750,000,000 | 284,831,272 | 371,758,834 | 86,927,563 | 0.0000 |
| [redacted] | ABS | 09/28/09 | 250,000,000 | 193,000,000 | 193,000,000 | - | 100.0000 |
| [redacted] | | | 1,500,000,000 | 623,283,670 | 715,593,677 | 92,310,006 | |

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Goldman Sachs

Footnote Exhibits - Page 3774

# 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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(ID)

**Other ABS Risk**

| Bond | 9/25/2007 Pos (MM) | 5/9/2007 Pos (MM) | Rating |
|---|---|---|---|
| [redacted] 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 | | |
| [redacted] 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

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## Footnote Exhibits - Page 3776

Mortgage Weekly Risk Review
As of COB: 9/26/07

| Business | Sub Business | Core Trade and/or Risk | [redacted] adv01 (K) | Ntl (B) | MV (MM) | Stress Test | VaR | Contr VaR | P/L | [redacted] adv01 (K) | Ntl (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 | | 8.6 | | | | | | - | - | - | - | - | - | - |
| | | | | | | | | | | - | - | - | - | - | - | - |
| | 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) | | | | | | - | - | - | - | - | - | - |
| Resi Credit | Subprime | Long Subprime Loans vs ABX | | 0.3 | 384 | | | | | - | (0.12) | - | - | - | - | - |
| | | | | | | | | | | - | - | - | - | - | - | - |
| | Alt A | Long Alt - A Loans | | 0.2 | | | | | | - | - | - | - | - | - | - |
| | | Net Short ABX | | (0.2) | | | | | | - | - | - | - | - | - | - |
| | | Alt-A / ABX Basis | | 0.2 | | | | | | - | - | - | - | - | - | - |
| | | | | | | | | | | - | - | - | - | - | - | - |
| | Scratch & Dent | Long Whole Loans | | | 585 | | | | | - | - | - | - | - | - | - |
| Resi 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 | | [redacted] | | | | | | - | - | - | - | - | - | - |
| | | Long CRE Floaters / Transitionals | | [redacted] | | | | | | - | - | - | - | - | - | - |
| | | Conduit / Large Loan Basis vs. TRS / Index | | [redacted] | | | | | | - | - | - | - | - | - | - |

* Development is a work in progress: all numbers are approximate

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GS MBS-E-013693145

Confidential Treatment Requested by Goldman Sachs

## Footnote Exhibits - Page 3777

Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-rmtgstrat

**Mortgage Dept Top Sheet**

| Market | Sub Market | Notional ($MM)* Total | Notional ($MM)* Long | Notional ($MM)* Short | Market Value ($MM)** Total | Market Value ($MM)** Long | Market Value ($MM)** Short | Spread DV01 ($k) | Rate DV01 ($k) |
|---|---|---|---|---|---|---|---|---|---|
| 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 | [illegible] | 893.8 | 893.8 | [illegible] | -79.8 | -56.9 |
| | Other | 7.6 | 7.6 | [illegible] | 7.5 | 7.5 | [illegible] | -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 | [illegible] | 363.9 | 363.9 | [illegible] | -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 | [illegible] | 285.4 | 285.4 | [illegible] | -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 | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | 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 | [redacted] | | | | | | | |

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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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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-013693146

**Footnote Exhibits - Page 3778**

Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ftce-migstrat

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 | | | 21,594.3 | 17,014.1 | 1,194.7 | 1,272.2 | 2,099.2 | 1,169.2 | 15,985.5 | 5,135.5 | 5,993.5 | 606.8 | 2,864.7 | 1,777.4 | 1,350.9 | 106.1 | 695.2 | 2,294.0 | 444.8 | 1,455.9 | 441.1 | 707.1 |
| RMBS | Total | | 16,924.4 | 10,464.4 | 1,212.8 | 952.8 | 1,723.5 | 389.3 | 1,276.6 | 12,210.3 | 9,311.9 | 982.0 | 778.9 | 1,882.3 | 1,227.1 | 1,047.7 | 106.1 | 1,814.5 | 2,012.2 | 409.0 | 1934 | 236.7 | 102.8 |
| | Subprime/2nds | Total | 421.6 | 1,455.4 | 1,189.9 | 783.4 | 1,536.8 | 489.2 | 93.4 | 459.6 | 1,772.3 | 897.8 | 497.0 | 1,388.4 | 1,284.7 | 99.4 | 152.4 | 664.2 | 411.4 | 366.3 | 1816 | 166.7 | 111.9 |
| | | Bond | 1,944.0 | 940.0 | 485.4 | 218.5 | 153.9 | 47.0 | 0.5 | 1,186.7 | 886.4 | 164.4 | 116.1 | 61.7 | 77.1 | 0.0 | 13.0 | 464.3 | 134.9 | 14.1 | 4.1 | 3.2 | 2.4 |
| | | Loans | 139.4 | 311.1 | 40.0 | 71.8 | 57.3 | 6.1 | 0.0 | 185.4 | 311.1 | 40.0 | 71.8 | 57.3 | 6.1 | 0.0 | 0.0 | 13.8 | 5.6 | 3.8 | 3.8 | 3.8 | 2.1 |
| | | Residual | 85.9 | 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | ABX-Long | 10,458.1 | 2,800.4 | 1,071.1 | 1,036.4 | 2,777.9 | 3,259.8 | 0.0 | 4,112.8 | 2,800.4 | 1,071.1 | 1,036.4 | 2,777.9 | 3,259.8 | 0.0 | 0.0 | 6,784.3 | 2,253.9 | 1,253.9 | 2,254.3 | 1,153.7 | 851.7 |
| | | ABX-Short | 4,458.1 | 4,458.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,458.1 | 4,458.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | TABX-Long | 772.3 | 0.1 | 237.6 | 75.8 | 434.7 | 24.1 | 0.0 | 482.0 | 0.1 | 237.6 | 75.8 | 434.7 | 24.1 | 0.0 | 0.0 | 977.0 | 0.0 | 0.0 | 0.0 | 18.7 | 314.1 |
| | | TABX-Short | -2,882.7 | 0.0 | -722.1 | -1,008.1 | -1,631.4 | -1,521.1 | -0.0 | -4,882.7 | 0.0 | -722.1 | -1,008.1 | -1,631.4 | -1,521.1 | 0.0 | 0.0 | -4,882.7 | 0.0 | 0.0 | 0.0 | -1,782.2 | -1,322.9 |
| | | CDS-Long | 23,169.8 | 2,800.4 | 1,071.1 | 1,036.4 | 2,777.9 | 3,259.8 | 0.0 | 14,112.8 | 2,800.4 | 1,071.1 | 1,036.4 | 2,777.9 | 3,259.8 | 0.0 | 0.0 | 6,784.3 | 2,253.9 | 1,253.9 | 2,254.3 | 1,153.7 | 851.7 |
| | | CDS-Short | -21,599.8 | -4,458.1 | -1,190.1 | -10,456.3 | -3,105.2 | -2,390.2 | -0.0 | -21,599.8 | -4,458.1 | -1,190.1 | -10,456.3 | -3,105.2 | -2,390.2 | -0.0 | -0.0 | -21,599.8 | -4,458.1 | -1,190.1 | -10,456.3 | -3,105.2 | -2,390.2 |
| | | Abacus-Long | 1,322.4 | 0.0 | 1.3 | 2.3 | 1,151.8 | 166.9 | 0.0 | 1,322.4 | 0.0 | 1.3 | 2.3 | 1,151.8 | 166.9 | 0.0 | 0.0 | 1,322.4 | 0.0 | 1.3 | 2.3 | 1,151.8 | 166.9 |
| | | Abacus-Short | -3,985.3 | -497.8 | -0.0 | -0.0 | -2,271.2 | -1,216.3 | -0.0 | -3,985.3 | -497.8 | -0.0 | -0.0 | -2,271.2 | -1,216.3 | -0.0 | -0.0 | -3,985.3 | -497.8 | -0.0 | -0.0 | -2,271.2 | -1,216.3 |
| | Alt-A | Total | 689.4 | 897.1 | 10.8 | -186.8 | -227.7 | -11.8 | 143.9 | 177.3 | 896.1 | 10.4 | -156.1 | -186.8 | -25.5 | 141.7 | 36.8 | 223.7 | 78.8 | -3,889.0 | -1,998.0 | -4.3 | -7.9 | -2.4 | -5.8 |
| | | Bond | 814.3 | 896.8 | 8.1 | 11.3 | 2.7 | 1.1 | 7.8 | 829.4 | 896.8 | 8.1 | 11.3 | 2.7 | 1.1 | 0.0 | 0.0 | 829.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Loans | 351.4 | 294.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 294.3 | 294.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 294.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | HM Bond | 43.1 | 0.0 | 0.0 | 32.4 | 0.0 | 0.0 | 10.8 | 43.1 | 0.0 | 0.0 | 32.4 | 0.0 | 0.0 | 10.8 | 0.0 | 43.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Residual | 141.3 | 0.0 | 0.0 | 12.8 | 0.0 | 0.0 | 125.5 | 138.4 | 0.0 | 0.0 | 12.8 | 0.0 | 0.0 | 125.5 | 0.0 | 138.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CDS-Long | 1,792.8 | 0.0 | 0.0 | 0.0 | 78.0 | 0.0 | 1,714.8 | 78.0 | 0.0 | 0.0 | 0.0 | 78.0 | 0.0 | 1,714.8 | 0.0 | 1,792.8 | 0.0 | 0.0 | 0.0 | 78.0 | 0.0 |
| | | CDS-Short | -1,487.2 | 0.0 | 0.0 | -973.5 | -513.8 | -160.0 | -0.0 | -1,487.2 | 0.0 | 0.0 | -973.5 | -513.8 | -160.0 | -0.0 | -0.0 | -1,487.2 | 0.0 | 0.0 | -973.5 | -513.8 | -160.0 |
| | | Abacus-Long | 1,322.4 | 0.0 | 1.3 | 2.3 | 1,151.8 | 166.9 | 0.0 | 1,322.4 | 0.0 | 1.3 | 2.3 | 1,151.8 | 166.9 | 0.0 | 0.0 | 1,322.4 | 0.0 | 1.3 | 2.3 | 1,151.8 | 166.9 |
| | | Abacus-Short | -3,985.3 | -497.8 | -0.0 | -0.0 | -2,271.2 | -1,216.3 | -0.0 | -3,985.3 | -497.8 | -0.0 | -0.0 | -2,271.2 | -1,216.3 | -0.0 | -0.0 | -3,985.3 | -497.8 | -0.0 | -0.0 | -2,271.2 | -1,216.3 |
| | Prime | Total | 13,372.2 | 7,567.3 | 47.6 | 10.1 | -11.6 | 43.7 | 1,514.9 | 9,184.4 | 12,452.3 | 5,471.8 | 46.8 | 7.8 | -55.1 | 36.8 | 223.7 | 682.6 | 78.8 | -79.8 | -10.1 | -4.3 | -23.8 | -15.2 | -15.4 |
| | | Agency CMO | 3,264.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,204.4 | 893.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Agy ARM | 5914 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5914 | 893.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Agy IO/POOPo | 2,974.0 | 1,552.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,552.1 | 1,552.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,552.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Agency WAC IO | 841 | 841 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 841 | 841 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 841 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | GNPrpy WAC IO | 3,477.3 | 3,477.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,477.3 | 3,477.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,477.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime FR CMO | 3,477.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,477.3 | 2,958.0 | 2,339.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime FR Loan | 744.8 | 772.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 772.0 | 772.0 | 772.0 | 772.0 | 0.0 | 0.0 | 0.0 | 0.0 | 772.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Sub | 247.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 247.8 | 231.4 | 231.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | HOA/MTA Loan | 887.1 | 1,517.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,517.7 | 1,517.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,517.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CDS-Long | 4,169.8 | 2,517.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,517.7 | 2,517.7 | 2,517.7 | 2,517.7 | 0.0 | 0.0 | 0.0 | 0.0 | 2,517.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CDS-Short | -1,915.6 | 0.0 | 0.0 | 0.0 | -274.4 | -961.4 | 0.0 | -1,235.8 | 0.0 | 0.0 | 0.0 | -274.4 | -961.4 | 0.0 | 0.0 | -1,235.8 | 0.0 | 0.0 | 0.0 | -274.4 | -961.4 | 0.0 |
| | Scratch & Dent | Total | 1,288.9 | 158.1 | 37.1 | 75.1 | 67.4 | 72.0 | 791.7 | 803.8 | 158.8 | 27.1 | 69.4 | 74.3 | 84.3 | 532.6 | 10.5 | 79.8 | -10.1 | -4.3 | -23.8 | -15.2 | -15.4 |
| | | Bond | 1,067.2 | 158.1 | 37.1 | 75.1 | 67.4 | 72.0 | 557.5 | 803.8 | 158.8 | 27.1 | 69.4 | 74.3 | 84.3 | 403.5 | 10.5 | 479.8 | -10.1 | -4.3 | -23.8 | -15.2 | -15.4 |
| | | Loans | 1,078.2 | 124.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 124.1 | 124.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 124.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | 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 | 24.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Other | Total | 7.6 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 5.3 | 7.6 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 5.3 | 0.0 | 7.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Bond | 7.6 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 5.3 | 7.6 | 0.0 | 0.0 | 2.3 | 0.0 | 0.0 | 5.3 | 0.0 | 7.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ABS Non-Real | Total | | 1,274.0 | 96.5 | 27.0 | -118.0 | -141.3 | 0.0 | 1,710.8 | -36.3 | 94.0 | 24.3 | -136.1 | -141.3 | 0.0 | 122.9 | 0.0 | 166.6 | -16.9 | -16.9 | 160.0 | 89.3 | -0.0 | 0.0 |
| | ABS | Total | -966.4 | -19.3 | 0.0 | -672.8 | -182.9 | 0.0 | 0.0 | -855.7 | -19.3 | 0.0 | -672.8 | -182.9 | 0.0 | 0.0 | 0.0 | -912.1 | -195.7 | 0.0 | 291.7 | 0.0 | 235.4 | -49.7 | 0.0 | 0.0 |
| | | CDO-Long | 180.0 | 0.0 | 0.0 | 115.0 | 50.0 | 0.0 | 0.0 | 165.0 | 0.0 | 0.0 | 115.0 | 50.0 | 0.0 | 0.0 | 0.0 | 115.0 | 49.9 | 0.0 | -101.3 | 0.0 | -65.2 | -15.1 | 0.0 | 0.0 |

Books not currently captured: CRE Loans, SPG Syndicate. *Notional amounts for interest only bonds are net values. **Market value of bonds/loans, bond equivalent val for synthetics.



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GS MBS-E-013693147

## Footnote Exhibits - Page 3779

Goldman Sachs Mortgage Strategies

Date: 26Sep07
E-mail: fico-migstrat

| 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 | -283.0 | 0.0 | -1.1 | -193.0 | -70.0 | -19.0 | 0.0 | -382.9 | 0.0 | -0.2 | -184.1 | -85.8 | -36.7 | 0.0 | 0.0 | 176.8 | 0.0 | -0.2 | 156.2 | 26.4 | 0.0 |
| | | Absolute-Long | 45.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 45.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Absolute-Short | -496.1 | -19.9 | 0.0 | -432.9 | -133.9 | 0.0 | 0.0 | -586.2 | -19.9 | 0.0 | -432.9 | -133.9 | 0.0 | 0.0 | 0.0 | 226.4 | 8.8 | 0.0 | 162.4 | 55.4 | 0.0 |
| | ABS Alan Prime | | 1,944.6 | 0.0 | 0.0 | 376.8 | 1.0 | 0.0 | 1,554.8 | 353.6 | 0.0 | 0.0 | 323.1 | 1.0 | 0.0 | 40.8 | 0.0 | -40.6 | -0.0 | 0.0 | -32.5 | 0.0 | 0.0 |
| | ABS Alan Prime 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 | | 318.0 | 116.6 | 27.0 | 74.1 | 12.8 | 0.0 | 85.8 | 318.4 | 116.9 | 27.0 | 74.3 | 12.8 | 0.0 | 87.2 | 0.0 | -42.0 | -16.5 | -4.0 | -16.8 | -4.9 | 0.0 |
| | ABS Student Loa | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 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 | | | | | | | | | | | | | | | | | | | | | | |
| CMBS | | Total | | | | | | | | | | | | | | | | | | | | | |
| | | Bond | | | | | | | | | | | | | | | | | | | | | |
| | | CDS-Long | | | | | | | | | | | | | | | | | | | | | |
| | | CDS-Short | | | | | | | | | | | | | | | | | | | | | |
| | | Absolute-Long | | | | | | | | | | | | | | | | | | | | | |
| | | Absolute-Short | | | | | | | | | | | | | | | | | | | | | |
| | | Other | | | | | | | | | | | | | | | | | | | | | |
| | | TRS | | | | | | | | | | | | | | | | | | | | | |
| CDO | Total | | 5,495.5 | -179.4 | -439.1 | -1,338.8 | -122.1 | -78.3 | 10,854.8 | -2,702.8 | -694.1 | -417.6 | -1,168.8 | -196.3 | -48.1 | 22.0 | 0.1 | 1,223.0 | 370.8 | 226.8 | 511.9 | 60.8 | 52.0 |
| | 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 | | -497.7 | 0.0 | 0.0 | -497.7 | -0.0 | -0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 264.0 | -37.7 | -11.4 | 231.9 | 18.4 | 0.0 |
| | CDO Secured | | 852.7 | 172.1 | 1.8 | 30.2 | 272.2 | -10.2 | 2.0 | -618.4 | 172.3 | 25.2 | 30.4 | 272.2 | -10.2 | 2.0 | 0.1 | 483.4 | 77.3 | -11.5 | 46.2 | 11.6 | 0.1 |
| | CDO | | 852.7 | 172.1 | 1.8 | 30.2 | 272.2 | -10.2 | 22.1 | -618.4 | 172.3 | 25.2 | 30.4 | 272.2 | -10.2 | 22.1 | 0.1 | 483.4 | 77.3 | -11.5 | 46.2 | 11.6 | 0.1 |
| | HG CDO | | -772.5 | -415.5 | -722.0 | -35.7 | -23.3 | -0.0 | 10,199.4 | -1,778.5 | -414.4 | -719.9 | -82.7 | -23.3 | -0.0 | 87.2 | 0.0 | 516.6 | 293.8 | 238.8 | 89.3 | 28.2 | -0.4 |
| | Mezz CDO | | -1,128.0 | -412.3 | -720.0 | -749.8 | -148.8 | -15.8 | -425.4 | -1,448.8 | -440.8 | -779.7 | -688.5 | -142.8 | -0.3 | 10.8 | 4.0 | 884.3 | 267.9 | 127.8 | 238.4 | 28.2 | -0.1 |
| Rate Hedges | Total | | | | | | | | | | | | | | | | | | | | | | |

= Redacted by the Permanent Subcommittee on Investigations

Blocks not currently displayed: CPE Loans, SPG Syndicate. *Notional amounts for interest only bonds are mkt values. **Market value of bond/loans, bond equiv mkt val for synthetics.



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GS MBS-E-013693148




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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-013693149

## Footnote Exhibits - Page 3781

Mortgage Strategies

Date: 25Sep07
E-mail: ftcc-mtgstrat

| 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 | | -494.8 | -253.2 | -268.8 | -791.1 | -45.1 | 10.5 | 452.4 | -784.4 | -237.4 | -178.9 | -353.6 | -37.7 | 0.3 | 4.9 | 0.0 | 446.8 | 179.2 | 101.0 | 156.9 | 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.



