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**Hudson Mezzanine Funding 2006-1, LTD.  
A \$2.0 Billion Static Mezzanine Structured Product CDO  
Goldman, Sachs & Co. – Liquidation, Structuring, and Placement Agent**

**October 2006**

*The information contained herein is indicative only and the actual terms of any transaction will be set forth in the definitive Offering Circular.*

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12/20/2011

# I. Executive Summary

Note: The information in this section is preliminary and subject to change



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# Hudson Mezzanine Funding 2006-1

## Executive Summary

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- Goldman Sachs developed the Hudson CDO program in 2006 to create a consistent, programmatic approach to invest in attractive relative value opportunities in the RMBS and structured product market
  - We successfully launched Hudson High Grade in September. This is a continuation of the program using mezzanine Baa2/Baa3 quality RMBS
- Hudson CDOs are non-managed and static in nature and provide term non-recourse funding where Goldman Sachs acts as Liquidation Agent on an ongoing basis. The Liquidation Agent will be responsible for efficiently selling credit risk assets
- The portfolio composition of Hudson Mezzanine Funding 2006-1 will consist of 100% CDS on RMBS.
  - 60% of the RMBS will be single name CDS on all 40 obligors in ABX 2006-1 and ABX 2006-2
  - 40% of the RMBS will consist of single name CDS on 2005 and 2006 vintage RMBS
- ABX Baa2 and Baa3 tranches trade approximately 15 to 30bps wider than the single name CDS on the 40 obligors representing the ABX
  - Hudson Funding will capture this basis and the single name CDS will be put in at current ABX market levels. Term non-recourse execution of Hudson will lock in the basis for the benefit of debt and equity investors
- Goldman Sachs has aligned incentives with the Hudson program by investing in a portion of equity and playing the ongoing role of Liquidation Agent.



## **II. Disclaimer and Risk Factors**

Note: The information in this section is preliminary and subject to change



# Disclaimer

The information contained herein is confidential information regarding securities that may in the future be offered by Hudson High Grade Funding 2006-1, LTD ("Hudson Funding" or the "Issuer"). The information is being delivered to a limited number of sophisticated prospective institutional investors in order to assist them in determining whether they have an interest in the type of securities described herein and is solely for their internal use. By accepting this information, the recipient agrees that it will use and it will cause its directors, partners, officers, employees and representatives to use the information only to evaluate its potential interest in the securities described herein and for no other purpose and will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited. Notwithstanding the foregoing, each recipient (and each employee, representative, or other agent of such recipient) may disclose to any and all other persons, without limitation of any kind, the tax treatment and tax structure of the Issuer, the securities described herein and any future offering thereof and the ownership and disposition of such securities and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure. However, any such information relating to such tax treatment or tax structure is required to be kept confidential to the extent reasonably necessary to comply with any applicable securities laws. For this purpose, the tax treatment of a transaction is the purported or claimed U.S. federal income tax treatment of the transaction, and the tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction.

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None of the Issuer, Goldman Sachs (as used herein, such term shall include Goldman, Sachs & Co. and all of its affiliates), nor any of their respective affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. The information includes hypothetical illustrations and involves modeling components and assumptions that are required for purposes of such hypothetical illustrations. No representations are made as to the accuracy of such hypothetical illustrations or that all assumptions relating to such hypothetical illustrations have been considered or stated or that such hypothetical illustrations will be realized. The information contained herein does not purport to contain all of the information that may be required to evaluate such securities, and each recipient is encouraged to read the Offering Circular and should conduct its own independent analysis of the data referred to herein. The Issuer, Goldman Sachs, and their respective affiliates disclaim any and all liability relating to this information, including, without limitation, any express or implied representation or warranty for statements contained in and omissions from this information. None of the Issuer, Goldman Sachs, or any of their respective affiliates expects to update or otherwise revise the information contained herein except by means of the Offering Circular. Additional information may be available on request. The securities and obligations of the Issuer are not issued by, obligations of, or guaranteed by Goldman Sachs, or their respective affiliates, or other organizations. In particular, the obligations of the Issuer are not deposit obligations of any financial institution. The securities and obligations of the Issuer are complex, structured securities and there is no assurance that a secondary market for such securities will exist at any time. Accordingly, prospective investors should be prepared, and have the ability, to hold such securities until their respective stated maturities or stated redemption dates.