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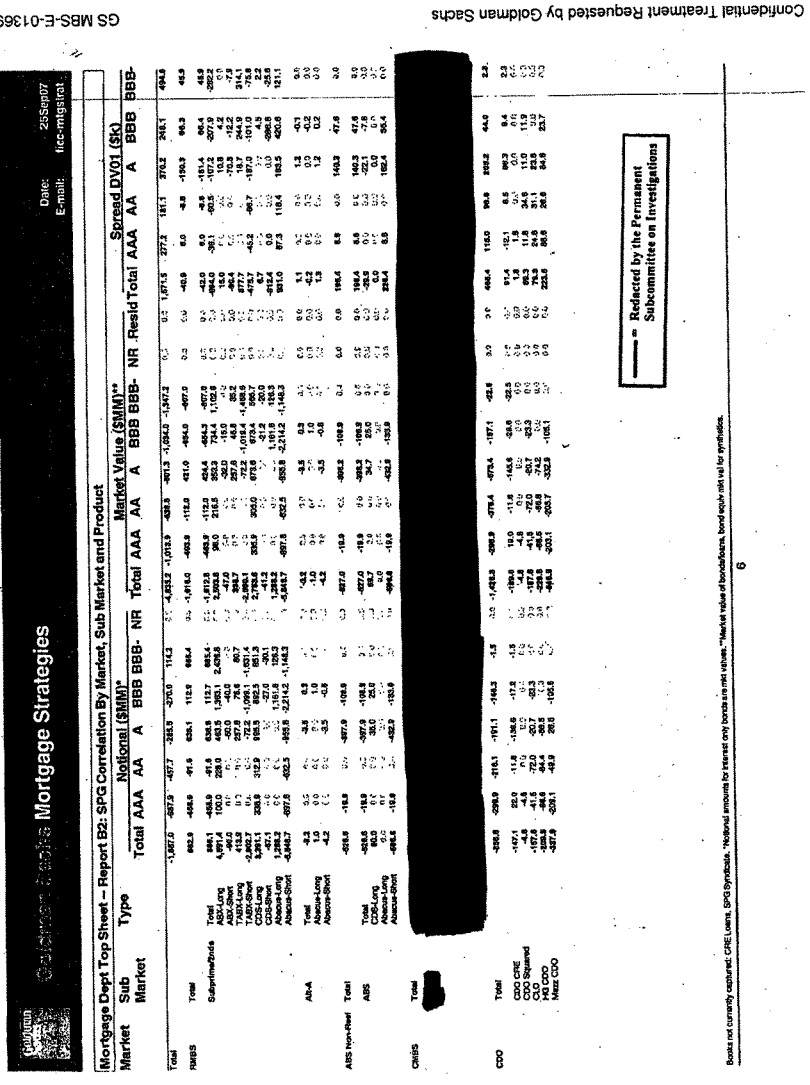


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GS MBS-E-013693151

Footnote Exhibits - Page 3783

Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: ficc-mtgstrat

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 | | | 1,765.8 | 6,139.4 | 127.9 | 82.1 | -151.9 | 253.9 | 1,375.8 | -720.8 | 6,896.2 | 133.8 | 104.8 | -92.1 | 142.8 | 1,082.7 | 104.1 | -447.6 | -1,241.7 | -25.8 | -26.4 | 11.2 | -37.7 |
| RMBS | Total | | 15,742.1 | 8,356.4 | 127.9 | 82.1 | -151.9 | 253.9 | 1,375.8 | 13,829.8 | 7,096.8 | 133.8 | 106.2 | -92.1 | 142.8 | 1,081.7 | 104.1 | -4,077.7 | -1,241.7 | -25.8 | -26.4 | 11.2 | -37.7 |
| | Subprime/2nds | Total | -972.8 | -988.8 | 42.3 | -90.5 | -180.7 | 100.3 | 85.6 | -333.2 | -969.0 | 43.8 | -21.7 | -121.8 | 23.6 | 89.6 | 13.2 | 215.1 | 219.9 | -9.5 | 16.1 | 22.9 | -10.9 |
| | | Bond | 94.5 | 0.0 | 42.1 | 28.3 | 14.6 | 8.3 | 1.1 | 87.8 | 0.0 | 41.8 | 25.2 | 12.8 | 8.3 | 0.0 | 0.0 | -7.3 | -1.1 | -4.2 | -0.1 | 0.1 | -2.1 | -0.4 |
| | | Loans | 1,054.4 | 311.1 | -82.0 | 21.8 | 12.5 | 6.1 | 0.0 | 990.4 | 310.1 | 41.8 | 49.9 | 13.3 | 17.2 | 0.0 | 0.0 | -34.9 | -9.5 | -13.4 | -3.8 | -5.9 | -4.1 | -0.1 |
| | | Real Bond | 15.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Residual | 93.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 93.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | 0.0 | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | ABX Long | 50.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 50.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 37.2 | 23.8 | 1.4 | 12.3 | 26.7 | 45.2 | 8.8 |
| | | ABX Short | -11,450.0 | -988.8 | -40.0 | -150.0 | -350.0 | -50.0 | -50.0 | -4,641.7 | -969.0 | -50.0 | -50.0 | -150.0 | -50.0 | -50.0 | -50.0 | 6.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CDS Short | -11,450.0 | -988.8 | -40.0 | -150.0 | -350.0 | -50.0 | -50.0 | -4,641.7 | -969.0 | -50.0 | -50.0 | -150.0 | -50.0 | -50.0 | -50.0 | -4.5 | -3.3 | -1.0 | -0.5 | -0.3 | -0.4 | -0.1 |
| | Prime | Total | 16,714.5 | 7,977.8 | 47.2 | 172.1 | -31.5 | 43.7 | 399.4 | 12,466.7 | 8,911.8 | 46.8 | 14.8 | -42.1 | 25.9 | 322.7 | 78.8 | -3,293.3 | -1,956.0 | -6.3 | -2.4 | 4.3 | -4.3 |
| | | Agy CMO | 2,204.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,204.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -19.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Agy ARM | 991.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 991.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1,004.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Agy IO/POOver | 2,374.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,374.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -44.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Pb CMO | 1,723.8 | 1,723.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,723.8 | 1,723.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -45.0 | -45.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CMAlt/WACH | 84.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 84.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1,255.3 | -1,255.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Pb CMO | 3,497.3 | 3,497.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,497.3 | 3,497.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -427.8 | -427.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Pb/WACH | 3,497.3 | 3,497.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,497.3 | 3,497.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -427.8 | -427.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Sub | 352.6 | 176.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 352.6 | 176.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -24.3 | -24.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Pb Loan | 784.3 | 176.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 784.3 | 176.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -24.3 | -24.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | Prime Pb Loan | 784.3 | 176.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 784.3 | 176.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -24.3 | -24.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | HO/AMTA Loan | 827.1 | 418.9 | 13.7 | 0.9 | 0.0 | 0.0 | 0.0 | 827.1 | 418.9 | 13.7 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | -24.3 | -24.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | HO/AMTA Loan | 827.1 | 418.9 | 13.7 | 0.9 | 0.0 | 0.0 | 0.0 | 827.1 | 418.9 | 13.7 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | -24.3 | -24.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | CDS Long | 115.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 115.7 | 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 |
| | | CDS Short | -115.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -115.7 | 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 |
| | Scratch & Dent | Total | 1,238.9 | 159.1 | 57.0 | 71.1 | 80.4 | 75.0 | 791.7 | 693.5 | 159.8 | 27.1 | 69.8 | 76.3 | 66.3 | 295.8 | 10.8 | -78.8 | -10.1 | -4.5 | -2.5 | -16.2 | -15.6 |
| | | Bond | 1,044.2 | 159.1 | 57.0 | 71.1 | 80.4 | 75.0 | 601.6 | 584.8 | 159.8 | 5.4 | 69.7 | 49.4 | 40.8 | 310.5 | 10.8 | -63.3 | -10.1 | -4.5 | -2.5 | -23.1 | -14.5 | -4.5 |
| | | Loans | 1,018.2 | 159.1 | 57.0 | 71.1 | 80.4 | 75.0 | 595.6 | 709.9 | 159.8 | 5.4 | 69.7 | 49.4 | 40.8 | 310.5 | 10.8 | -67.7 | -10.1 | -4.5 | -2.5 | -23.1 | -14.5 | -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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

[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. **Mkt/Net value of bonds/shares, bond equity mkt val for synthetics.

7

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## Footnote Exhibits - Page 3784

Date: 25Sep07
E-mail: fice-mtgstrat

Mortgage Dept Top Sheet -- Report C1: Real Loans / Securitization Business By Product

| Group | Type | Sub Type | Notional ($MM) | Total | Market Value ($MM)** Agy | AAA | AA | A | BBB | BBB- | NR | Resid | Rate DV01 ($k) | Spread DV01 ($k) Agy | AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | | | 1,779.8 | -729.9 | 5,169.2 | 6,465.2 | 133.6 | 106.2 | -62.1 | 142.5 | 1,052.7 | 106.1 | -537.8 | -1,936.1 | -1,261.7 | -25.0 | -26.4 | 11.2 | -37.7 | -160.3 |
| | Loans | Total | 3,280.4 | 2,210.9 | | 1,476.8 | 89.5 | 53.7 | 45.1 | 36.4 | 504.2 | 106.1 | -710.1 | | -957.1 | -15.8 | -10.1 | -10.6 | -6.1 | -11.1 |
| | | Subprime Loan | 426.4 | 390.9 | | 310.7 | 40.0 | 18.0 | 6.7 | 2.2 | 13.2 | | -44.9 | | -34.9 | -6.1 | -1.5 | -0.4 | -0.4 | -0.0 |
| | | SEA Loan | 1,610.5 | 715.2 | | 129.2 | 18.8 | 14.0 | 27.0 | 17.8 | 497.9 | 10.5 | -17.8 | | -10.1 | -2.7 | -2.1 | -4.7 | -4.5 | -0.1 |
| | | Alt-A Loan | 315.1 | 314.3 | | 294.3 | 6.0 | 4.4 | 2.0 | 0.4 | 3.8 | 0.8 | -40.1 | | -7.9 | -3.4 | -1.8 | -0.8 | -0.8 | -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 |
| | | Prime Arm Loan | 192.8 | 127.8 | | 122.7 | 1.9 | 1.3 | 0.8 | 1.0 | 0.3 | 0.5 | -15.5 | | -11.4 | -0.2 | -0.1 | -0.1 | -0.1 | -0.0 |
| | | Prime Fix Loan | 114.1 | 72.9 | | 70.6 | 1.8 | 0.2 | 0.1 | 0.4 | 3.0 | 2.7 | -39.0 | | -23.2 | -2.2 | -3.1 | -1.3 | -1.9 | -1.0 |
| | | HOA/MTA Loan | 621.1 | 524.9 | | 459.0 | 10.4 | 6.7 | 4.7 | 6.4 | 4.4 | 79.8 | -166.0 | | -2.7 | -0.1 | -0.0 | -0.0 | -0.1 | -0.0 |
| | Retained Bonds | Total | 4,211.5 | 3,883.6 | 2,274.0 | 224.6 | 82.2 | 171.7 | 79.7 | 79.9 | 342.7 | 0.0 | -2,248.6 | -1,054.8 | -65.3 | -15.9 | -49.6 | -20.8 | -19.5 | -106.1 |
| | | Retained Bond | 4,211.5 | 3,883.6 | 2,274.0 | 224.6 | 82.2 | 171.7 | 79.7 | 79.9 | 342.7 | 0.0 | -2,248.6 | -1,054.8 | -65.3 | -15.9 | -49.6 | -20.8 | -19.5 | -106.1 |
| | | Retained IO | 242.9 | 119.8 | | 100.2 | 18.2 | 80.3 | 45.8 | 26.5 | 83.0 | 0.0 | -45.4 | | -23.8 | -15.8 | -35.3 | -16.9 | -12.4 | -0.0 |
| | | OA/Hyb WAC IO | 84.1 | 84.1 | | | | | 45.8 | 26.5 | 83.0 | 0.0 | -45.4 | | -23.8 | -15.8 | -35.3 | -16.9 | -12.4 | -0.0 |
| | | Subprime Resid | 43.9 | 43.9 | | | | | | | 43.9 | | -45.8 | | -0.0 | -0.0 | -1.3 | -0.8 | -7.2 | -0.0 |
| | | SEA Resid | 24.7 | 24.7 | | | | | | | 24.7 | | -5.0 | | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -15.2 |
| | | Alt-A Resid | 141.3 | 141.3 | | | | | | | 141.3 | | -49.2 | | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.1 |
| | | 2nd Resid | 49.8 | 49.8 | | | | | | | 49.8 | | -49.1 | | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -91.7 |
| | | Other | 2,897.3 | 2,897.3 | 2,274.0 | 123.9 | | | | | | | -1,280.4 | -1,054.8 | -44.6 | | | | | -0.0 |
| | Synthetics | Total | 7,481.2 | 5,494.8 | 1,924.6 | 4,988.9 | -7.4 | -117.2 | -215.8 | 28.2 | 19.8 | | -2,056.7 | -665.0 | -1,448.3 | 6.4 | 26.3 | 42.0 | -9.1 | -5.4 |
| | | ABX | -1,105.0 | -937.0 | | -778.7 | -32.0 | -83.6 | -150.2 | 8.3 | 17.7 | | -2,056.7 | -665.0 | -235.8 | 12.3 | 25.7 | 42.2 | -2.2 | 0.0 |
| | | CDS (ex Loans Bo | -403.9 | -283.9 | | | 24.8 | -33.6 | -65.6 | 19.9 | 2.1 | | | | -1,212.5 | -5.8 | 0.5 | -0.2 | -6.9 | -5.4 |
| | | Other | 8,990.1 | 7,716.6 | 1,924.6 | 5,767.6 | | | | | | | | | | | | | | |
| | Other | Total | 828.0 | 797.3 | 581.8 | | | | | | 215.7 | | -49.7 | -116.3 | | | | | | -48.6 |
| | | Other | 828.0 | 797.3 | 581.8 | | | | | | 215.7 | | -49.7 | -116.3 | | | | | | -48.6 |

Books not currently captured: CRE Loans, SPG Synthetics. *Notional amounts for interest only bonds are mtg values. **Market value of bonds/loans, bond equiv mkt val for synthetics.

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GS MBS-E-013693153



Confidential Treatment Requested by Goldman Sachs

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 | Total Notional ($MM)* Index | Desk ABS Secondary | CDO Warehouse | Correlation | Prime AltA | Subprime 2nd S&D | Total |
|---|---|---|---|---|---|---|---|
| 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 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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Confidential Treatment Requested by Goldman Sachs

GS MBS-E-013693154



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**

| Total Market Value ($MM)** | | Desk | | | | | |
|---|---|---|---|---|---|---|---|
| Rating | Index | ABS Secondary | CDO Warehouse | Correlation | Prime AltA | Subprime 2nd S&D | Total |
| 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.



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GS MBS-E-013693155

Footnote Exhibits - Page 3787

Goldman Sachs Mortgage Strategies

Date: 25Sep07
E-mail: fico-mtgstrat

**Mortgage Dept Top Sheet -- Report E3: Department wide ABX Positions - Spread DV01 by Index, Rating and Desk**

Total Spread DV01 ($k)

| Rating | Index | | Desk | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | ABS Secondary | CDO Warehouse | Correlation | Prime AltA | Subprime 2nd S&D | Total |
| Total | | | -1,473.5 | 95.9 | -678.9 | 232.0 | 100.8 | -1,723.7 |
| AAA | Total | | -1,020.2 | 3.6 | -36.1 | 224.0 | 29.8 | -802.5 |
| | ABX.HE.06-1 | | -463.8 | 3.3 | -36.1 | 224.0 | 5.0 | 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 | 0.6 | -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 | 3.9 | 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 portfolios, bond equiv mkt value for synthetics.



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660511.531

**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



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660511.532

**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



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Goldman Sachs | Mortgage Strategies

## Mortgage Dept Top Sheet

| Group | Sector | Market Value(MM$)(Hedge Equiv MV for CDS) Total | AAA | AA | A | BBB | BBB- | NR | Loan Resid | Sec Resid <2006 | Sec Resid >=2006 | Total Resid | Rate DV01(k$) | Spread DV01(K$) AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dept | Total | 7,284.1 | 991.1 | 600.8 | 6,288.9 | 4,583.7 | 66.8 | 606.8 | 564.6 | 229.3 | 467.9 | 687.1 | 462.7 | 772.5 | 336.1 | 2,148.9 | 844.8 | 143.9 | 176.8 |
| Prime/AAA | Total | 2,656.8 | 2,068.9 | 116.8 | 8.8 | 4.0 | 1.7 | 54.1 | 72.2 | 68.2 | 114.1 | 264.4 | 406.8 | 45.0 | 33.5 | 3.0 | 0.4 | 5.0 | 57.7 |
| | AAA | 2,656.8 | 2,068.9 | 116.8 | 8.8 | 4.0 | 1.7 | 54.1 | 72.2 | 68.2 | 114.1 | 264.4 | 406.8 | 45.0 | 33.5 | 3.0 | 0.4 | 5.0 | 57.7 |
| RMBS Subprime | Total | 8.8 | 743.8 | 14.7 | 342.3 | 232.8 | 193.7 | 975.9 | 194.9 | 196.1 | 592.8 | 832.7 | 485.1 | 926.9 | 4.0 | 59.8 | 90.8 | 46.3 | 119.2 |
| | 2nd Lien | 356.0 | 256.2 | 67.3 | 19.5 | 25.1 | 3.3 | 8.6 | 39.5 | 1.8 | 62.4 | 106.3 | 42.8 | 83.1 | 14.5 | 9.4 | 1.2 | 0.2 | 19.5 |
| | Scratch&Dent | 675.7 | 214.3 | 73.5 | 144.9 | 2.7 | 64.7 | 532.3 | 26.1 | 26.9 | 53.7 | 80.7 | 31.8 | 21.5 | 38.8 | 43.9 | 1.2 | 14.1 | 22.0 |
| | Subprime Int Lien | 1,025.1 | 1,186.7 | 20.8 | 177.8 | 204.1 | 96.4 | 43.8 | 119.1 | 152.6 | 100.8 | 442.7 | 48.8 | 764.8 | 18.0 | 12.8 | 12.3 | 31.8 | 78.0 |
| RMBS Synthetics | Total | 2,155.1 | 668.4 | 221.3 | 3,815.8 | 4,118.8 | 26.3 | | | | | | 0.0 | 166.2 | 230.1 | 923.8 | 761.8 | 88.9 | |
| | CDO | 2,452.4 | 1,306.1 | 284.8 | 1,302.5 | 343.8 | 3,334.7 | | | | | | 0.0 | 107.7 | 116.4 | 420.9 | 156.3 | 448.0 | |
| | Index | 2,843.4 | 365.0 | 989.0 | 666.5 | 222.8 | 3,048.5 | | | | | | 0.0 | 167.3 | 236.1 | 227.7 | 53.0 | 864.5 | |
| | Single Name | 1,736.0 | 273.3 | 317.8 | 454.8 | 736.9 | 729.3 | | | | | | 0.0 | 145.6 | 112.0 | 274.2 | 207.8 | 127.0 | |
| RMBS CDO Syn | Total | 2,474.2 | 134.1 | 48.8 | 1,284.7 | 231.3 | 0.0 | | | | | | 0.0 | 97.8 | 96.8 | 133.3 | 103.8 | 0.0 | |
| | HG CDO | 437.8 | 42.2 | 58.0 | 294.8 | 0.0 | 0.0 | | | | | | 0.0 | 27.0 | 25.8 | 124.0 | 0.0 | 0.0 | |
| | HG Single Name | 19.0 | 10.0 | 20.0 | 8.9 | 19.9 | 0.0 | | | | | | 0.0 | 4.8 | 10.1 | 11.2 | 10.2 | 0.0 | |
| | Mezz CDO | 2,139.3 | 181.9 | 362.8 | 1,468.8 | 88.0 | 0.0 | | | | | | 0.0 | 76.5 | 164.1 | 865.4 | 25.1 | 0.0 | |
| | Mezz Single Name | 313.3 | 0.0 | 466.3 | 560.2 | 125.4 | 0.0 | | | | | | 0.0 | 51.0 | 297.3 | 327.8 | 63.8 | 0.0 | |

Books not currently captured: Prime Hybrid, Prime Fixed, CMO, Cash CDO, CRE, 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.

Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1871



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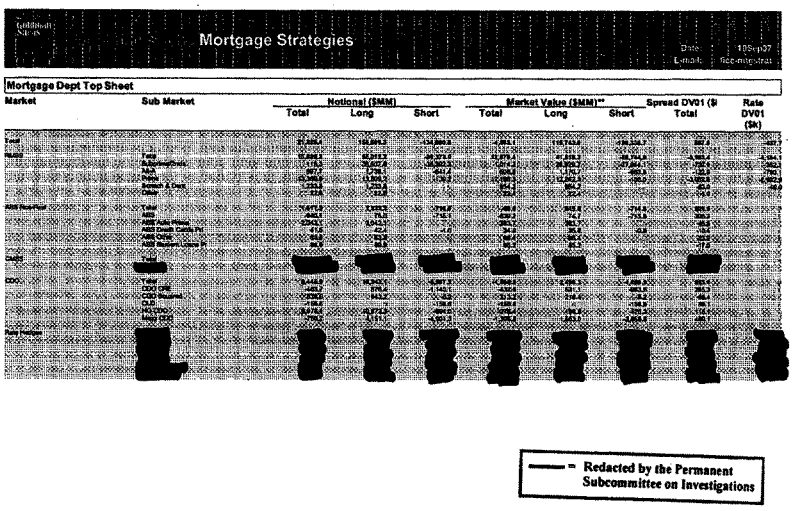




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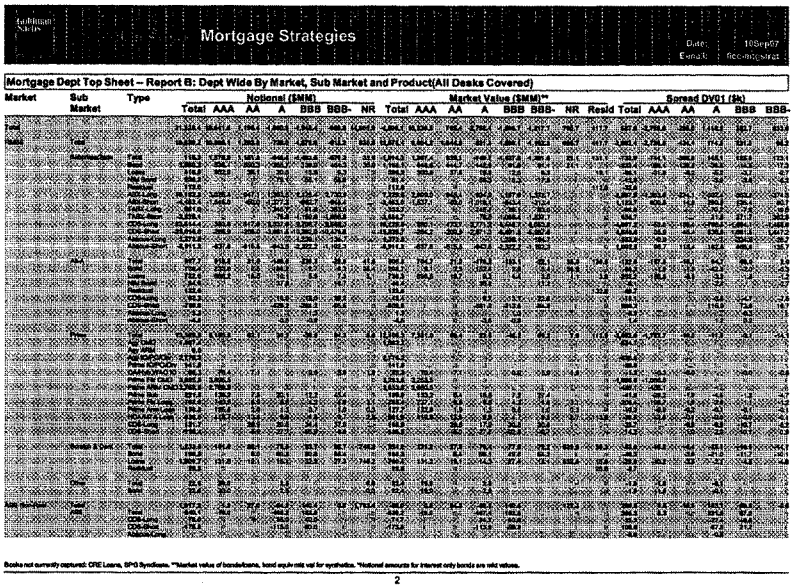
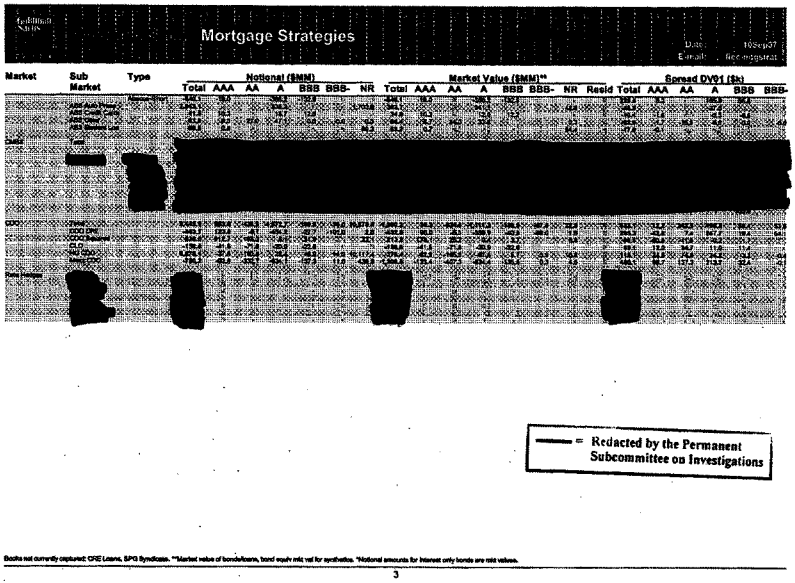


Mortgage Strategies

Date: 10Sep07

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 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Desk | Total | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Agency Pass-Thru | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | |




Backs 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 risk values.

3



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**Footnote Exhibits - Page 3795**

... the Permanent
... on Investigations

Goldman Sachs

## Mortgage Strategies

Date: 10Sep07
E-mail: fice-mgstrat

**Mortgage Dept Top Sheet -- Report B1: SPG Secondary (excluding Correlation) By Market, Sub Market and Product**

| Market | Sub Market | Type | Notional ($MM) Total | AAA | AA | A | BBB | BBB- | NR | Market Value ($MM)** Total | AAA | AA | A | BBB | BBB- | NR | Resid | Spread DV01 ($k) Total | AAA | AA | A | BBB | BBB- |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | Total | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Subprime/Alt-A | Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | Resid | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | ABS-Long | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | ABS-Short | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | TABX-Long | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Long | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Short | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Alt-A | Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | Resid | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Long | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Short | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Prime | Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Long | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Short | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Other | Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | Resid | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | Total | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | [illegible] | Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Long | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | CDS-Short | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | ABS Auto Prime | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | ABS Credit Card | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | ABS Other | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | | ABS Student Loan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | Total | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
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| | CDO CMS | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | CDO Equity | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | HG CDO | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Mezz-CDO | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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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GS MBS-E-01069052

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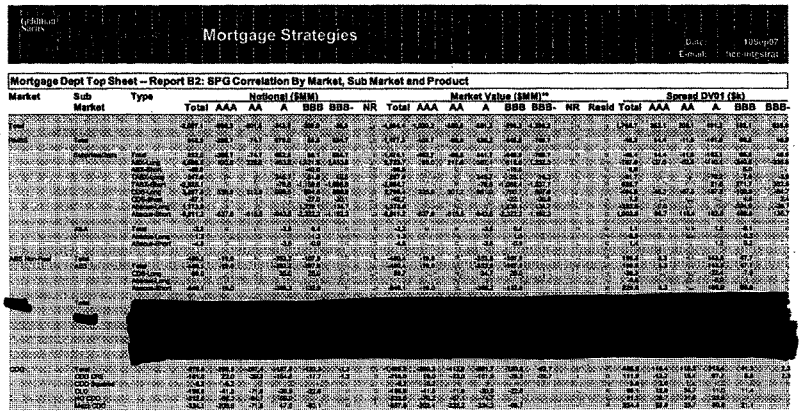


[redacted] = Redacted by the Permanent Subcommittee on Investigations

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.

5



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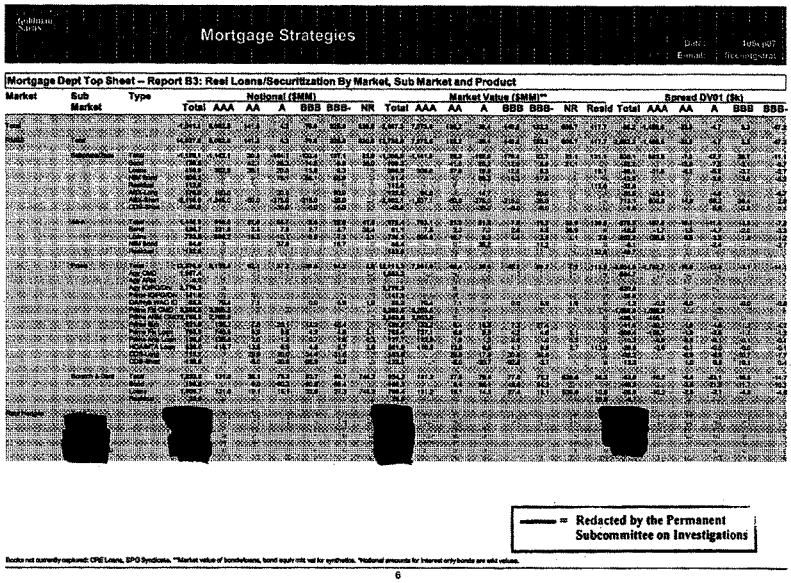

Mortgage Strategies

**Mortgage Dept Top Sheet -- Report B3: Real 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- |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Books not currently captured: CRE Loans, EPO Syndicate. **Market value of bonds/loans, bond equiv mkt val for synthetics. *Notional amounts for interest only bonds are odd values.

6



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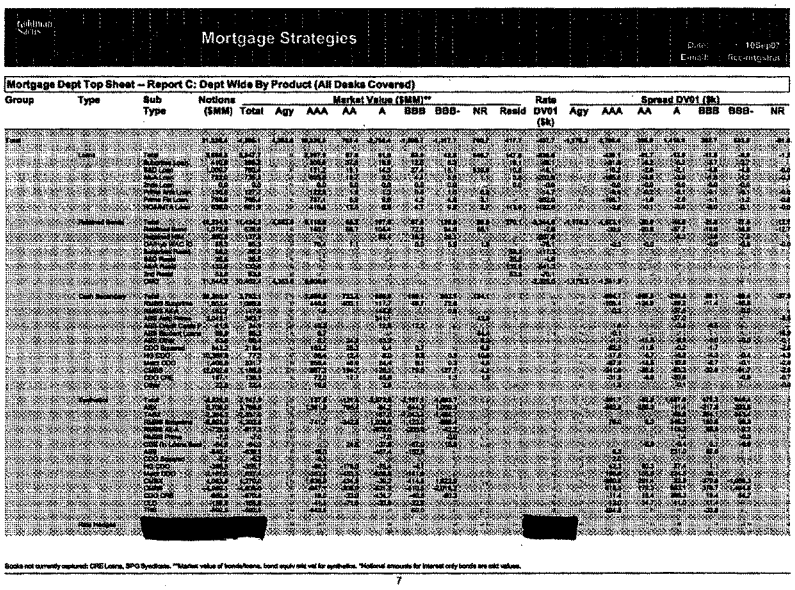
660511.542



Mortgage Strategies

Mortgage Dept Top Sheet -- Report C: Dept Wide By Product (All Desks Covered)

| Group | Type | Sub Type | Notions ($MM) | Market Value ($MM)** Total | Agy | AAA | AA | A | BBB | BBB- | NR | Resid | Rate DV01 ($k) | Spread DV01 ($k) Agy | AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [redacted] | | | | | | | | | | | | | | | | | | | | |

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.

7



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**Footnote Exhibits - Page 3800**

Goldman Sachs

## Mortgage Strategies

Date: 10/6/07
Email: [illegible]

| Group | Type | Sub Type | Notions ($MM) | Market Value ($MM)** Total | Agy | AAA | AA | A | BBB | BBB- | NR | Resid | Rate DV01 ($k) | Spread DV01 ($k) Agy | AAA | AA | A | BBB | BBB- | NR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | [redacted] | [redacted] | | | | | | | | | | [redacted] | | | | | | | |

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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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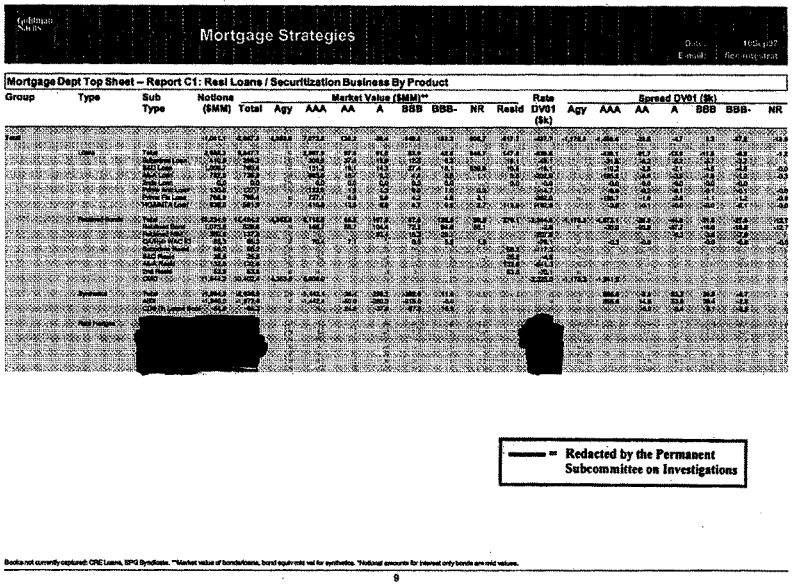




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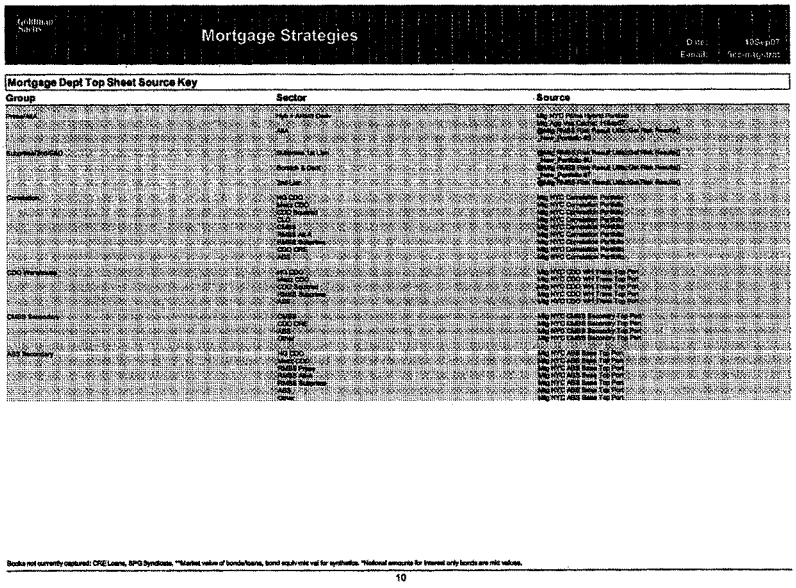




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660511.546

**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

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660511.547

**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 raining 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 securitze 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

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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).



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**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

[redacted]

Derivatives:

Better buying of IOs, Inverse IOs -> high yield and low balance sheet usage



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Current Position: $4B
Primary Hedges: Agency PT's

**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 ony -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



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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

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CMBS [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

Customer Flows

- [redacted]
- [redacted]
- [redacted]
- [redacted]



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~~1857~~ 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.



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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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New York, New York 10004
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Fax: 212-902-3925
anna.leath@gs.com

Anna Leath
Executive Office

Goldman
Sachs

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**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]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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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).

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**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**

[redacted]

| | 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] | | | |
| SPG Trading | 180 | 194 | (160) |
| ABS/MBS CDO | (1) | (1) | (30) |
| Manager | 0 | 0 | |
| [redacted] | | | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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660511.559

**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

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660511.560

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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660511.561

**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 Prod 95% VaR | Current Prime Test I 95% VaR | Current Prime Test II 95% VaR | Current Prime Test III 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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660511.562

**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 )



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GS MBS-E-009778898

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660511.563

**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?



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660511.564

**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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**Report Footnote #1905**

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GS MBS-E-009708690

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660511.565

**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.



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660511.566

**Footnote Exhibits - Page 3823**



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...



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660511.567

**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
nalysis_08_14_v1.p



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660511.568

**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;

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66051.569

**Footnote Exhibits - Page 3826**

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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660511.570

**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 | [redacted] | [redacted] | [redacted] |
| Mortges | 49 | 46 | 10% |
| Equities | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR ($mm)

| | Feb 12 | Feb 09 | %Contr. |
|---|---|---|---|
| Trading | 128 | 133 | 100% |
| [redacted] | [redacted] | [redacted] | [redacted] |

Credit Scenario ($mm)

| | Feb 12 | Feb 09 | Limit |
|---|---|---|---|
| Mortges. | (486) | (497) | (800) |
| [redacted] | [redacted] | [redacted] | [redacted] |

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.

1

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[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...

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660511.572

**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; Dinias, 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



Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
**Report Footnote #1918**

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660511.573

**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 | | | |
| Mortgages | 48 | 49 | 8% |
| Equities | | | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR ($mm)

| | Feb 13 | Feb 12 | %Contr. |
|---|---|---|---|
| Trading | 132 | 128 | 100% |
| [redacted] | | | |

Credit Scenario ($mm)

| | Feb 13 | Feb 12 | Limit |
|---|---|---|---|
| Mortgages | (521) | (486) | (800) |
| [redacted] | | | |

[redacted] VaR has a temporary [redacted] limit until cob 02/21/07.
[redacted] has a temporary [redacted] VaR limit until cob 02/13/07.

Mortgages VaR is over its $35mm limit. Temporary $50mm limit was granted until cob 02/20/07.

[redacted] is over its temporary [redacted] VaR limit.

1

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Report Footnote #1919

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660511.574

**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 | [redacted] | [redacted] | [redacted] |
| Mortges | 63 | 57 | 16% |
| Equities | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR ($mm)

| | Feb 16 | Feb 15 | %Contr. |
|---|---|---|---|
| Trading | 136 | 155 | 100% |
| [redacted] | [redacted] | [redacted] | [redacted] |

Credit Scenario ($mm)

| | Feb 16 | Feb 15 | Limit |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| Mortges. | (533) | (527) | (800) |

The decrease in Trading VaR was mainly driven by reduced [redacted] exposure in [redacted] and [redacted]
Equity raw delta across the Firm decreased from $17.0bn to $12.9bn.

Mortgages VaR is over its temporary $60mm limit.
[redacted] over its [redacted] VaR limit.

1

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*Wall Street & The Financial Crisis*
Report Footnote #1920

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660511.575

**Footnote Exhibits - Page 3832**

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 Subcommittee on Investigations



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660511.576

**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 | [redacted] | | |
| Mortges | 67 | 63 | 16% |
| [redacted] | | | |
| Equities | [redacted] | | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR ($mm)

| | Feb 21 | Feb 20 | %Contr. |
|---|---|---|---|
| Trading | 147 | 147 | 100% |
| [redacted] | | | |

Credit Scenario ($mm)

| | Feb 21 | Feb 20 | Limit |
|---|---|---|---|
| [redacted] | | | |
| Mortges. | (522) | (565) | (800) |
| [redacted] | | | |

Mortgages VaR is over its temporary $60mm limit.
[redacted] is over its [redacted] VaR limit.

Mortgages VaR has a temporary $60mm limit until cob 02/27/07.
[redacted] has a temporary [redacted] limit until cob 02/21/07.



Permanent Subcommittee on Investigations
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Report Footnote #1920

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660511.577



Daily Trading Risk Summary2007...



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660511.578

**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 | [redacted] | [redacted] | [redacted] |
| Mortges | 85 | 64 | 23% |
| Equities | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR ($mm)

| | Feb 23 | Feb 22 | %Contr. |
|---|---|---|---|
| Trading | 154 | 142 | 100% |
| [redacted] | [redacted] | [redacted] | [redacted] |

Credit Scenario ($mm)

| | Feb 23 | Feb 22 | Limit |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| 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.

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660511.579

**Footnote Exhibits - Page 3836**

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...