# Disclaimer

## HYPOTHETICAL ILLUSTRATIONS AND PRO FORMA INFORMATION

These materials contain statements that are not purely historical in nature. These include, among other things, hypothetical illustrations, sample or pro forma portfolio structures or portfolio composition, scenario analysis of returns and proposed or pro forma levels of diversification or sector investment. These hypothetical illustrations of returns illustrate a range of potential outcomes based upon certain assumptions. Such potential outcomes are not a prediction by the Issuer, Goldman Sachs or their respective affiliates of the performance of the securities described herein. Actual events are difficult to predict and are beyond the control of the Issuer, Goldman Sachs, or their respective affiliates. Actual events may differ from those assumed and such differences may be material. There can be no assurance that illustrated returns will be realized or materialized or that actual returns or results will not be materially lower than those presented. All statements included are based on information available on the date hereof, and none of the Issuer, Goldman Sachs or their respective affiliates assumes any duty to update any such statement. Some important factors which could cause actual results to differ materially from those in any statements contained herein include the actual composition of the collateral and the price at which such collateral is actually purchased by the Issuer, any defaults on the collateral, the timing of any defaults and subsequent recoveries, changes in interest rates, and any weakening of the specific credits included in the collateral, among others. The Offering Circular will contain other risk factors, which an investor should also consider in connection with an investment in the securities described herein.

## PRIOR INVESTMENT RESULTS

Any prior investment results or returns are presented for illustrative purposes only and are not indicative of the future returns on the securities and obligations of the Issuer. Because of portfolio restrictions that apply to the Issuer and differences in market conditions, the investments selected by Goldman Sachs on behalf of the Issuer may differ substantially from prior investments made by Goldman Sachs. The Issuer has no operating history.



## Risk Factors

*Note: The Offering Circular will include more extensive descriptions of the risks described herein as well as additional risks relating to, among other things, conflicts of interest. Any decision to invest in the securities described herein should be made after reviewing such Offering Circular, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities. The Offering Circular will supersede this document in its entirety.*

- Limited Liquidity, Restrictions on Transfer and Limited Recourse
  - There is currently no market for the Secured Notes or Income Notes and it is unlikely that any secondary market will develop. The Secured Notes and the Income Notes should be viewed as a long-term investment, not as a trading vehicle. The value of the Secured Notes and the Income Notes may vary and the Secured Notes and the Income Notes, if sold, may be worth less than their original cost.
  - In addition, as the Secured Notes and the Income Notes will be sold in transactions exempt from SEC registration pursuant to Section 4(2), Rule 144A, and/or Reg S and the Issuer will not be registered under the Investment Company Act of 1940 pursuant to the Section 3(c)(7). Related restrictions, as well as other restrictions on transfer of the Income Notes will apply.
  - All liabilities are payable solely from the cash flow available from the collateral pledged by the Issuer to secure all classes of Notes. No other assets will be available for payment in the event of any deficiency. The Income Notes represent equity in the Issuer and as such are subordinated to the Secured Notes. The Income Notes are payable from the collateral (which represent the only assets of the Issuer) only after payment in full of amounts due on the Secured Notes.
- Leveraged Credit Risk
  - The Income Notes are in a first loss position with respect to defaults on the underlying collateral. The leveraged nature of the Income Notes magnifies the adverse impact of any collateral defaults.





## Risk Factors

- Volatility of Collateral and of Secured Notes' and Income Notes' Market Value
  - The Income Notes represent a leveraged investment in the Collateral Assets. The use of leverage generally magnifies an issuer's opportunities for gain and risk of loss. Therefore, changes in the market value of the Secured Notes and the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the collateral, which themselves are subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.
  - Changes in the market value of issues from one sector or industry may impact the market value of issues from one or more of other sectors or industries included in the collateral.
- Collateral Risk
  - Collateral Assets inherently bear significant credit risks because issuers are primarily private entities.
  - The structure of Collateral Assets and the terms of the Issuer's interest in the collateral can vary widely depending on the type of collateral, investor sentiment and the use of credit enhancements.
  - Adverse changes in the financial condition of the collateral obligor or in general economic conditions may adversely affect the obligor's ability to pay principal and interest on its debt.
- Illiquidity of Collateral Assets
  - Some of the Collateral Assets purchased by the Issuer will have no, or only a limited, trading market. This illiquidity may restrict the Issuer's ability to dispose of investments in a timely fashion or for a fair price.
  - Illiquid debt securities may also trade at a discount to comparable, more liquid investments. In addition, the Issuer may invest in privately placed Collateral Assets that are non-transferable or are transferable only at prices less than the fair value or the original purchase price of the securities.
- Nature of Collateral
  - The Collateral Assets are subject to credit, liquidity and interest rate risk. In addition, the financial performance of the Issuer may be affected by the price and availability of Collateral Assets to be purchased.
  - Some or all of the Collateral Assets may be subordinated securities which may be subject to leveraged credit risk.
  - The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions and limitations under the Indenture.

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## Risk Factors

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- No Collateral Manager
  - The Issuer will not engage a Collateral Manager. As a result, (i) the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the holders of the Income Notes and Secured Notes to dispose of certain Collateral Assets unless the Collateral Assets are required to be sold by the Liquidation Agent as described in the previous paragraph and (ii) the Indenture will eliminate the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed or static collateralized debt obligation transaction typically would have discretion to exercise such discretion on behalf of the Issuer and holders of Income Notes and Secured Notes. The inability of the Issuer to exercise discretion in these contexts could adversely impact the Issuer and the holders of the Income Notes and Secured Notes.
- Timing and Amount of Recoveries
  - Only Collateral Assets that meet the liquidation criteria (see page 12) may be sold. If a Collateral Asset meets the liquidation criteria, the Liquidation Agent is required to sell such affected collateral in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance as to the timing of the Liquidation Agent's sale of affected assets, or if there will be any market for such assets or as to the rates of recovery on such affected collateral. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to the Income Notes and Secured Notes as compared to the returns generated using the Modeling Assumptions.
- Impairment of Credit Quality and/or Defaults on the Collateral
  - Decline in credit quality of the collateral or defaults could result in losses which would adversely affect the Income Notes and Secured Notes. The Collateral Assets are expected to have a Moody's weighted average rating of at least Aa3/A1 at the Closing Date.
  - There may be certain industry or sector concentrations in the CDO, all of which could have a material adverse impact on the Income Notes in the event of economic downturns or other events affecting the credit quality of any of the collateral.
- Yield Due to Prepayments
  - The yield to maturity on the Income Notes could be affected by the rate of prepayment of the Collateral Assets. Payments to the Income Notes at a rate slower than the rate anticipated by investors purchasing the Income Notes at a discount will result in an actual yield that is lower than anticipated by such investors. Conversely, payments to the Income Notes at a rate faster than the rate anticipated by investors purchasing the Income Notes at a premium will result in an actual yield that is lower than anticipated by such investors.



## Risk Factors

- Timing of Receipt of Accrued Interest Income
  - On an ongoing basis, the receipt by the Issuer of accrued interest income may affect the availability of cash which may be distributed to the Holders of Secured Notes and Income Notes.
- International Investing
  - Investing outside the U.S. may involve greater risks which may include (1) less publicly available information, (2) varying levels of governmental regulation and supervision, (3) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws, (4) less stringent accounting practices, (5) different clearance and settlement procedures, (6) economic and political conditions and instability, (7) exchange control and foreign currency risk, (8) insolvency and (9) expropriation risk.
  - A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, the Netherlands Antilles or other jurisdictions offering favorable tax treatment.
- Tax Treatment of Income Notes
  - Since the Issuer will be a passive foreign investment company, a U.S. person holding Income Notes may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Income Notes will be treated as equity for tax purposes.
  - Income Notes holders should consult their tax advisers about the special U.S. tax regimes that apply to shareholders of passive foreign investment companies, controlled foreign corporations and foreign personal holding companies.
  - Special tax considerations may apply to certain types of investors. Prospective investors should consult their own tax advisors regarding the tax implications of their investments.
- Material Tax Considerations
  - There is a possibility that the Issuer will be found to be engaging in a U.S. trade or business. In such a case, it would be subject to substantial U.S. income tax on its income.