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660511.580

**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 | [redacted] | [redacted] | [redacted] |
| Mortges | 85 | 85 | 25% |
| [redacted] | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% Product Category VaR ($mm)

| | Feb 26 | Feb 23 | %Contr. |
|---|---|---|---|
| Trading | 153 | 154 | 100% |
| [redacted] | [redacted] | [redacted] | [redacted] |

Credit Scenario ($mm)

| | Feb 26 | Feb 23 | Limit |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| Mortges. | (516) | (531) | (800) |

Trading VaR is over its $150mm limit. Temporary limit of $165mm granted until cob 03/07/07.

[redacted] is over its temporary [redacted] VaR limit.

Mortgages VaR has a temporary $90mm limit until cob 03/06/07.

1

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Report Footnote #1922

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660511.581

**Footnote Exhibits - Page 3838**

[redacted] VaR has a temporary [redacted] limit until cob 02/28/07.
Temporary limit extended to [redacted] until cob 03/07/07.



Daily Trading Risk Summary2007...

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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2



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660511.582

**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 | [redacted] | | |
| Mortges | 83 | 85 | 27% |
| [redacted] | | | |
| Equities | [redacted] | | |

95% Product Category VaR ($mm)

| | Feb 27 | Feb 26 | %Contr. |
|---|---|---|---|
| Trading | 144 | 153 | 100% |
| [redacted] | | | |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Credit Scenario ($mm)

| | Feb 27 | Feb 26 | Limit |
|---|---|---|---|
| [redacted] | | | |
| Mortges. | (506) | (516) | (800) |
| [redacted] | | | |

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.

1

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Report Footnote #1923



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660511.583

**Footnote Exhibits - Page 3840**

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



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660511.584

**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 | [redacted] | | |
| Mortges | 81 | 83 | 29% |
| [redacted] | | | |
| Equities | [redacted] | | |

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95% Product Category VaR ($mm)

| | Feb 28 | Feb 27 | %Contr. |
|---|---|---|---|
| Trading | 131 | 144 | 100% |
| [redacted] | | | |

Credit Scenario ($mm)

| | Feb 28 | Feb 27 | Limit |
|---|---|---|---|
| [redacted] | | | |
| Mortges. | (506) | (516) | (800) |
| [redacted] | | | |

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.
[redacted] has a temporary [redacted] limit until cob 03/07/07.

1

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Report Footnote #1925

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660511.585






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660511.586

**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



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01589 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

66051.587

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 ([redacted]) 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 [redacted] market wider
-- Up [redacted] market wider
-- Up $7mm on single-name RMBS wider
-- Up $10mm on ABX prices lower

[redacted] = 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) |
| [redacted] | [redacted] |
| - 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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660511.588

| | | | |
|---|---|---|---|
| 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 | | | |
| | | | |
| CMJV | | | |
| | | | |
| | | - | - |
| ABS Loans & Finance | | | |
| | | | |
| 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 | | - | |

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660511.589

| | | |
|---|---|---|
| Total Europe | - | |
| Total Advisory | - | |
| Total PFG JV | - | |
| Total Manager's Account / Other | | - |



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GS MBS-E-010680330

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660511.590

**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
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Goldman
Sachs

**David Lehman**
Fixed Income, Currency & Commodities

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

Disclaimer:

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Report Footnote #1935

GS MBS-E-010623720

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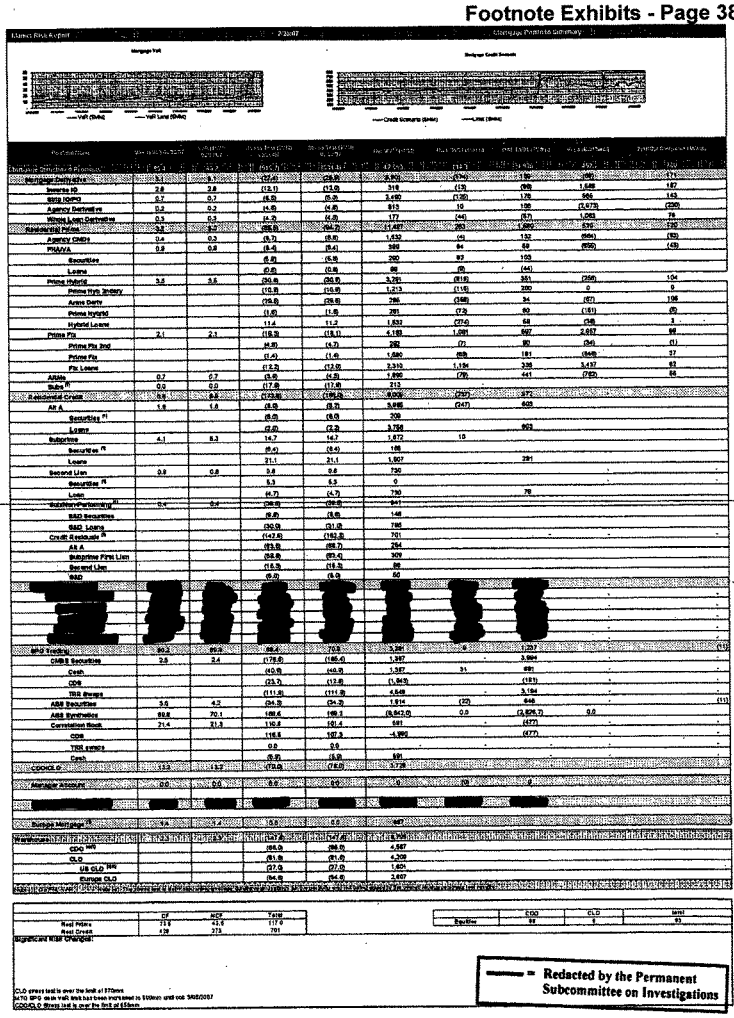
660511.591

**Footnote Exhibits - Page 3848**



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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #1937

GS MBS-E-010388177

Market Risk Report — 8/14/07 — Mortgage Portfolio Summary

Mortgage VaR



Mortgage Credit Scenario



| Portfolio Name | VaR ($MM) 08/14/07 | VaR ($MM) 08/13/07 | Stress Test ($MM) 08/14/07 | Stress Test ($MM) 08/13/07 | Cash RBV (2) ($MM) | CAS DV01 ($MMbp) |
|---|---|---|---|---|---|---|
| Mortgage Structured Products | 110.1 | 96.2 | (325.1) | (305.3) | 37,883 | |
| 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) | 811 | 78 |
| Whole Loan Derivative | 0.3 | 0.3 | (1.3) | (1.4) | 132 | (116) |
| Residential Prime | 3.5 | 3.5 | (99.0) | (102.5) | 11,085 | 123 |
| Agency CMOs | 1.8 | 1.8 | (9.9) | (10.3) | 2,308 | 283 |
| FHA/VA | 0.5 | 0.5 | (2.6) | (2.6) | 188 | 47 |
| Prime Hybrid | 6.5 | 6.5 | (48.3) | (48.6) | 3,456 | 330 |
| Prime Fix | 5.9 | 5.8 | (14.6) | (19.8) | 4,485 | (556) |
| ARMs | 0.5 | 0.5 | 1.4 | 1.6 | 353 | 17 |
| Subo[1] | 8.9 | 8.8 | (25.1) | (24.9) | 306 | |
| Residential Credit | 7.2 | 8.2 | (114.1) | (114.4) | 3,066 | |
| Alt A | 2.4 | 1.9 | 0.1 | (0.5) | 793 | |
| Subprime | 4.5 | 3.9 | (1.5) | (1.3) | 1,146 | |
| Second Lien | | | (1.2) | (1.2) | 69 | |
| Sub/Non-Performing | 2.7 | 1.8 | (31.2) | (31.1) | 747 | |
| Credit Residuals[2] | | | (80.2) | (80.2) | 320 | |
| [redacted] | | | | | | |
| SPG Trading | 74.8 | 111.0 | 136.5 | 174.9 | 3,817 | (1,468) |
| CMBS Securities | 19.7 | 15.8 | (47.5) | (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 | 80.5 | | -952 |
| Correlation Book | 42.6 | 37.2 | 177.6 | 161.6 | 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] | | | | | | |
| Europe Mortgage[3] | 0.5 | 0.5 | 0.0 | 0.0 | 1,147 | |

Note: (1) CF Pre VAR (2) Residuals aged

| | CF | NCF | Total |
|---|---|---|---|
| Resi Prime | 80.9 | 52.0 | 132.9 |
| Resi Credit | 181 | 169 | 320 |

| CDO |
|---|
| 25 |

Significant Risk Changes:

Acquisition Commitment scenario limit has been changed to $250 until 8/21
Mtg SPG desk Stress last temporary limit is $750mm (vs. permanent $500mm)
MTG SPG desk VaR limit has been changed to $110mm until 8/21

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660511.593

**From:** Mullen, Donald
**Sent:** Tuesday, August 21, 2007 7:47 PM
**To:** Cohn, Gary (EO 85830); 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 85830); Montag, Tom; Sherwood, Michael S; Forst, Edward (FIN PBC09); Evans, J. Michael (EO CKC68); McMahon, Bill; Viniar, David; Ruzika, Richard; Mullen, Donald; Elsler, 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 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) |

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[redacted]

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



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660511.595

**Footnote Exhibits - Page 3852**

**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 | [redacted] | [redacted] | [redacted] |
| Mortges | 85 | 84 | 42% |
| [redacted] | [redacted] | [redacted] | [redacted] |

[redacted] = Redacted by the Permanent Subcommittee on Investigations

95% VaR by Product Category ($mm)

| | 28-Aug | 27-Aug | % Contr |
|---|---|---|---|
| Trading | 135 | 138 | 100% |
| [redacted] | [redacted] | [redacted] | [redacted] |

Credit Scenario ($mm)

| | 28-Aug | 27-Aug | Limit |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| Mortges. | (398) | (397) | (750) |
| [redacted] | [redacted] | [redacted] | [redacted] |

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660511.596

Orign. (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]n 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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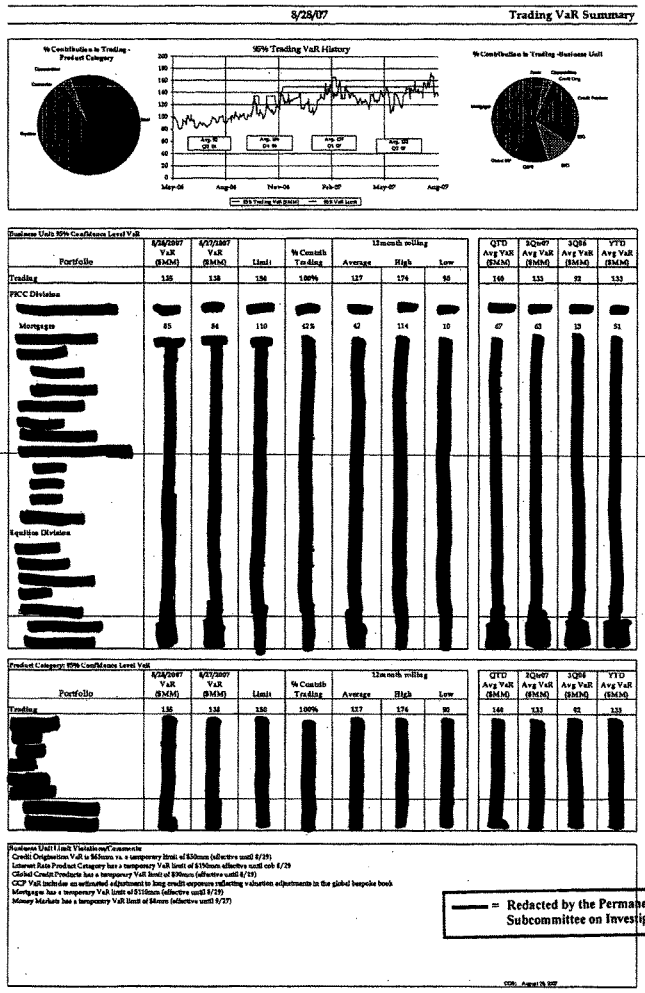




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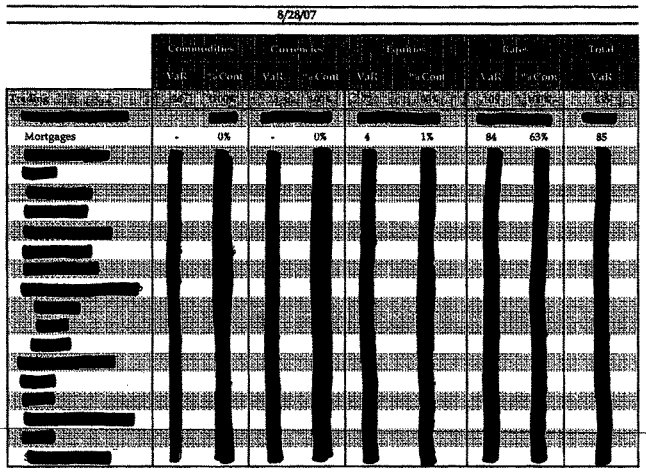


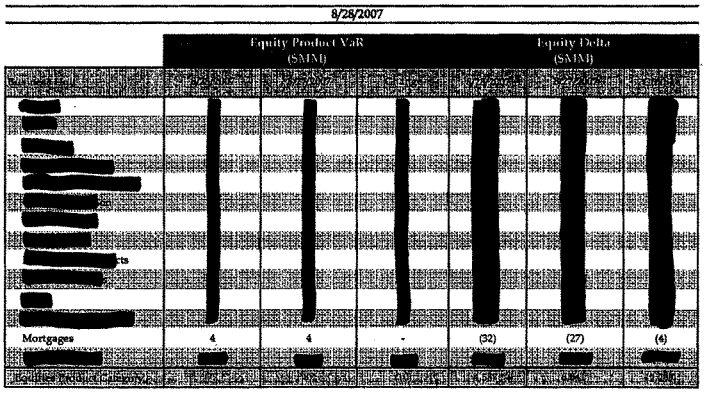


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08/28/07

## 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 Average | Rolling 12 Month High | Rolling 12 Month Low | Limit |
|---|---|---|---|---|---|---|---|
| Global Interest Rate Products | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Liquid Mortgage Products | (23) | (36) | (62) | (54) | (152) | (23) | (100) |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 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 | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| CDO | 0 | 0 | 0 | (36) | (104) | 1 | (100) |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Emerging Markets | [redacted] | [redacted] | [redacted] | | | | |
| [redacted] | [redacted] | [redacted] | [redacted] | | | | |
| Credit Trading | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Flow | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Prop | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Structured Credit | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Credit CDO Origination | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Municipals | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Global SSG | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 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 Originators: Impact includes single signature commitments; Absolute Fall '98 Spread Widening Impact is $3,063MM

COB: August 28, 2007

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Footnote Exhibits - Page 3857

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GS MBS-E-009716465

**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 |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| Mortges. | (389) | (395) | (800) |
| [redacted] | [redacted] | [redacted] | [redacted] |

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[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...

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660511.603

**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; Yunger, 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 |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| Mortges. | (375) | (387) | (800) |
| [redacted] | [redacted] | [redacted] | [redacted] |

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660511.604

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

2



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**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 by the Permanent Subcommittee on Investigations

95% VaR by Product Category ($mm)

| | 2-Oct | 1-Oct | % Contr |
|---|---|---|---|
| Trading | 169 | 177 | 100% |

Credit Scenario ($MM)

| | Oct-2 | Oct-1 | Limit |
|---|---|---|---|
| Mortges. | (404) | (388) | (800) |



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[redacted] [redacted] [redacted] [redacted]

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]m 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...

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660511.607

**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); 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 10/18/2007

**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 |
|---|---|---|---|
| [redacted] | [redacted] | [redacted] | [redacted] |
| Mortges. | (381) | (440) | (800) |
| [redacted] | [redacted] | [redacted] | [redacted] |

1

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[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.


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660511.609

**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]y 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...

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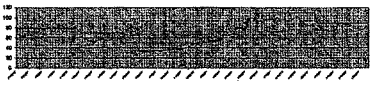
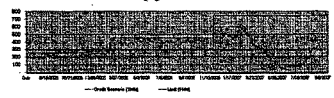
**Footnote Exhibits - Page 3867**

| Market Risk Report | 9/28/07 | Mortgage Portfolio Summary |
|---|---|---|

Mortgage VaR



Mortgage Credit Scenario



| Portfolio Name | VaR ($MM) 09/28/07 | VaR ($MM) 09/27/07 | %Contrib Mtg Desk | Stress Test ($MM) 09/28/07 | Stress Test ($MM) 09/27/07 | Cash MV (3) ($MM) | OAS DV01 ($M/bp) |
|---|---|---|---|---|---|---|---|
| Mortgage Structured Products | 79.7 | 83.6 | 100% | (379.2) | (349.2) | 34,593 | |
| Mortgage Derivative | 4.4 | 4.5 | 1% | (30.1) | (31.4) | 2,856 | (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) | (8.3) | 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 |
| Subs[1] | 15.6 | 15.6 | | (20.6) | (20.6) | 263 | |
| Residential Credit | 15.9 | 16.7 | -5% | (68.1) | (69.7) | 1,965 | |
| Alt 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 Synthetics | 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[1] | 0.5 | 0.5 | 0% | n/a | n/a | 1,329 | |

Note: (1) Subs portfolio rolls up to Real Credit for VaR. (2) On PNL VaR. (3) Represents MV of Cash exposure and Excludes hedges.

| | CF | NCF | Total |
|---|---|---|---|
| Real Prime | 47 | 49 | 96 |
| Real Credit | 87 | 68 | 155 |

| CDO Equity |
|---|
| 29 |

Significant Risk Changes:

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

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GS MBS-E-009926240

Goldman Sachs

# Global Mortgages
## Business Unit Townhall
## Q3 2007

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# 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 | % Change 3Q07 Versus 3Q06 |
|---|---|---|---|---|---|
| Net Revenues | 12,334 | 10,182 | 7,584 | 21 | 63 |
| Pre-Tax Earnings | 4,259 | 3,431 | 2,362 | 24 | 80 |
| Net Earnings | 2,884 | 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 | 84.66 | 81.30 | 67.87 | 4 | 25 |

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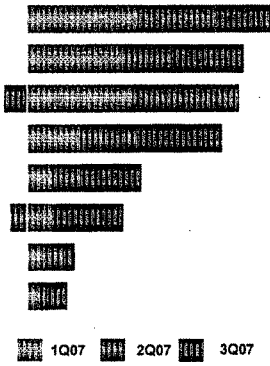
# FICC Business Unit

## 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)




| | 3Q07 vs 2Q07 | 3Q07 vs 3Q06 | YTD07 vs YTD06 |
|---|---|---|---|
| | +155% | +183% | +69% |
| | +39% | +19% | -(28)% |
| | NM | NM | -(14)% |
| | +47% | +137% | +23% |
| | +106% | NM | +57% |
| | NM | +152% | +6% |
| | -(46)% | +53% | +82% |
| | +84% | +65% | +24% |
| Total Revenues | +51% | +83% | +15% |

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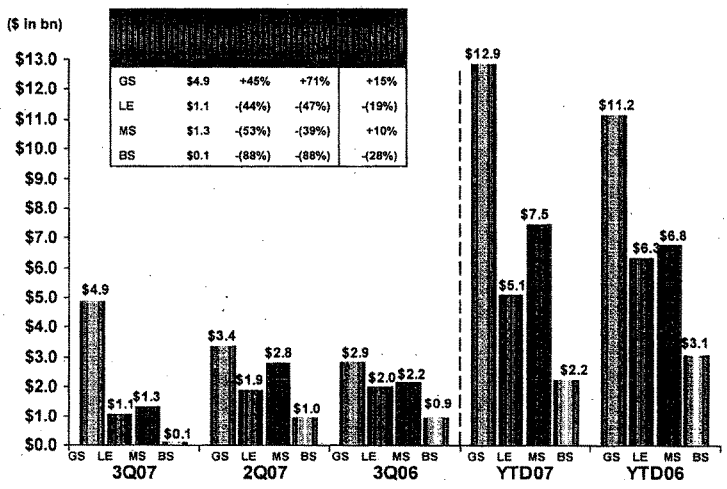
# Q3 2007 FICC Competitor Analysis

(as externally reported)

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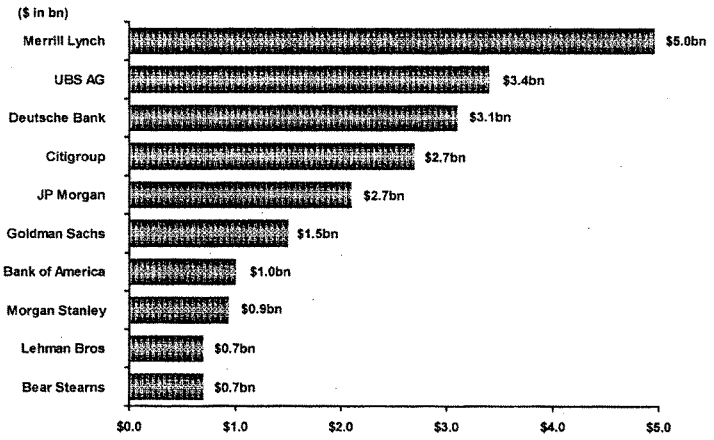
# Q3 2007 FICC Competitor Analysis

**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)

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# 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

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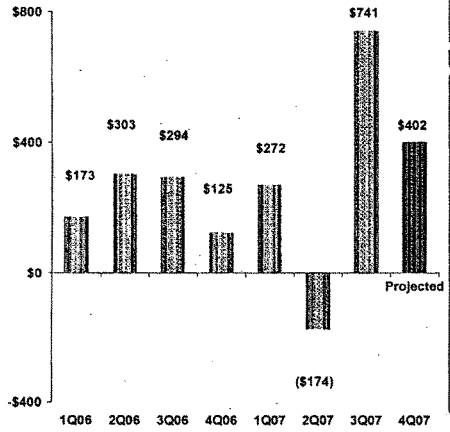
[redacted] = Redacted by the Permanent Subcommittee on Investigations

# Q3 2007 Global Mortgages Revenues

(Quarterly Performance)

($ in mm)




**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]

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GS MBS-E-013668610

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# 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** | ■ Shut down residential mortgage warehouses<br>■ Reduced loan positions<br>■ Increased protection for disaster scenarios |
| **Q2 2007** | ■ Shut down CDO warehouses<br>■ Took significant mark to market losses<br>■ Reduced loan purchases<br>■ Reduced counterparty exposure |
| **Q2 2007 and Q3 2007** | ■ Positioned business tactically<br>– Shorted synthetics<br>– Reduced loan and security purchases<br>– Shorted CDOs and RMBS<br>– Increased long correlation position<br>– Reduced long inventory |
| **Q3 2007** | ■ Actively managed risk exposure to hedge funds |
| **Q3 2007 and Q4 2007** | ■ Significant covering of short positions<br>■ Opportunistically looking to buy assets |

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Goldman Sachs

# Looking Ahead

**Global Mortgages Business Initiatives**

- Litton Acquisition
- Home Price Derivatives
- Brazilian Mortgage Business
- European Residential Mortgage Business
- Synthetics & Correlation Trading
- Reverse Mortgages

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# Closing Remarks

**Q4 2007**

## Finish Strong

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**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.



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660511.624

[redacted] = Redacted by the Permanent Subcommittee on Investigations

**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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660511.625

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GS MBS-E-009653854

[redacted] = Redacted by the Permanent 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]
- [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]

1

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660511.628

**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 | -2-14i | 989 / 879 | +67.2 | 25x 25 | |

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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**

Goldman Sachs

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**To:**

| | |
|---|---|
| Chris Cole | Craig Broderick |
| Michael Sherwood | Mike Esposito |
| Andy Chisholm | John Rafter |
| Alex Dibelius | Michael Daffey |
| Ed Forst | Stefan Green |
| Richard Gnodde | Matthew Westerman |
| Jon Sobel | Yusuf Aliredha |
| Ken Wilson | Chris Barter |
| Yoel Zaoui | Philip Holzer |
| David Solomon | Todd Leland |

**Cc:**

| | |
|---|---|
| Christoph Stanger | Bernhard Herdes |
| Luigi Rizzo | Christoph Hansmeyer |
| Peter Kimpel | Tilo Dresig |

**From:**

| **IBD Financing** | **FICC Sales** | **Credit** |
|---|---|---|
| Raphael Heynold | Christoph Gugelmann | Philip Kahre |
| Michael Poppel | Peter Biendarra | Martin Ettl |
| Jörg Pietzner | | |

**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.

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*Wall Street & The Financial Crisis*
Report Footnote #1998

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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 trough 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.

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II. Overview of German Banks' Exposure to US Subprime

| Bank | On B/S[2] | Conduits | Structured Credit Investments (€bn) Vol[1] | Top Two Liquidity Providers | SIVs | Vol[2] | Comments on Subprime Exposure |
|---|---|---|---|---|---|---|---|
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| Deutsche Bank | ✓ | Aspen Funding Corp<br>Silic Securitisation Ltd<br>Gemini Securitisation Corp LLC<br>Newport Funding Corp<br>Rhetngold Securitisation Ltd<br>Rhein-Main Securitisation Ltd<br>*Sub Total* | 2,867 Deutsche ($3.7bn)<br>69 Deutsche ($1.9bn)<br>10,782 Deutsche ($19.4bn)<br>3,400 Deutsche ($3.7bn)<br>6,816 Deutsche ($49.7bn)<br>7,795 Deutsche ($17.2bn)<br>*31,731* | | | | According to press reports, Deutsche did not comment on their subprime exposures, but said since it's first signs of an overheated market in 2002 they had "strongly reduced" their exposure to subprime. |
| [redacted] | ✓ | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| HVB | o | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| IKB | ✓ | Rhineland Funding Capital Corp | 17,823 IKW ($11.6bn), private banks ($5.8bn) | | Rhinebridge plc | | Was bailed out by KfW and bank consortium, which took over liquidity lines and provided guarantee fund. |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | o | [redacted] | [redacted] | [redacted] | | | [redacted] |
| [redacted] | ✓ | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

*Source: Annual reports, press reports*



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### III. Our Understanding of the Issues

- Heavy Mark-to-Market losses on assets on-balance sheet (including junior notes serving as credit enhancement to conduits) have potentially lead to impairment treatment of the assets, requiring banks to mark them at current low levels even when currently treated as held-to-maturity, leading to substantial losses in the next income statements if the situation persists
- ABCP markets have dried out, leaving Asset Backed Conduits without funding on CP redemption dates such that the liquidity providers have to step in, effectively bringing the assets in the conduit onto the liquidity provider's balance sheet
  - — As this transfer happens at par, this may, depending on accounting treatment, result in an immediate Mark-to-Market loss
  - — The increase in Total RWAs on the balance sheet of the liquidity provider might stress their capital ratios further
  - — As liquidity is currently very tough to get (so bad that the ECB had to provide extra liquidity in open market operations – €94bn on 9 August, €61bn on 10 August – while the Fed gave $69bn liquidity this week, up from average weekly levels of $50bn), the drawdown of a liquidity line might also create a liquidity issue
  - — Irrespective of short-term accounting/consolidation changes, we believe that auditors will review all conduits/SIVs closely at year end and may change their consolidation opinion

### IV. Goldman Sachs' Exposures to these Institutions

- Direct exposures:

| Counterparty | T1 Equity ($ mm) | CCE ($ mm) | Max. CPE < 6 mths | Max. CPE > 6 mths | Comments |
|---|---|---|---|---|---|
| [redacted] | | | | | |
| [redacted] | | | | | |
| [redacted] | | | | | |
| [redacted] | | | | | |
| [redacted] | | | | | |
| [redacted] | | | | | |
| IKB | 2,106 | 7 | 10 | 4 | GS calling for 5mm collateral |
| [redacted] | | | | | |
| [redacted] | | | | | |

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**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



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660511.635

**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.

Goldman Sachs International
Peterborough Court | 133 Fleet Street | London EC4A 2BB
Tel: +44-20-7051-6588 | Fax: +1-212-493-0106 | Cell: +1-917-[redacted]
Email: fabrice.tourre@gs.com

Goldman Sachs

**Fabrice Tourre**
Structured Products Trading

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***Wall Street & The Financial Crisis***
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660511.636

**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)



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660511.637

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 ([redacted]) 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.

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**



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660511.638

Goldman Sachs

Date: December 13th, 2006

To: Firmwide Risk Committee

Re: December 13th FRC Minutes

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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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660511.639

*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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660511.640

**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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[redacted]

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660511.642

**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



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660511.643

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.

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660511.644

**From:** Sparks, Daniel L
**Sent:** Wednesday, March 07, 2007 7:21 AM
**To:** Sparks, Daniel L
**Subject:** Risk Comm

[redacted]

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 lond time

Not just mark-to-market, as many things aren't marked or are is dfficult 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

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660511.645

**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

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VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01648 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.646

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 | -105,284 |
| Subprime BBB- | 134,653 | -141,734 | -2,618 |

So in theory, 95903 and 95902 single names are almost perfectly hedged against parallell 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



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660511.647

**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

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 ?

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From: Yu, Peng
Sent: Monday, January 29, 2007 7:12 PM
To: Yu, Peng; Tourre, Fabrice; Kaufman, Jordan
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

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| Subprime BBB | 171,533 | -152,437 | -105,284 |
| Subprime BBB- | 134,653 | -141,734 | -2,618 |



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660511.648

So in theory, 95903 and 95902 single names are almost perfectly hedged against parallell 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



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660511.649

**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.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- Original Message -----
From: Tourre, Fabrice
To: Egol, Jonathan
Sent: Sun Feb 11 18:57:55 2007
Subject: RE: Index Tranche Pricing Study - 08Feb07.xls

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 CDO^2 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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660511.650

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-mtgcorr-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-mtgcorr-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).



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Here's the updated one (with two graphs).

Please use this one instead.

<<Index Tranche Pricing Study - 08Feb07.xls>>



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660511.652

**From:** Tourre, Fabrice
**Sent:** Tuesday, February 20, 2007 12:10 PM
**To:** Egol, Jonathan
**Subject:** Re:

LDL

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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".

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Sent from my BlackBerry Wireless Handheld



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660511.653

**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 Ip 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.

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GS MBS-E-009685430

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660511.654

**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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660511.656

**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]

85 Broad Street, 11th Fl.
New York, NY 10004

[redacted] = Redacted by the Permanent Subcommittee on Investigations

----- 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



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Report Footnote #2022

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660511.657

Manju- we'd like to call the co as soon as possible (ideally now; they were expecting to hear back from us re: our prinicipal 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 buyside 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

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660511.658

**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

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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] 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.

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660511.659

**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; Pia, Carlos (MB PBC04); Campbell, Tim (MB PBC04); Campbell, Roy; Dagtoglou, Ion; Ederer, Matthias; matthew.sebagmonteflore@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

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660511.660

**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 shelfs) and then hiring us to find reasons to put back delinquent loans -- this enhances their residuals and also

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660511.661

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 are road map and sample reports we have found helpful in negotiations.

Hope all is well -- again thanks for the business.

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660511.662

**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

**Christopher M. Gething**
Fixed Income Currency and Commodities
Structured Products (Mortgages) Group

Goldman Sachs

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

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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

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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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660511.664

W/[redacted]K on NC2 we need to not halt that entirely but should pull back resources there. We should also move 06FM2 up the priority list.

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**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

[redacted] = **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]
  - [redacted]
  - [redacted]
  - [redacted]





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- 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 | 437 |
|---|---|---|---|---|---|---|
| | # | $ | % # | % $ | # | $ |
| 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 | 437 |
|---|---|---|---|---|---|---|
| | # | $ | % # | % $ | # | $ |
| 0-30 | 651 | 137,162,122 | 16.46% | 17.17% | 2892 | 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

3



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660511.666

**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*
727-825-3844

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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.



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660511.667

**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

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 posession 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 securtization 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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660511.668

**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...

Goldman, Sachs & Co.
100 Second Avenue South, Suite 200S | St. Petersburg, FL 33701
Tel: 727.820.8519 | Fax: 917.977.3022 | Cell: 813[redacted]
E-mail: ed.chavez@gs.com

Goldman Sachs

**Edward B. Chavez**
Fixed Income, Currency & Commodities

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Chavez, Ed.vcf





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660511.670

**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 accredtied 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



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660511.671

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 prefferred 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 offfset 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.



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660511.672

**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.gething@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

[redacted] = Redacted by the Permanent Subcommittee on Investigations

********
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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660511.673

**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.....

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660511.674

**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) | % Fremon |
|---|---|---|---|---|
| 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 | |



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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 | | $ 54,403,134 | $ 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 | $967,568,764.00 | $ 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 | | | |



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| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 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.
85 Broad Street, New York, NY 10004
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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
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email: deana.knox@gs.com
**Deana C. Knox** - Vice President
Fixed Income Currency and Commodities
Goldman Sachs

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Permanent Subcommittee on Investigations
*Wall Street & The Financial Crisis*
Report Footnote #2053

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GS MBS-E-019645932

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660511.678

**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



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01681 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.679

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!



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660511.680

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
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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.



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-----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 stips 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



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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
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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,



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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



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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)



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[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]

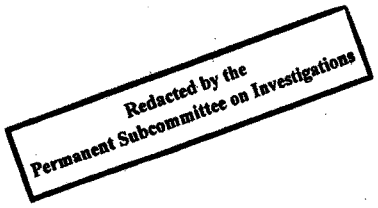
WFALT 05-2 is on negative watch

---

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:



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MEMORANDUM

Goldman Sachs

**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.

3.

Redacted by the Permanent Subcommittee on Investigations

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

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# 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.

## 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 |

## 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: | 88.84% |
| Weighted Average FICO: | 628 |
| Owner Occupied: | 93.43% |
| Purchase: | 33.54% |
| 1st Lien: | 94.39% |
| Silent Seconds: | 5.22% |
| Condos: | 4.45% |
| Single-Family and PUD: | 86.12% |
| Full Documentation: | 62.30% |
| Interest Only: | 5.10% |
| Geographic Distribution: | CA: 27.48%<br>FL: 13.18%<br>NY: 10.04% |
| 40 Year Loans: | 10.21% |

## Time Table

| | |
|---|---|
| Expected Settlement: | February 22, 2007 |
| Cut-off Date: | February 1, 2007 |
| First Distribution Date: | March 26, 2007 |
| Distribution Date: | 25th 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 |

## 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** |

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Report Footnote #2056

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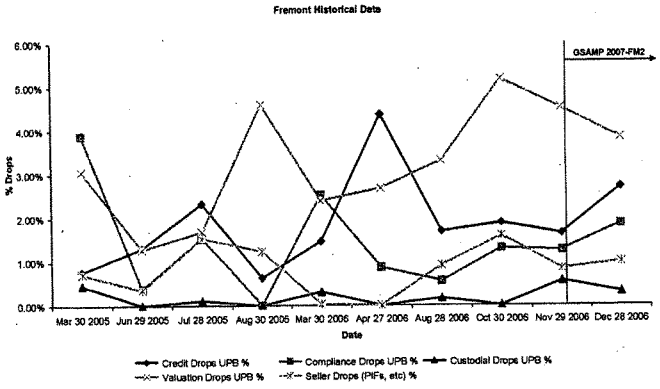
**Due Diligence Results**

The table below summarizes the due diligence scope and results for the Fremont positions purchased on December 28, 2006.

| | | Drops as % of the Pool | | | | | | Credit / Compliance Sampling | | | BPO Sampling | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Settlement | Deal % | 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**




**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



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MEMORANDUM

**To:** Capital Committee

**From:** Matt Nichols
Michelle Gill
Michael Dente

**CC:** Dan Sparks
Kevin Gasvoda
David Stiepleman
Sang Kim
Joan Tom
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 | $768 | 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% |



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| 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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**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.burke1@wachovia.com>
To: Davilman, Andrew
Cc: Fiordaliso, Matthew <matthew.fiordaliso@wachovia.com>; Burke, James <james.burke1@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,

FINALGSAMP2006S3FWP.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 ternsheet.
* 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



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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[redacted]
fax: 212-214-8971
james.burke1@wachovia.com

[redacted] = Redacted by the Permanent Subcommittee on Investigations

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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>> <<FINALGSAMP200683FWP.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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Daniel L. Sparks
Goldman, Sachs & Co.
(212) 902-2914 (o)
(917) [redacted]

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**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 CDO^2 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

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85 Broad Street | New York, NY 10004
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e-mail: david.lehman@gs.com

Goldman
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**David Lehman**
Fixed Income, Currency & Commodities

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660511.697

**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

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660511.698

**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. Ie 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; Comacchia, 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 |



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| | | | | | | |
|---|---|---|---|---|---|---|
| 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 |
|---|---|---|---|---|---|---|
| Hudson Mezz 1 | | | | | | |
| 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 |
| High grade BBBs | | | | | | |
| 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 & 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

Goldman Sachs

**David Lehman**
Fixed Income, Currency & Commodities

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**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?



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**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



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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?



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**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.