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## Risk Factors

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- Hypothetical Illustrations and Estimates
  - Estimates of the weighted average lives of the Class S, A, B, C, D and E Notes and the returns and duration of the Income Notes included herein, together with any other hypothetical illustrations and estimates provided to prospective purchasers of the Class S, A, B, C, D and, E Notes, are forward-looking statements. See “Hypothetical Illustrations and Pro Forma Information” on disclaimer page in the beginning of this book.
  - The hypothetical illustrations are only estimates. Actual results may vary, and the variations may be material. See “Hypothetical Illustrations and Pro Forma Information” on disclaimer page in the beginning of this book.
- Changes in Tax Laws
  - The Collateral Assets are not permitted to be subject to withholding tax at the time of purchase, unless the issuer thereof is required to make “gross-up” payments. There can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the collateral might not in the future become subject to withholding tax which could adversely affect the amounts that would be available to make payments on the Income Notes and Secured Notes.
  - In case of a Withholding Tax Event (as defined in the Offering Circular), holders of more than 50% of any affected Note may require the issuer to liquidate the collateral on any Payment Date, and redeem the Class S, A, B, C, D and E Notes, prior to any distributions to holders of Income Notes.
- Subordination
  - The Income Notes are subordinated to the Class A, Class B, Class C, Class D and Class E Notes and certain payments of expenses. The Class E Notes are subordinated to the Class A, Class B, Class C and Class D Notes and certain payments of expenses. The Class D Notes are subordinated to the Class A, Class B and Class C Notes and certain payments of expenses. The Class C Notes are subordinated by the Class A and Class B Notes and certain payments of expenses. The Class B Notes are subordinated to the Class A Notes and certain payments of expenses. No distributions of interest proceeds received on the collateral will be made to the Income Notes until interest on the Secured Notes and certain other expenses have been paid. In addition, in the event of a default, holders of the most senior class of Secured Notes will generally be entitled to determine the remedies to be exercised; such remedies could include the sale and the liquidation of the collateral and have an adverse effect on the Income Notes. The Income Notes will not be able to exercise any remedies following an event of default and will not receive payments after an event of default until the Secured Notes are paid in full.



## Risk Factors

- Credit Exposure to Portfolio of Reference Obligations
  - On the closing date, the Issuer will enter into pay-as-you-go credit default swaps (the “Synthetic Securities”) with Goldman Sachs International, (“GSI” and in such capacity, the “Counterparty”), pursuant to which the Issuer will sell credit default protection with respect to a portfolio of Reference Obligations. If a credit event occurs with respect to any of the Reference Obligations, the Issuer will pay the Counterparty the amount of the write-down or principal loss, or if the Counterparty elects to deliver the reference obligation, the notional amount of the Synthetic Security times the reference price. In return for the credit default protection, the Counterparty will pay the Issuer a premium which may be reduced (but not below zero) if certain Reference Obligations experience interest shortfalls. Credit events and interest shortfalls may adversely affect the Issuer’s ability to make payments on the Notes and the Income Notes.
  - All Notes and Income Notes are subordinated to credit default protection payments under the Synthetic Securities and to certain termination payments payable to the Counterparty in connection with a termination event. The magnitude of such losses will be affected by the number of credit events and the recovery amount of any delivered Reference Obligations and timing of such credit events.



### **III. Transaction Overview**

Note: The information in this section is preliminary and subject to change



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# Hudson Mezzanine Funding 2006-1, LTD

## Transaction Overview

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- Super Seniors have been pre-executed with one investor in unfunded form at 20bps p.a.
- This is a typical CASHFLOW CDO with O/C triggers. This is NOT a tranching Index CDO
- Goldman Sachs, in the role of Liquidation Agent, will:
  - Warehouse assets during the portfolio aggregation phase prior to closing
  - Liquidate any asset within one year after such asset performs below certain threshold levels determined prior to closing
- Goldman Sachs will invest in a portion of the Income Notes
- Goldman Sachs' objective is to develop a long term association with selected partners that can adapt to and take advantage of market opportunities
  - The goal is to create attractive proprietary investments by leveraging expertise of both Goldman Sachs CDO and Mortgage Desks while maintaining a consistent approach and creating a unified issuance program across multiple transactions

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# Hudson Mezzanine Funding 2006-1, LTD

## Transaction Overview

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- Hudson Mezzanine Funding is a “static” mezzanine structured product CDO with the following features:
    - No exposure to reinvestment spread risk or reliance on reinvestment to generate excess interest to cover debt
    - No fixed rate assets
    - 100% RMBS
    - No assets without an initial rating of at least Baa3 by Moody’s and BBB- by S&P. Average WARF in the portfolio is expected to be 485
    - Overall transaction cost structure is significantly less than comparable mezzanine structured product CDOs in the market
  