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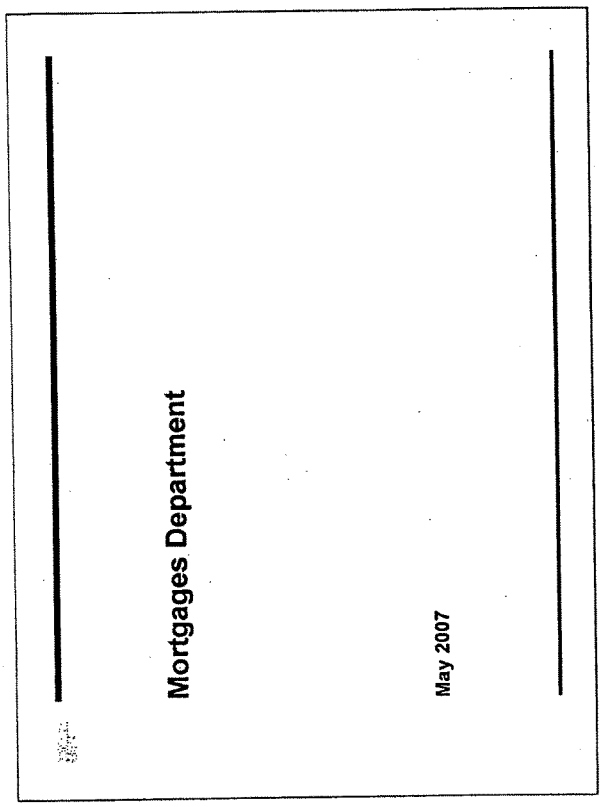


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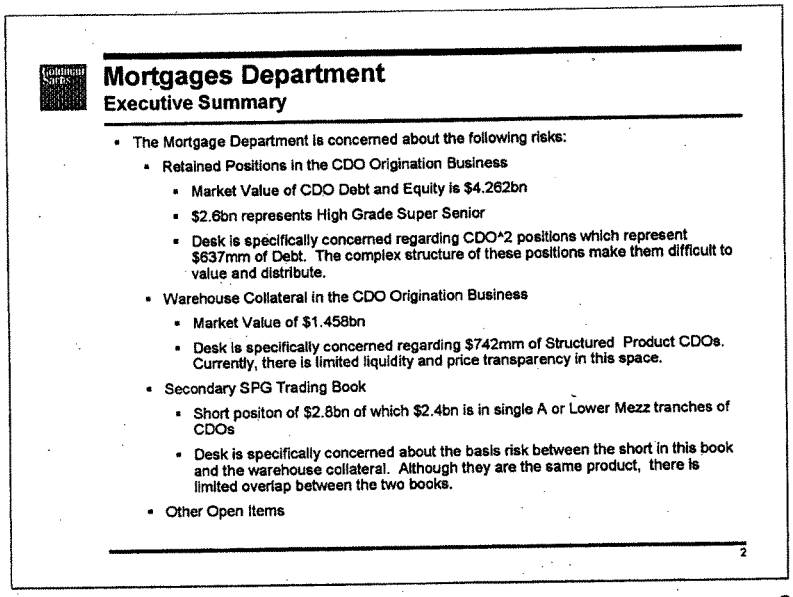

## Mortgages Department
### Executive Summary

- 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 CDO^2 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 positon 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

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## 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 CDO^2 positions, which is comprised of the recent Timberwolf and Point Pleasant transactions. Details listed below:

| [illegible] | Deal | WAS | 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

3





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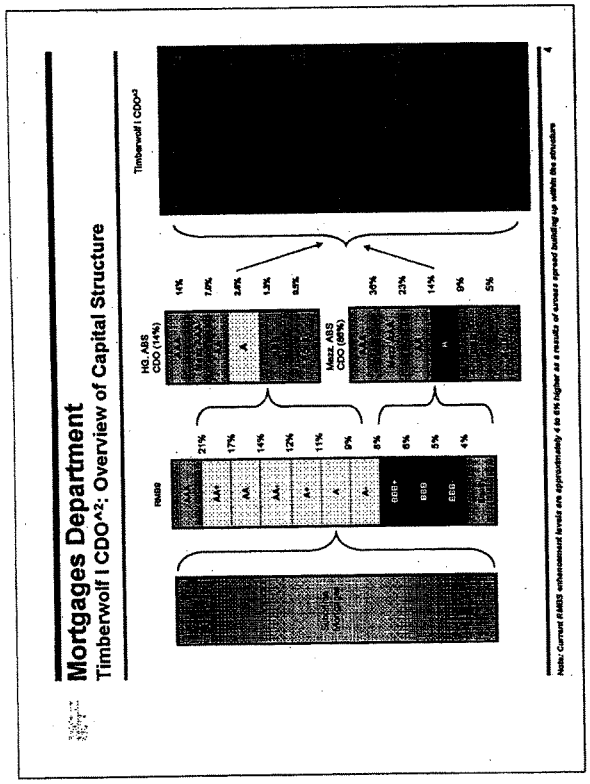




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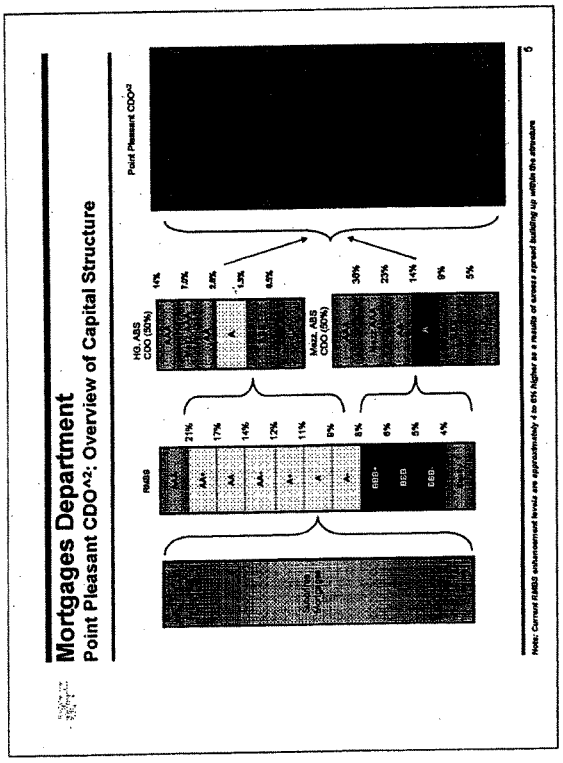


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## Mortgages Department
### Warehouse Positions

- 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] | | |
| 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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## Mortgages Department

### Secondary SPG Trading

- Over the past year the Secondary trading desk has built a short positon 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 followoing 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

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## Mortgages Department
### SPG Trading Valuation Methodology

- CDO^2
  - 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 - CDO^2
  - 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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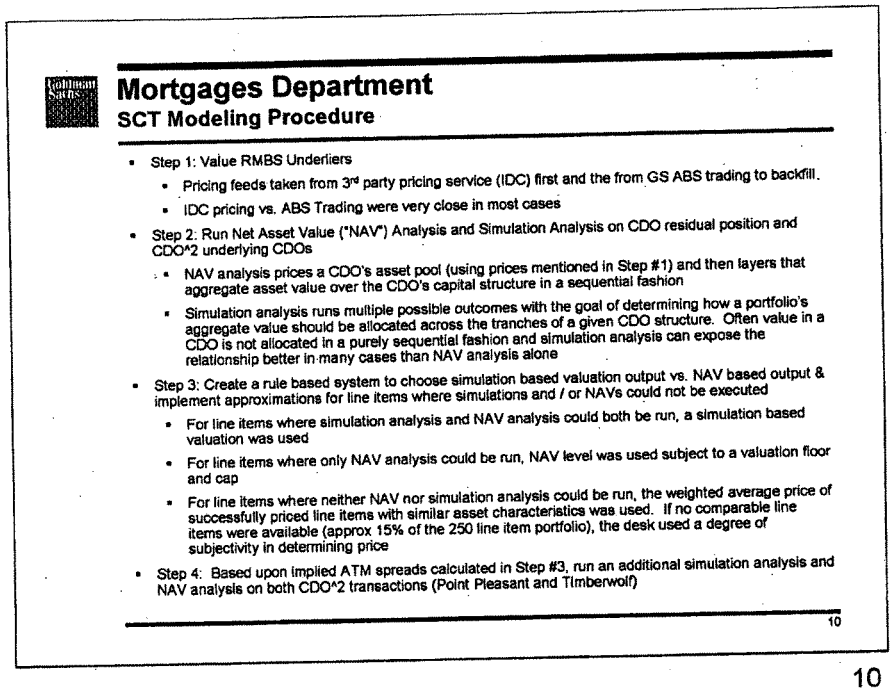

## Mortgages Department
### SCT Modeling Procedure

- 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 CDO^2 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 CDO^2 transactions (Point Pleasant and Timberwolf)

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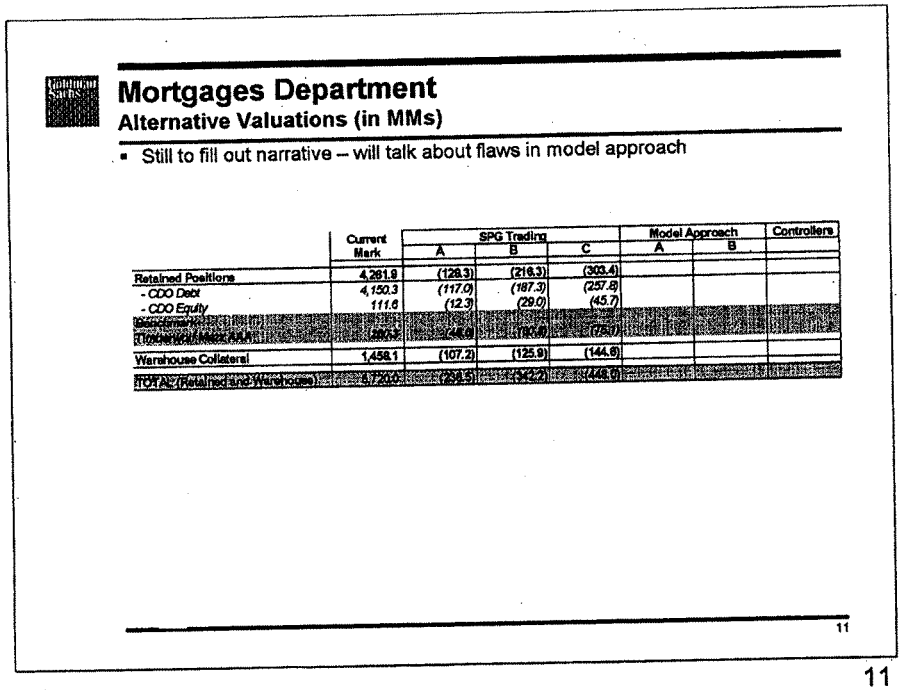

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## Mortgages Department

### Alternative Valuations (in MMs)

- Still to fill out narrative – will talk about flaws in model approach

| | Current Mark | SPG Trading A | SPG Trading B | SPG Trading C | Model Approach A | Model Approach B | Controllers |
|---|---|---|---|---|---|---|---|
| Retained Positions | 4,261.9 | (129.3) | (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) | | | |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | | | |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | | | |
| Warehouse Collateral | 1,458.1 | (107.2) | (125.9) | (144.8) | | | |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | | | |

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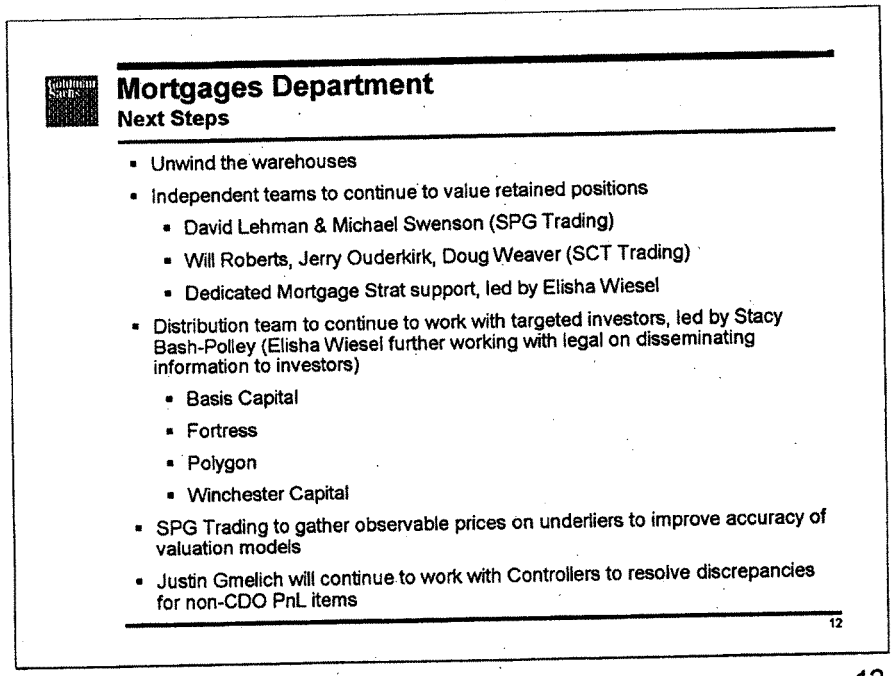

## Mortgages Department
### Next Steps

- 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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## Mortgages Department
### 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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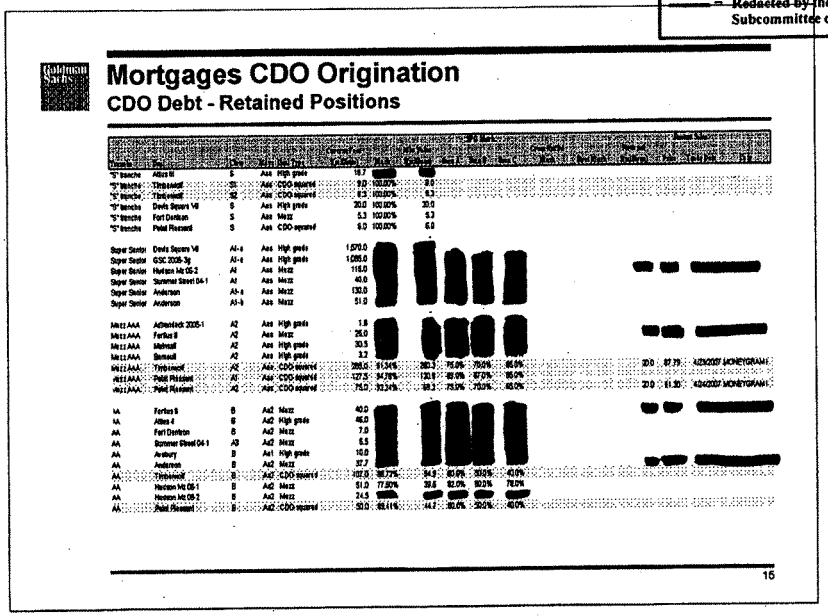


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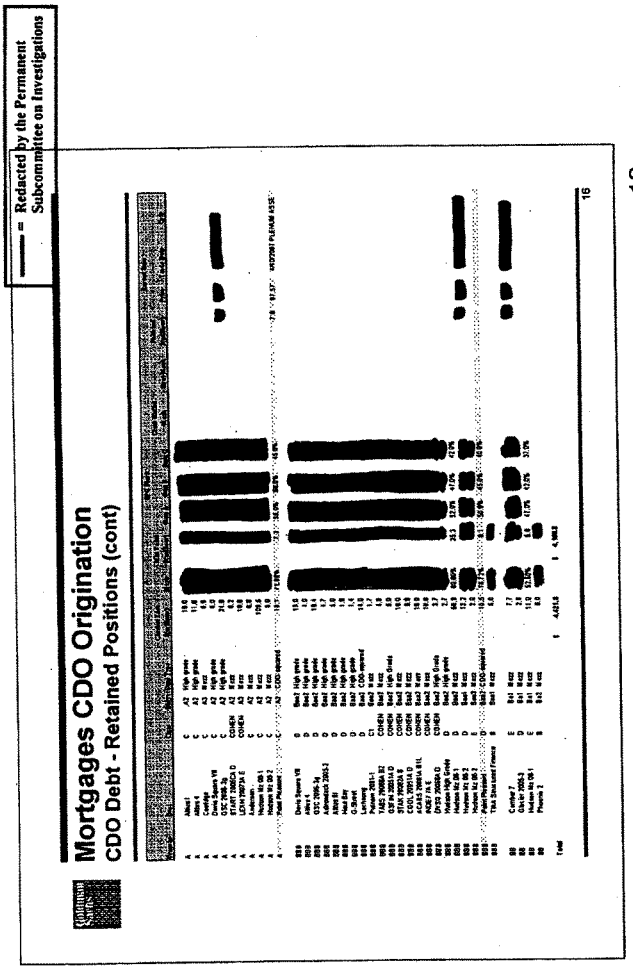




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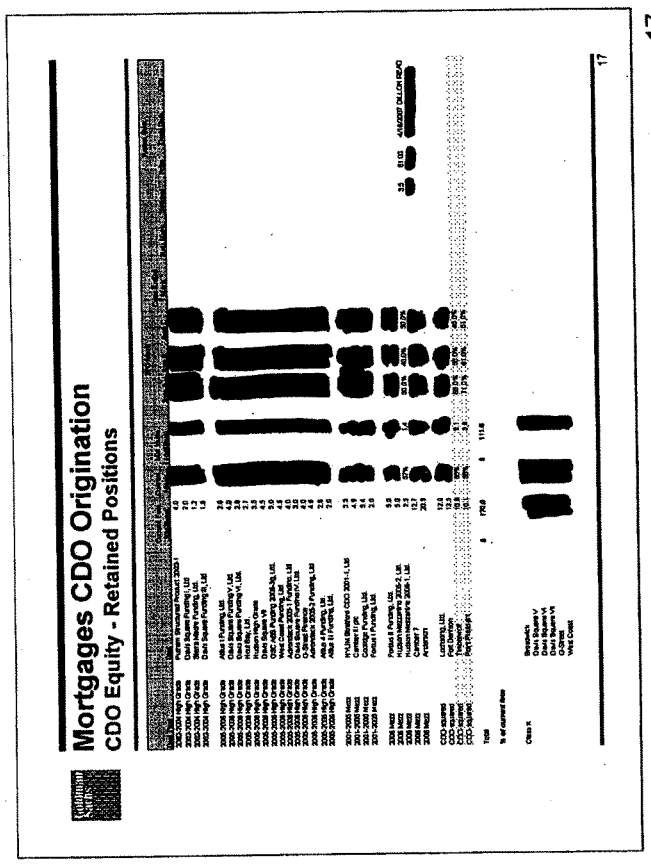


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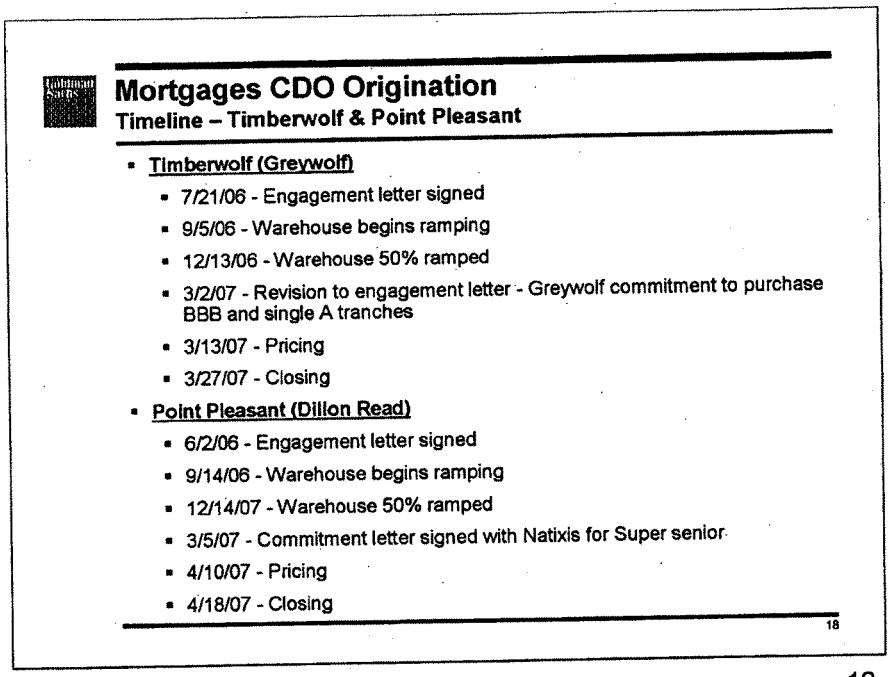

## Mortgages CDO Origination
### Timeline – Timberwolf & Point Pleasant

- **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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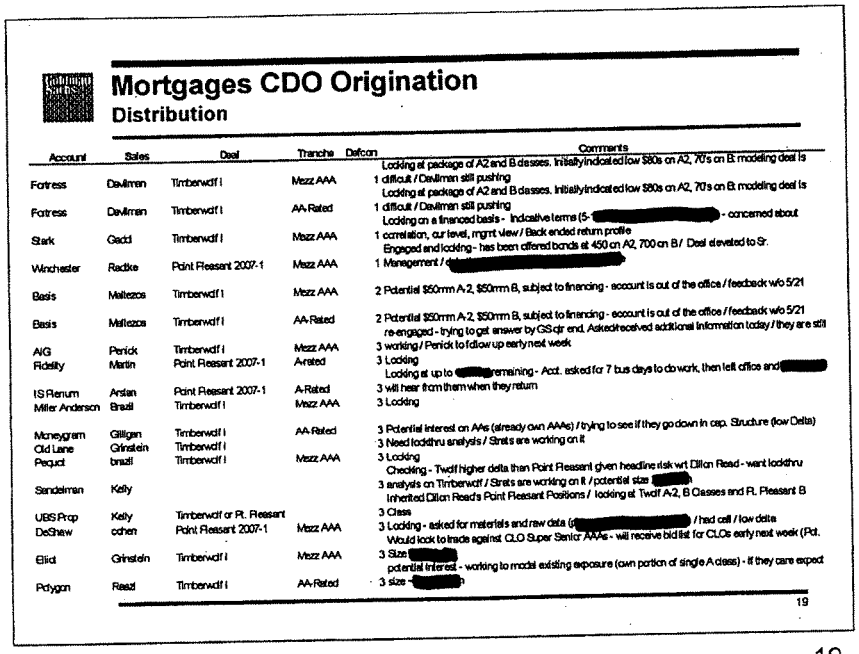