  - There will be no reinvestment, substitution, discretionary trading or discretionary sales. After closing, assets that are determined to be “credit risk” securities will be sold by the Liquidation Agent within one year of such determination
  
  - Goldman Sachs will act as Structuring, Placement and Liquidation Agent for Hudson Funding and will warehouse the portfolio prior to closing
    - Goldman Sachs will charge 10 bps ongoing fee for its role as Liquidation Agent
  
  - Goldman Sachs’ portfolio selection process:
    - Assets sourced from the Street. Hudson Mezzanine Funding is **NOT** a Balance Sheet CDO
    - Goldman Sachs CDO desk pre-screens and evaluates assets for portfolio suitability
    - Goldman Sachs CDO desk reviews individual assets in conjunction with respective mortgage trading desks (Subprime, Midprime, Prime, etc.) and makes decision to add or decline
    - All CDS use rating agency approved confirms (pay as you go)
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# Hudson Mezzanine Funding 2006-1, LTD

## Transaction Overview - Asset Selection / Asset Liquidation

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- Portfolio Aggregation Strategy:
  - 60% of portfolio will consist of the 40 obligors in ABX 2006-1 and ABX 2006-2
  - Select only assets rated explicitly Baa3/BBB- (Moody's / S&P) and above. No notched rating of below Baa3 in the portfolio
  - No Fixed rate assets allowed, eliminating interest rate swap basis mismatch
  - Maximum obligor concentration is 1.5%, creating a very granular portfolio with 100 distinct obligors
  - Target portfolio with Weighted Average Rating Factor of 485 and duration weighted average spread of 183 bps
  
- Goldman Sachs, as Liquidation Agent, will liquidate any asset determined to be a "credit risk" asset within 12 months of such determination. "Credit risk" assets will include:
  - Any asset downgraded by Moody's or S&P to below Ba3 or BB-
  - Any asset that is defaulted and experiences a credit event as defined by the PAUG confirm
  
- Expected collateral quality statistics at closing
  - WARF: 485
  - 100 Distinct Obligors
  - Moody's Asset Correlation ("MAC") at closing: [23]
  - Duration weighted average portfolio spread: 183 bps
  - Weighted Average Duration: 4.0 years

# Hudson Mezzanine Funding 2006-1, LTD

## Transaction Overview – Preliminary Capital Structure<sup>1</sup>

Classes	Ratings (M/S)	Expected Principal/Notional Balance	% of Capital Structure	Coupon	Expected AL	Initial OC
Class S	Aaa/AAA	\$ [ ] MM	N/A	Not Offered	2.8 yrs	N/A
Senior Swap (unfunded)	Aaa/AAA	\$1,200 MM	60.00%	Not Offered	3.9 yrs	166.7%
Class A-1	Aaa/AAA	\$150 MM	7.5%	1M LIBOR + [ ]%	2.0 yrs	133.3%
Class A-2	Aaa/AAA	\$150 MM	7.5%	1M LIBOR + [ ]%	6.0 yrs	133.3%
Class B	Aa2/AA	\$160 MM	8.0%	1M LIBOR + [ ]%	5.1 yrs	120.5%
Class C	A2/A	\$100 MM	5.0%	1M LIBOR + [ ]%	5.2 yrs	113.6%
Class D	Baa2/BBB	\$150 MM	7.5%	1M LIBOR + [ ]%	5.2 yrs	104.7%
Class E	Ba1/BB+	\$30 MM	1.5%	1M LIBOR + [ ]%	5.3 yrs	103.1%
Income Notes	N/A	\$60 MM	3.0%	N/A	N/A	N/A

<sup>1</sup> This capital structure is preliminary and is subject to change

# Hudson Mezzanine Funding 2006-1, LTD

## Transaction Overview - Comparable Transactions

- Hudson Mezzanine Funding is a pure RMBS CDO and will look very different than most mezzanine deals currently in the market. Hudson will have none of the following:
  - CDO bucket
  - Fixed rate RMBS / Negative convexity product
  - BB bucket

	Cairn Mezz ABS CDO II	Octans CDO II	Springdale 2006-1	Gemstone VI	Longwood	Hudson Mezz CDO
Ongoing Fees (bps)	25	15	10 (28) <sup>1</sup>	30	40	10
Max CDO bucket	10%	10%	8%	5%	5%	NONE
Fixed rate bucket	5%	NONE	8%	10%	10%	NONE
BB bucket	NONE	3%	5%	26%	5%	NONE
Distinct Obligors	100	90	140	N/A	100	100
100% Ramped at Closing	NO	NO	YES	YES	NO	YES
Covenant/Expected WARF	525	500	485	650	450	485
Covenant/Expected Spread	1.64%	1.46%	1.66%	1.80%	1.75%	1.83%

<sup>1</sup> The Collateral Manager, Princeton Advisory, receives 10bps ongoing and \$5.5mm in free equity  
The running fee plus equity are equivalent to approximately a 28bps management fee



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## IV. Transaction Details

Note: The information in this section is preliminary and subject to change





# Transaction Details

## General Information

<b>Issuers:</b>	Hudson Mezzanine Funding 2006-1, LTD, and Hudson Mezzanine Funding 2006-1, Corp.
<b>Liquidation Agent, Structuring and Placement Agent:</b>	Goldman, Sachs & Co.
<b>Liquidation Agent Fee:</b>	10 bps per annum payable senior to all the Notes
<b>Reinvestment Period:</b>	None
<b>Discretionary Trading:</b>	None. Liquidation Agent will sell credit-risk assets based on pre-determined rules and the clean proceeds will be treated as principal paydowns
<b>Ramp-Up Period:</b>	None
<b>Non-Call Period:</b>	3 years. Callable in whole on or after April 2010 by a majority vote of the Income Notes
<b>Auction Call:</b>	Commences on April 2015. Conducted annually thereafter
<b>Call Price:</b>	Par plus all accrued for Secured Notes and unpaid principal balance of the Income Notes. There is no call premium to the Income Notes
<b>Payment Frequency:</b>	Monthly on Class S, Senior Swap, Class A, B, C, D and Class E Notes, Quarterly for Income Notes
<b>Controlling Class:</b>	Class S, Senior Swap and Class A Notes (the "Senior Notes") voting in the aggregate until paid in full, then Class B, Class C, D and Class E Notes in that order until each Class is paid in full

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# Transaction Details

## Collateral Profile

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**Moody's WARF** 485

**Purchased Collateral** All collateral assets can be classified as RMBS

**Ratings Profile** ■ 100% of the assets are rated at least Baa3 and BBB- by Moody's and S&P

**Target Obligor Concentration Profile** ■ Maximum Obligor concentration: 1.5%

**Collateral Haircuts:**

- 20% applied to Double-B Assets prior to sale
- 40% applied to Single-B Assets prior to sale
- 75% applied to Triple-C Assets prior to sale
- 100% applied to Defaulted Obligations