Goldman Sachs

# 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 |
| Fortress | Davilman | Timberwolf I | Mezz AAA | 1 | difficult / Davilman still pushing<br>Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B; modeling deal is |
| Fortress | Davilman | Timberwolf I | AA-Rated | 1 | difficult / Davilman still pushing<br>Looking on a financed basis - Indicative terms (5- [redacted] - concerned about |
| Stark | Gadd | Timberwolf I | Mezz AAA | 1 | correlation, cur level, mgmt view / Back ended return profile<br>Engaged and looking - 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 | 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<br>re-engaged - trying to get answer by GS cjr end. Asked/received additional information today / they are still |
| AIG | Penick | Timberwolf I | Mezz AAA | 3 | working / Penick to f/dlow up early next week |
| Fidelity | Martin | Point Pleasant 2007-1 | A-rated | 3 | Locking<br>Locking at up to [redacted] remaining - Acct. asked for 7 bus days to do work, then left office and [redacted] |
| IS Plenum | Arslan | Point Pleasant 2007-1 | A-Rated | 3 | will hear from them when they return |
| Miller Anderson | Brasil | Timberwolf I | Mezz AAA | 3 | Locking |
| 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 lockthru analysis / Strats are working on it |
| Pequot | brazil | Timberwolf I | Mezz AAA | 3 | Locking<br>Checking - Twolf higher delta than Point Pleasant given headline risk wt Dillon Read - want lockthru |
| Sandelman | Kelly | | | 3 | analysis on Timberwolf / Strats are working on it / potential size [redacted]<br>Inherited Dillon Read's Point Pleasant Positions / looking at Twolf A-2, B Classes and Pt. Pleasant B |
| UBS Prop | Kelly | Timberwolf or Pt. Pleasant | | 3 | Class |
| DeShaw | cohen | Point Pleasant 2007-1 | Mezz AAA | 3 | Locking - asked for materials and new data ([redacted] / had call / low delta<br>Would look to trade against CLO Super Senior AAAs - will receive bid list for CLOs early next week (Pt. |
| Elliot | Grinstein | Timberwolf I | Mezz AAA | 3 | Size [redacted]<br>potential interest - working to model existing exposure (own portion of single A class) - if they care expect |
| Polygon | Read | Timberwolf I | AA-Rated | 3 | size - [redacted] |

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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 @ +600 - 1000dm for mezz AAA |
| Elliot | Grinstein | | | 4 | Focused on anderson Equity |
| | | | | | evaluating Pt Pleasant A-1 vs. [redacted] evaluating |
| Harvard | Redfoe | Point Pleasant 2007-1 | Mezz AAA | 4 | counter / Redfoe 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 - would only look |
| JPM Prop | Verrochi | | | 4 | vs. protection |
| Marathon | Kreitman | | | 4 | |
| MS Prop | Martin | Timberwolf I | Mezz AAA | 4 | will do work in the L+600-1000 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 Breedon | martin | | | 4 | Start work @ +600 - 1000dm for mezz AAA |
| Zais | Grinstein | Point Pleasant 2007-1 | Mezz AAA | 4 | potential - will likely be slower with feedback |
| Lehman AVM | 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 first CO Portfolio |
| | | | | | Looking - [redacted] - small size if they care |
| Vanderbilt | Gadd | Timberwolf I | | | |
| Hyperion | Willing | Timberwolf I | | 4 | Looking - Credit enhancement is thin / Concerned about rating Agency correlation report / likes discount |
| Peramex | Matthias | Point Pleasant 2007-1 | Mezz AAA | 4 | Very Low Delta |
| Peramex | 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 | Verocchi | Point Pleasant 2007-1 | Mezz AAA | 4.5 | Low Delta - Can't model CDO^2 |
| Harding | Hornbeck | 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, Timberwolf more likely than Point Pleasant given headline risk wt 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 | Matteos | 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] |







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660511.724

| | |
|---|---|
| **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

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660511.725

**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

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Report Footnote #2090

**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

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**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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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] in notionasl), have been [redacted] in comp lately

Harvard tier 2.5 - got creamed on [redacted] trade with us (they [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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660511.728

**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 (CDO^2). 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

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**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 2:35 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 lengthly 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)



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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 (Iobou)
Passport
Balpost
Elliott
Pennant
Perry



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**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

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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



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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.



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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'



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``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



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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



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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



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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



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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



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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 --





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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





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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





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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.





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`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





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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



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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,''



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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 Mirenda 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.





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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. Mirenda 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



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# Mortgages CDO Origination

## Retained Positions & Warehouse Collateral

**May 2007**

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# Mortgages CDO Origination

## Executive Summary

- Based upon the inability to place the liabilities of the Timberwolf and Point Pleasant CDO^2 transactions, the Mortgage trading desk assessed the current valuation of retained positions and the ability to securitize current CDO^2 warehouse collateral.
- The inability to securitize CDO^2 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) |



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## 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) |
| [redacted] | | | | |
| **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 CDO^2 structures ($(159.3)mm – 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.

3

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[redacted] = 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:

| | | A | | B | | C | |
|---|---|---|---|---|---|---|---|
| Sector | Market Value($mm) | 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



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## Mortgages CDO Origination

### CDO Origination Risk vs. SPG Trading Risk

- Origination – Long 2.6bn of CDO Risk
  - Our CDO^2 collateral was ramped prior to the market widening and marked to model – average ramp period is 6-9 months
  - Our CDO^2 deals, Timberwolf and Point Pleasant, priced in March with demand only for the super senior tranche
  - The complexity of the CDO^2 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



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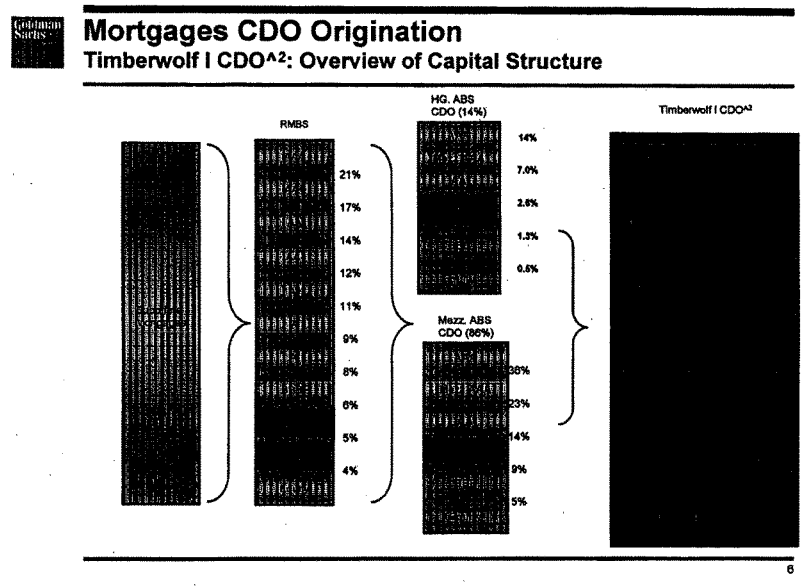




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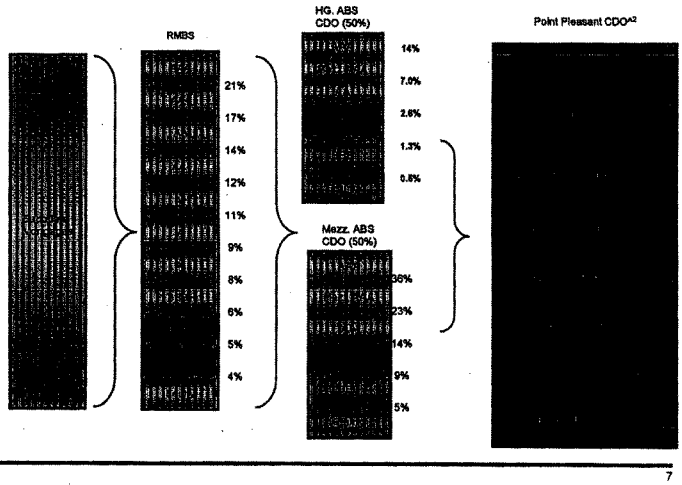
## Mortgages CDO Origination

### Point Pleasant CDO^2: Overview of Capital Structure

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GS MBS-E-010973181

## 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



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# Mortgages CDO Origination

## Anticipated Writedowns (in MMs)

| | | | | | |
|---|---|---|---|---|---|
| **Retained Positions** | (117) | (187) | (258) | | |
| **Warehouse*** | (126) | (126) | (126) | (126) | (126) |
| **Total** | **(243)** | **(313)** | **(384)** | **(126)** | **(126)** |

* Warehouse p&i shown using scenario B level of $126mm



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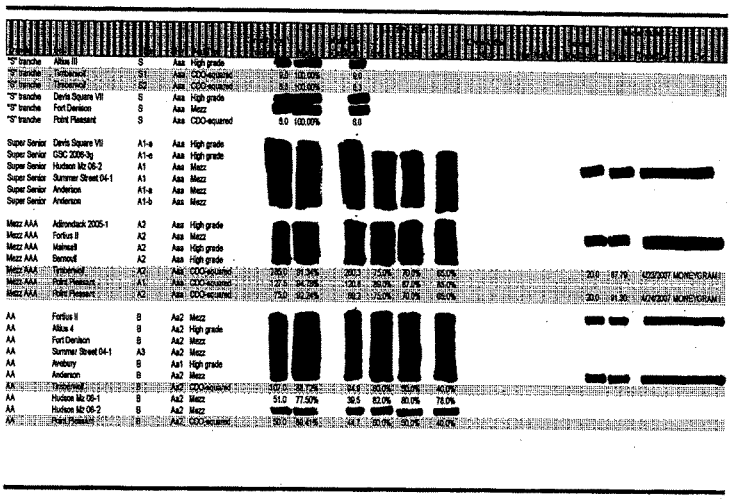
# Mortgages CDO Origination

## CDO Debt - Retained Positions



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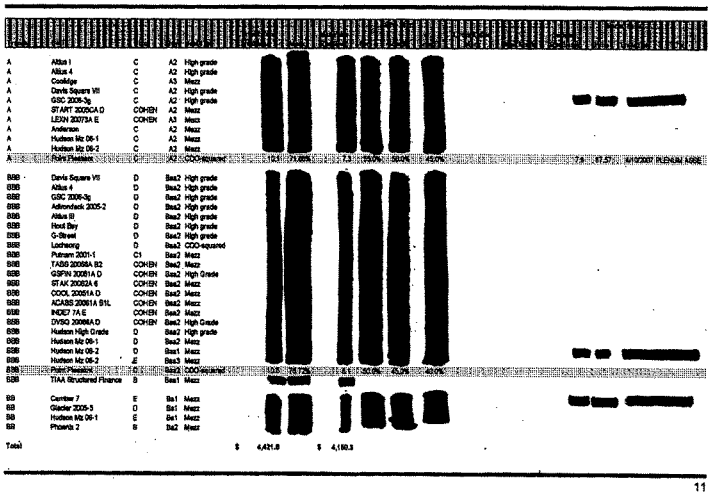
# Mortgages CDO Origination

## CDO Debt - Retained Positions (cont)



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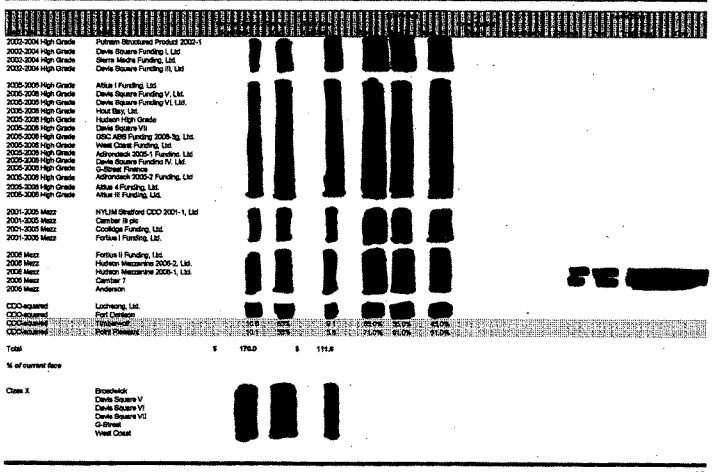
# Mortgages CDO Origination

## CDO Equity - Retained Positions



| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2002-2004 High Grade | Putnam Structured Product 2002-1 | | | | | | | |
| 2003-2004 High Grade | Davis Square Funding I, Ltd | | | | | | | |
| 2003-2004 High Grade | Sierra Madre Funding, Ltd. | | | | | | | |
| 2002-2004 High Grade | Davis Square Funding III, Ltd | | | | | | | |
| 2005-2006 High Grade | Altius I Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding V, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding VI, Ltd. | | | | | | | |
| 2005-2006 High Grade | Hout Bay, Ltd. | | | | | | | |
| 2005-2006 High Grade | Hudson High Grade | | | | | | | |
| 2005-2006 High Grade | Davis Square VII | | | | | | | |
| 2005-2006 High Grade | GSC ABS Funding 2006-3g, Ltd. | | | | | | | |
| 2005-2006 High Grade | West Coast Funding, Ltd | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-1 Funding, Ltd | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding IV, Ltd. | | | | | | | |
| 2005-2006 High Grade | G-Street Finance | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-2 Funding, Ltd | | | | | | | |
| 2005-2006 High Grade | Altius II Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Altius III Funding, Ltd. | | | | | | | |
| 2001-2005 Mezz | NYLIM Stratford CDO 2001-1, Ltd | | | | | | | |
| 2001-2005 Mezz | Camber III plc | | | | | | | |
| 2001-2005 Mezz | Coolidge Funding, Ltd. | | | | | | | |
| 2001-2005 Mezz | Fortius I Funding, Ltd. | | | | | | | |
| 2006 Mezz | Fortius II Funding, Ltd. | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-2, Ltd. | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-1, Ltd. | | | | | | | |
| 2006 Mezz | Camber 7 | | | | | | | |
| 2006 Mezz | Anderson | | | | | | | |
| CDO-squared | Lockwong, Ltd. | | | | | | | |
| CDO-squared | Fort Denison | | | | | | | |
| CDO-squared | Timberwolf | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| CDO-squared | Point Pleasant | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Total | | $ 176.0 | $ 111.8 | | | | | |
| % of current face | | | | | | | | |
| Class X | Brookwick | | | | | | | |
| | Davis Square V | | | | | | | |
| | Davis Square VI | | | | | | | |
| | Davis Square VII | | | | | | | |
| | G-Street | | | | | | | |
| | West Coast | | | | | | | |

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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



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## Mortgages CDO Origination
### Additional PnL Items

| | Desk Estimate | Controller Estimate |
|---|---|---|
| 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 |



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## 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)* | *(146)* |

**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)* |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| *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)* |
| [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |

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# Mortgages CDO Origination
## Distribution

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| | | | | | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B: modeling deal is |
| ortress | Davilman | Timberwolf I | Mezz AAA | 1 | difficult / Davilman still pushing |
| | | | | | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B: modeling deal is |
| ortress | Davilman | Timberwolf I | AA-Rated | 1 | difficult / Davilman still pushing |
| ark | Gadd | Timberwolf I | Mezz AAA | 1 | Looking on a financed basis - Indicative terms [redacted] - concerned about correlation, our level, mgmt view / Back ended return profile |
| Anchester | 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 |
| IG | Penick | Timberwolf I | Mezz AAA | 3 | re-engaged - trying to get answer by GS qtr end. Asked/received additional information today / they are still working / Penick to follow up early next week |
| idelity | Martin | Point Pleasant 2007-1 | A-rated | 3 | Looking |
| | | | | | Looking at up to [redacted]n remaining - Acct. asked for 7 bus days to do work, then left office and is in [redacted] |
| Plenum | Arslan | Point Pleasant 2007-1 | A-Rated | 3 | will hear from them when they return |
| filler Anderson | Brazil | Timberwolf I | Mezz AAA | 3 | Looking |
| foneygram | 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) |
| ld Lane | Grinstein | Timberwolf I | | 3 | Need lookthru analysis / Strats are working on it |
| equot | brazil | Timberwolf I | Mezz AAA | 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 |
| BS Prop | Kelly | Timberwolf or Pt. Pleasant | | 3 | Class |
| eShaw | cohen | 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. |
| liot | 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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# Mortgages CDO Origination
## Distribution (cont)

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Carlyle | Ruberti | | | 4 | Will go through lock through analysis - go from there / Strats are working on it |
| DA Capital | Kreitman | | | 4 | Start work @ +600 - 1000dm for mezz AAA |
| Elliot | Grinstein | | | 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 lockthru analysis / Strats are working on it 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 Breedan | martin | | | 4 | Start work @ +600 - 1000dm for mezz AAA |
| Zais | Grinstein | Point Pleasant 2007-1 | Mezz AAA | 4 | potential - will likely be slower with feedback |
| Lehman AIM | Gadd | Timberwolf I | Mezz AAA | 4 | Need a lock-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 | 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]h (look for feedback Friday) |
| Clinton | Verocchi | 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 u[redacted] |
| ML Bank | Willing | | | 4.5 | [redacted], Timberwolf more likely than Point Pleasant given headline risk wt Dillon Read |
| CBASS | Pinkos | | | 5 | Out - do not buy CDO^2 |
| Ellington | Sue/Baine | 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] |



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# Mortgages CDO Origination

## Retained Positions & Warehouse Collateral

**May 2007**

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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 CDO^2 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 positon 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

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# 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 CDO^2 positions, which is comprised of the recent Timberwolf and Point Pleasant transactions. Details listed below:

| | | | | | |
|---|---|---|---|---|---|
| "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



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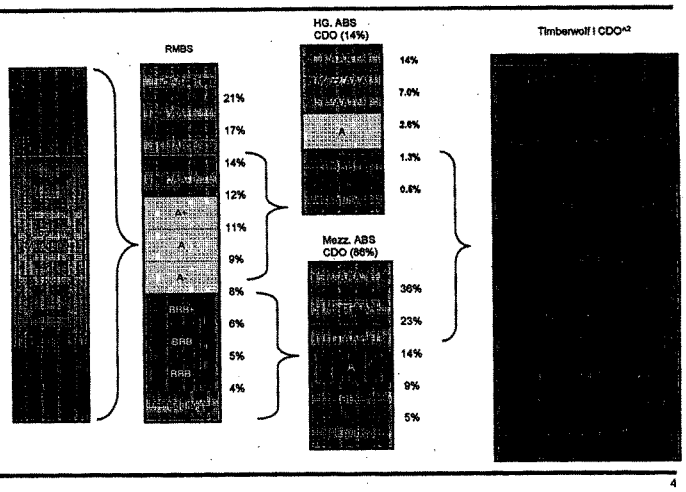
# Mortgages CDO Origination

## Timberwolf I CDO^2: Overview of Capital Structure

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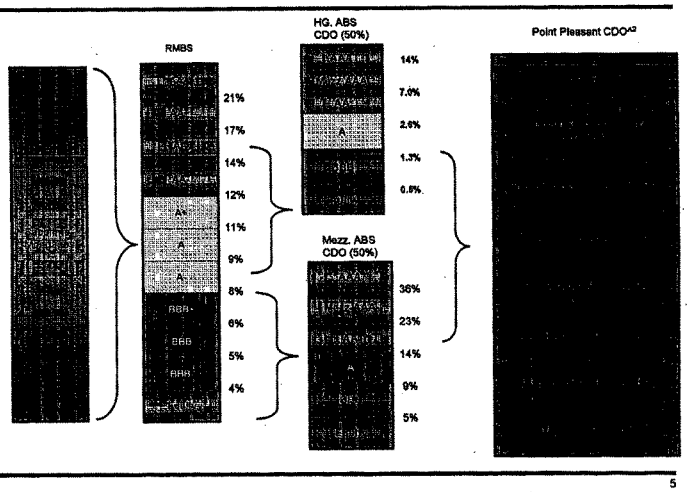
# Mortgages CDO Origination