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## V. Portfolio Composition

Note: The information in this section is preliminary and subject to change

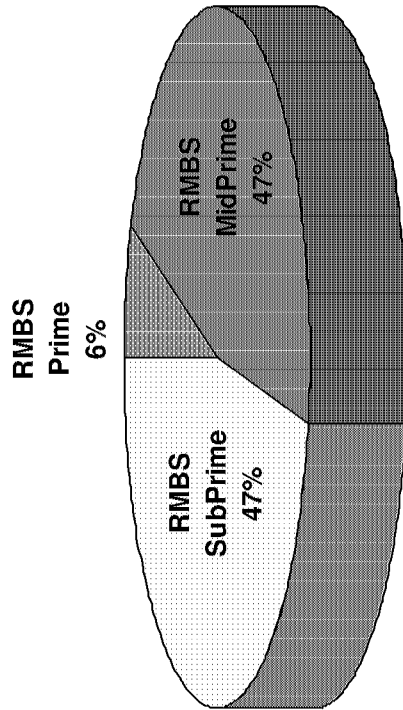




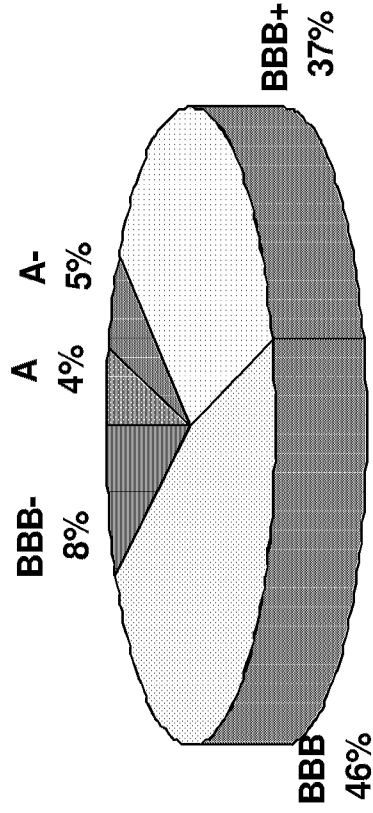
# Portfolio Composition

## Current Portfolio

Collateral<sup>[2]</sup>



Credit Ratings<sup>[1][2]</sup>



<sup>1</sup> Based on higher of S&P and Moody's rating for each asset.

<sup>2</sup> Represents the Current Portfolio as of September 26, 2006. Please refer to the final Offering Circular for final portfolio details.





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## Portfolio Highlights

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- Portfolio WARF is 485
- 100% RMBS
- All investment grade rated RMBS. No BBs
- No fixed rate assets
- No Option ARM assets



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## Appendix A – Portfolio Asset List

Note: The information in this section is preliminary and subject to change





# Portfolio Composition

## Comprehensive CDO Collateral Asset List:

Reference Obligation	Moody's	S&P	Size
ABSHE 2005-HE3 M9	Baa3	BBB-	\$ 13,000,000
ABSHE 2005-HE6 M8	Baa2	BBB	\$ 13,000,000
ABSHE 2006-HE5 M8	Baa2	BBB	\$ 13,000,000
ACCR 2006-2 M9	Baa3	BBB	\$ 13,000,000
ACE 2005-HE7 M8	Baa2	BBB	\$ 15,000,000
ACE 2005-HE7 M9	Baa3	BBB	\$ 15,000,000
ACE 2006-ASP2 M9	Baa3	BBB	\$ 13,000,000
ACE 2006-NC1 M8	Baa2	BBB	\$ 15,000,000
ACE 2006-NC1 M9	Baa3	BBB	\$ 15,000,000
AMIT 2005-2 M8	Baa2	A	\$ 13,000,000
AMSI 2005-R11 M8	Baa2	A-	\$ 15,000,000
AMSI 2005-R11 M9	Baa3	BBB+	\$ 15,000,000
AMSI 2005-R3 M8	Baa2	BBB	\$ 13,000,000
AMSI 2005-R8 M9	Baa3	BBB	\$ 13,000,000
ARSI 2005-W2 M8	Baa2	BBB	\$ 15,000,000
ARSI 2005-W2 M9	Baa3	BBB	\$ 15,000,000
ARSI 2006-W1 M8	Baa2	BBB	\$ 15,000,000
ARSI 2006-W1 M9	Baa3	BBB	\$ 15,000,000
BSABS 2005-EC1 M8	Baa3	BBB	\$ 13,000,000
BSABS 2005-HE11 M7	Baa2	BBB	\$ 15,000,000
BSABS 2005-HE11 M8	Baa3	BBB	\$ 15,000,000
BSABS 2006-HE3 M8	Baa2	BBB	\$ 15,000,000
BSABS 2006-HE3 M9	Baa3	BBB-	\$ 15,000,000
BSABS 2006-PC1 M8	Baa3	BBB+	\$ 13,000,000
CARR 2006-NC1 M8	Baa2	BBB+	\$ 15,000,000