## Point Pleasant CDO^2: 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* | | |



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## Mortgages CDO Origination
### Secondary SPG Trading

- Over the past year the Secondary trading desk has built a short positon 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



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660511.776

## Mortgages CDO Origination
### Other Risks

| | Desk Estimate | Controller Estimate |
|---|---|---|
| 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 |



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66051.777

## Mortgages CDO Origination

### CDO Origination Risk vs. SPG Trading Risk

- Origination – Long 2.6bn of CDO Risk
  - Our CDO^2 collateral was ramped prior to the market widening and marked to model – average ramp period is 6-9 months
  - Our CDO^2 deals, Timberwolf and Point Pleasant, priced in March with demand only for the super senior tranche
  - The complexity of the CDO^2 product and the poor demand for CDOs in general has made this risk difficult to sell and the desk expects it to underperform



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660511.778

## 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



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660511.779

# Mortgages CDO Origination
## Overall Recommendations (in MMs)

| | | | | | |
|---|---|---|---|---|---|
| Retained Positions | (129) | (216) | (303) | | |
| - CDO Debt | (117) | (187) | (258) | | |
| - CDO Equity | (12) | (29) | (46) | | |
| Warehouse | (107) | (126) | (145) | (126) | (126) |
| Total | (237) | (342) | (448) | (126) | (126) |



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660511.780



# Appendix



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660511.781

**Footnote Exhibits - Page 4038**

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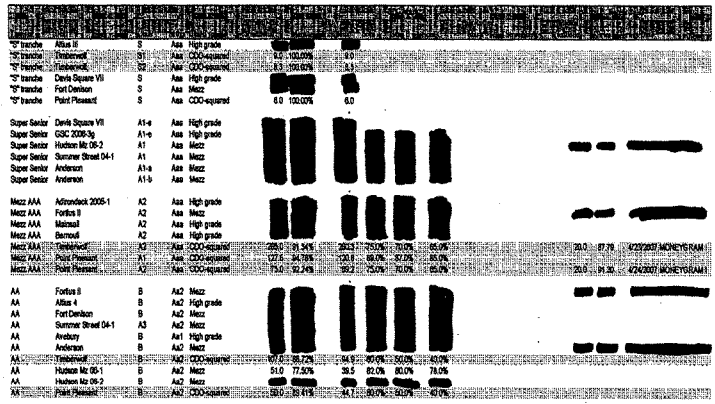
# Mortgages CDO Origination

## CDO Debt - Retained Positions



13



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660511.782

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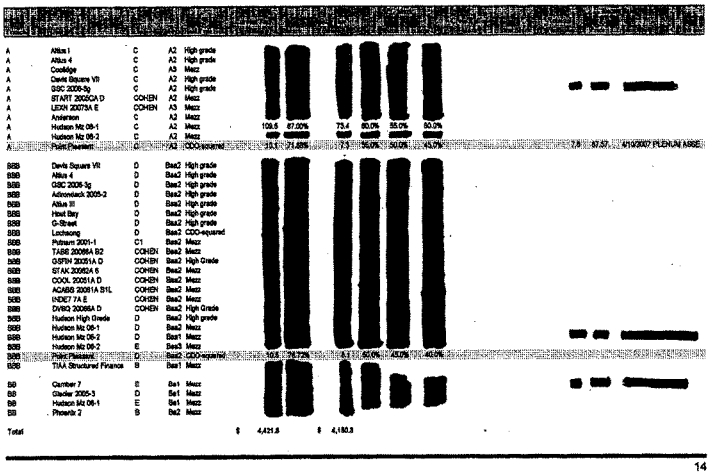
# Mortgages CDO Origination

## CDO Debt - Retained Positions (cont)



14



VerDate Nov 24 2008 09:58 May 19, 2011 Jkt 066051 PO 00000 Frm 01785 Fmt 6602 Sfmt 6602 P:\DOCS\66051.TXT SAFFAIRS PsN: PAT

660511.783

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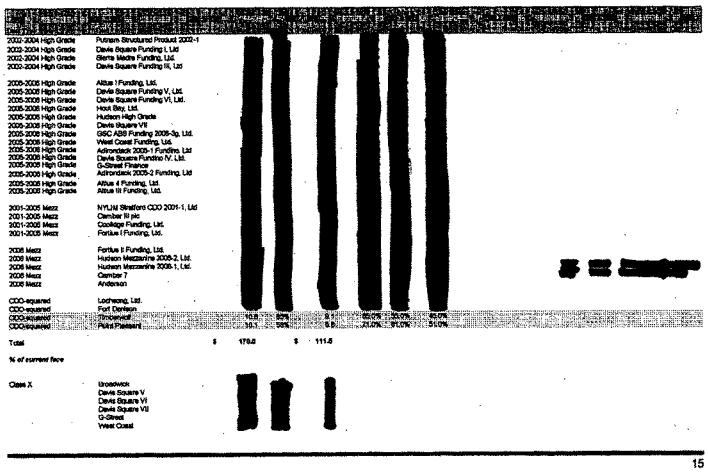
# Mortgages CDO Origination

## CDO Equity - Retained Positions



| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2002-2004 High Grade | Putnam Structured Product 2002-1 | | | | | | | |
| 2003-2004 High Grade | Davis Square Funding I, Ltd | | | | | | | |
| 2002-2004 High Grade | Sierra Madre Funding, Ltd | | | | | | | |
| 2002-2004 High Grade | Davis Square Funding III, Ltd | | | | | | | |
| 2005-2006 High Grade | Altius I Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding V, Ltd. | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding VI, Ltd. | | | | | | | |
| 2005-2006 High Grade | Hook Bay, Ltd. | | | | | | | |
| 2005-2006 High Grade | Hudson High Grade | | | | | | | |
| 2005-2006 High Grade | Davis Square VII | | | | | | | |
| 2005-2006 High Grade | GSC ABS Funding 2005-3p, Ltd. | | | | | | | |
| 2005-2006 High Grade | West Coast Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-1 Funding, Ltd | | | | | | | |
| 2005-2006 High Grade | Davis Square Funding IV, Ltd. | | | | | | | |
| 2005-2006 High Grade | G-Street Finance | | | | | | | |
| 2005-2006 High Grade | Adirondack 2005-2 Funding, Ltd | | | | | | | |
| 2005-2006 High Grade | Altius 4 Funding, Ltd. | | | | | | | |
| 2005-2006 High Grade | Altius III Funding, Ltd. | | | | | | | |
| 2001-2005 Mezz | NYLIM Stratford CDO 2001-1, Ltd | | | | | | | |
| 2001-2005 Mezz | Camber III plc | | | | | | | |
| 2001-2005 Mezz | Coolidge Funding, Ltd. | | | | | | | |
| 2001-2005 Mezz | Fortius I Funding, Ltd. | | | | | | | |
| 2006 Mezz | Fortius II Funding, Ltd. | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-2, Ltd. | | | | | | | |
| 2006 Mezz | Hudson Mezzanine 2006-1, Ltd. | | | | | | | |
| 2006 Mezz | Camber 7 | | | | | | | |
| 2006 Mezz | Anderson | | | | | | | |
| CDO-squared | Lochwong, Ltd. | | | | | | | |
| CDO-squared | Fort Denison | | | | | | | |
| CDO-squared | Stonewood | 10.8 | 50% | 8.5 | 80.0% | 80.0% | 80.0% | |
| CDO-squared | Point Pleasant | 30.1 | 39% | 9.8 | 31.0% | 91.0% | 91.0% | |
| Total | | $ 170.6 | | $ 111.8 | | | | |
| % of current face | | | | | | | | |
| Class X | Broadwick | | | | | | | |
| | Davis Square V | | | | | | | |
| | Davis Square VI | | | | | | | |
| | Davis Square VII | | | | | | | |
| | G-Street | | | | | | | |
| | West Coast | | | | | | | |



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660511.784

## 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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660511.765

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# Mortgages CDO Origination
## Distribution

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Fortress | Davilman | Timberwolf I | Mezz AAA | 1 | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B: modeling deal is difficult / Davilman still pushing |
| Fortress | Davilman | Timberwolf I | AA-Rated | 1 | Looking at package of A2 and B classes. Initially indicated low $80s on A2, 70's on B: modeling deal is difficult / Davilman still pushing |
| Stark | Gaddi | Timberwolf I | Mezz AAA | 1 | Looking on a financed basis - Indicative terms ([redacted]) - concerned about correlation, our level, mgmt view / Back ended return profile |
| Winchester | Radtke | Point Pleasant 2007-1 | Mezz AAA | 1 | Engaged and looking - has been offered bonds at 450 on A2, 700 on B / [redacted] |
| 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 |
| AIG | Penick | Timberwolf I | Mezz AAA | 3 | re-engaged - trying to get answer by GS qtr end. Asked/received additional information today / they are still working / Penick to follow up early next week |
| Fidelity | Martin | Point Pleasant 2007-1 | A-rated | 3 | Looking |
| IS Plenum | Arslan | Point Pleasant 2007-1 | A-Rated | 3 | Looking at up to [redacted] remaining - Acct, asked for 7 bus days to do work, then left office and is in [redacted] 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 | | | 3 | Checking - Twolf higher delta than Point Pleasant given headline risk wrt Dillon Read - want lookthru analysis on Timberwolf / Strats are working on it / potential size [redacted] |
| UBS Prop | Kelly | Timberwolf or Pt. Pleasant | | 3 | Inherited Dillon Read's Point Pleasant Positions / looking at Twolf A-2, B Classes and Pt. Pleasant B Class |
| DeShaw | cohen | Point Pleasant 2007-1 | Mezz AAA | 3 | Looking - asked for materials and raw data (potential size is [redacted] / had call / low delta |
| Elliot | Grinstein | Timberwolf I | Mezz AAA | 3 | Would look to trade against CLO Super Senior AAAs - will receive bid list for CLOs early next week (Pot. Size [redacted] |
| Polygon | Raazi | Timberwolf I | AA-Rated | 3 | potential interest - working to model existing exposure (own portion of single A class) - if they care expect size [redacted] |

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# Mortgages CDO Origination
## Distribution (cont)

| Account | Sales | Deal | Tranche | Defcon | Comments |
|---|---|---|---|---|---|
| Carlyle | Ruberti | | | 4 | Will go through lock through analysis - go from there / Strats are working on it |
| DA Capital | Kreitman | | | 4 | Start work @ +800 - 1000dm for mezz AAA |
| Elliot | Grinstein | | | 4 | Focused on [redacted] evaluating Pt Pleasant A-1 vs. [redacted] need more spread - evaluating |
| Harvard | Radtke | Point Pleasant 2007-1 | Mezz AAA | 4 | counter / Radtke to follow up next week |
| Highland | Ruberti | | | 4 | Low Delta - Need lockthru analysis / Strats are working on it 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 ($71-85) - 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 | Grinstein | Point Pleasant 2007-1 | Mezz AAA | 4 | potential - will likely be slower with feedback |
| Lehman AM | Gadd | Timberwolf I | Mezz AAA | 4 | Need a lock-through of the underlying vintages / strats are working on it |
| Providence | Rainstein | 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 coorelation 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, relocking at analysis from new issue, maybe - [redacted] (lock for feedback Friday) |
| Clinton | Verocchi | 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 | 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 - concerned with downgrade risk [redacted] |



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66051.767

**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

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*Wall Street & The Financial Crisis*
Report Footnote #2099

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660511.788

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



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660511.789

**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] = 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: 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.



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*Wall Street & The Financial Crisis*
Report Footnote #2101

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660511.790

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 ofwork ahead of you.

[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: 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 ofwork ahead of you.



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660511.791

**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.

---



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*Wall Street & The Financial Crisis*
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660511.792

**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



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660511.793

**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 the 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.

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660511.794

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.

[redacted] = **Redacted by the Permanent Subcommittee on Investigations**

gm

**George Maltezos, CFA**
Executive Director
Head of Structured Asset Solutions
**Telephone** 612 9320 1431
**Facsimile** 612 9320 1222
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**Fixed Income, Currency and Commodities**
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Level 48
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1 Farrer Place
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Australia

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660511.795

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**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-[redacted]
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 [redacted]

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*Wall Street & The Financial Crisis*
Report Footnote #2109

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660511.796

**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-SPCDOGROUP
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] = 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 -----

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660511.797

**Footnote Exhibits - Page 4054**

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



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660511.798

**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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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: 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

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660511.799

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]

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66051.800

----- 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 | Mezz |
| | $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 | Mezz |
| | $40,000,000 | | | | | | |
| FORTD 07-1A B | AA-Rated | Fort Denison | Basis Capital | B | Aa2 | AA | Mezz |
| | $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 | High Grade |
| | $24,600,000 | | | | | | |
| ALTS 05-1A C | A-Rated | Altius I | Aladdin Capital | C | A2 | A | High Grade |
| | $10,000,000 | | | | | | |
| DVSQ 06-7A C | A-Rated | Davis Square VII | TCW | C | A2 | A | High Grade |

3

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660511.801

$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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660511.802

**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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660511.803

**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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660511.804

**From:** Chaudhary, Omar
**Sent:** Wednesday, June 13, 2007 11:23 PM
**To:** McTamaney, Robert; Ueda, Eiji
**Cc:** Sparks, Daniel L; Bohra, Bunty; Lee, Jay; Sugioka, Hirotaka
**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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660511.805

**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

[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: 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, Hirotaka
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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660511.806

**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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85 Broad Street | New York, NY 10004
Tel: 212-902-2927 | Fax: 212-493-9681 | Mob: 917[redacted]
e-mail: david.lehman@gs.com

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**David Lehman**
Fixed Income, Currency & Commodities

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660511.807

**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, Hirotaka
**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, Hirotaka
**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, Hirotaka
**Subject:** Point Pleasant 07-1 A1 // Tokyo Star Bank (internal use only)

Wada-san:

GREAT JOB again in getting the CDO^2 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]

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660511.808
~~~~~~~~~~~~~~~~~~~~~~~~~~

**From:** Ricciardi, Steven
**Sent:** Monday, August 20, 2007 7:38 AM
**To:** Shimonov, Roman; Creed, Christopher J
**Cc:** ficc-spcdo-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-spcdo-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-spcdo-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-spcdo-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-makret 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

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*Wall Street & The Financial Crisis*
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660511.809

**Sent:** Friday, August 17, 2007 3:26 PM
**To:** Creed, Christopher J
**Cc:** ficc-spcdo-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-spcdo-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 offurs 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% |

2



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660511.810

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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660511.811

**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 Sompo 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?

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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)



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*Wall Street & The Financial Crisis*
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660511.812

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 tranched 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



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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

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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
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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 secoudary 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 secoudary 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 secoudary 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 secoudary 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 secoudary 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 secoudary inventory?

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*Wall Street & The Financial Crisis*
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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, Hirotaka
Sent: Tue Aug 21 05:11:26 2007
Subject: FW: Do you have cdo secoudary 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 secoudary 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 secoudary inventory?

Yokote-san:

Thank you for your email. We can share an 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 secoudary 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?



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660511.816

We want to trade 10pts profit.

ゴールドマン・サックス証券株式会社
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FAX 03-6437-9705

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660511.817

**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 secoudary inventory?

Yes, Emi Yoshibe is the official pwm compliance person in Tokyo.

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From: Chaudhary, Omar
Sent: Tuesday, August 28, 2007 8:23 AM
To: Kagawa, Yuichi
Cc: Lee, Jay; Sugioka, Hirotaka
Subject: RE: Do you have cdo secoudary 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, Hirotaka
Subject: RE: Do you have cdo secoudary inventory?

Omar,
Shin Nihon Jitsugyo and Aishin have purchased ABS CDOs (debt and equity) with other firm in the past.

ゴールドマン・サックス証券株式会社
プライベート・ウェルス・マネジメント部
香川 祐一
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From: Chaudhary, Omar
Sent: Monday, August 27, 2007 6:49 PM
To: Kagawa, Yuichi
Cc: Lee, Jay; Sugioka, Hirotaka
Subject: RE: Do you have cdo secoudary 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 secoudary 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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660511.820

**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



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660511.821

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; Birnbaum, Josh; Lehman, David A.
**Cc:** Montag, Tom; Mullen, Donald; Sparks, Daniel L; Schwartz, Harvey; Comacchia, 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.



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660511.822

**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.



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660511.823

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

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; 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 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.



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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

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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,



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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



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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



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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



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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



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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.[1] And, in the context of the overall mortgage markets, we were neither a leading issuer[2] 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.[3] 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.[4] For overall RMBS issuance, including agency securities, Goldman Sachs was ranked 12th as an issuer in 2006 with a market share of 2.3% and 18th as an issuer in 2007, with a market share of 1.2%.[5] 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.

---

1 *In March 2007, Goldman Sachs acquired Senderra, a small mortgage originator.*

2 *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.*

3 *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.*

4 *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%.*

5 *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.*



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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.[6] In 2007, for example, the firm's market share as an issuer was 1.7% (we were ranked 21st) and we were not ranked in the top ten as an underwriter.[7]

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%.[8] For example, Goldman Sachs' market share in the first three quarters of 2007 was approximately 5.6%.[9] 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.

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[6] *Source: Inside Mortgage Finance.*

[7] *Source: Inside Mortgage Finance. Rankings below the top ten were not published in 2007 so our market share in unavailable. We note, however, that the 10th ranked underwriter had a market share of 4.2%.*

[8] *Source: Asset-Backed Alert. No CDOs were issued off of Goldman Sachs' shelf registration statements and therefore issuer information is not applicable.*

[9] *Source: Asset-Backed Alert. Market share data for the fourth quarter of 2007 is not available.*



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660511.832

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)



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660511.833

**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*
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**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
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tel: 212.902.2854
fax: 212.902.1691



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660511.835

**From:** Davilman, Andrew
**Sent:** Thursday, June 28, 2007 8:45 AM
**To:** ficc-ops-cdopricing; 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, pls cc. me as well for my records.

**From:** Cioffi, Ralph (Exchange) [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.*

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| 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 | [redacted] | |
| 83367A9Q5 | GSCO ZOHAR 07-3A FXD TRS | | | GSCO | CLO Distressed | [redacted] | |
| 88714PAD8 | TWOLF 2007-1A A1C 6.127419 09/03/2044 | AAA | LIB03+80 | GSCO | CDO - CDO2 | [redacted] | |
| 88714PAE6 | TWOLF 2007-1A A1D 6.627419 09/03/2044 | AAA | LIB03M+130 | GSCO | CDO - CDO2 | [redacted] | |

| 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 |



660511.837

**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

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660511.838

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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

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

Jonathan M. Egol
Structured Products Trading

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660511.839

**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 impllying 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 methdology 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.

[redacted]
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.

[redacted]
Our biggest issue has been with [redacted] and [redacted] marks over the course of July for [redacted]

| | 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

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[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] They understand that we are providing bid-side 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]
-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]

(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.

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660511.841

**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**

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Goldman Sachs

## Summary Breakdown (in millions)

| | | | | |
|---|---|---|---|---|
| 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.**



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# Prioritized Disputes (in millions)

| | | | | |
|---|---|---|---|---|
| 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]. 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 | 456 | 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. |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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## Additional Disputes in the Top Fifteen (in millions)

| | | | | |
|---|---|---|---|---|
| [redacted] | 431 | 307 | 71% | [redacted] 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 07B-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. |

[redacted] = Redacted by the Permanent Subcommittee on Investigations



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