# Portfolio Composition

## Comprehensive CDO Collateral Asset List:

Reference Obligation	Moody's	S&P	Size
CARR 2006-NC1 M9	Baa3	BBB+	\$ 15,000,000
CARR 2006-NC2 M9	Baa3	BBB-	\$ 13,000,000
CARR 2006-RFC1 M8	Baa2	A	\$ 13,000,000
CBASS 2006-CB4 B3	Baa3	BBB+	\$ 13,000,000
CMLTI 2005-OPT4 M9	Baa3	BBB+	\$ 13,000,000
CWL 2005-10 MV8	Baa2	BBB	\$ 13,000,000
CWL 2005-BC5 B	Baa3	BBB	\$ 15,000,000
CWL 2005-BC5 M8	Baa2	BBB+	\$ 15,000,000
CWL 2006-8 M8	Baa2	BBB	\$ 15,000,000
CWL 2006-8 M9	Baa3	BBB-	\$ 15,000,000
ECR 2005-2 B	Baa3	BBB-	\$ 13,000,000
EMLT 2005-1 M9	Baa3	BBB-	\$ 13,000,000
FFML 2005-FF12	Baa3	BBB-	\$ 13,000,000
FFML 2005-FF12 B2	Baa2	BBB+	\$ 15,000,000
FFML 2005-FF12 B3	Baa3	BBB	\$ 15,000,000
FFML 2005-FF3 M9	Baa3	BBB	\$ 13,000,000
FFML 2005-FF7 M8	Baa2	BBB+	\$ 13,000,000
FFML 2006-FF4 B1	Baa3	BBB+	\$ 15,000,000
FFML 2006-FF4 M8	Baa2	BBB+	\$ 15,000,000
FFML 2006-FF8 M9	Baa3	BBB+	\$ 13,000,000
FHLT 2005-B M10	Baa3	BBB+	\$ 13,000,000
FHLT 2006-1 M7	Baa2	BBB+	\$ 13,000,000
FHLT 2006-2 M7	Baa2	BBB+	\$ 13,000,000
FMIC 2006-1 M9	Baa3	BBB	\$ 13,000,000
FMIC 2006-2 M9	Baa3	BBB	\$ 13,000,000



# Portfolio Composition

## Comprehensive CDO Collateral Asset List:

Reference Obligation	Moody's	S&P	Size
GEWMC 2005-1 B3	Baa3	BBB+	\$ 13,000,000
GSAA 06-12 B2	Baa2	A-	\$ 15,500,000
GSAA 06-14 B1	Baa2	BBB	\$ 15,500,000
GSAA 06-16 B2	Baa3	BBB+	\$ 15,500,000
GSAA 06-3 B3	Baa3	BBB-	\$ 15,500,000
GSAA 06-8 B1	Baa2	BBB+	\$ 15,500,000
GSAA 2005-3 B3	Baa3	BBB+	\$ 15,500,000
GSAA 2005-6 B2	Baa2	BBB	\$ 15,500,000
GSAA 2005-8 B3	Baa2	BBB	\$ 15,500,000
GSAMP 2005-HE4 B2	Baa2	BBB+	\$ 15,000,000
GSAMP 2005-HE4 B3	Baa3	BBB	\$ 15,000,000
GSAMP 2006-HE1 M8	Baa2	A-	\$ 13,000,000
GSAMP 2006-HE3 M8	Baa2	A-	\$ 15,000,000
GSAMP 2006-HE3 M9	Baa3	BBB+	\$ 15,000,000
GSAMP 2006-NC2 M9	Baa3	BBB-	\$ 13,000,000
HASC 2006-OPT4 M7	Baa2	BBB+	\$ 13,000,000
HEAT 2005-8 B1	Baa3	BBB+	\$ 15,000,000
HEAT 2005-8 M8	Baa2	BBB+	\$ 15,000,000
HEAT 2006-4 B1	Baa3	BBB+	\$ 15,000,000
HEAT 2006-4 M8	Baa2	BBB+	\$ 15,000,000
JPMAC 2005-OPT1 M8	Baa2	BBB+	\$ 15,000,000
JPMAC 2005-OPT1 M9	Baa3	BBB+	\$ 15,000,000
JPMAC 2006-ACC1 M8	Baa2	BBB	\$ 13,000,000
JPMAC 2006-CW2 MV9	Baa3	BBB	\$ 13,000,000
JPMAC 2006-FRE1 M8	Baa2	BBB	\$ 15,000,000

# Portfolio Composition

## Comprehensive CDO Collateral Asset List:

Reference Obligation	Moody's	S&P	Size
JPMAC 2006-FRE1 M9	Baa3	BBB	\$ 15,000,000
JPMAC 2006-HE1 M8	Baa2	BBB	\$ 13,000,000
LBMLT 2005-WL2 M8	Baa2	BBB	\$ 15,000,000
LBMLT 2005-WL2 M9	Baa3	BBB	\$ 15,000,000
LBMLT 2006-1 M8	Baa2	BBB	\$ 15,000,000
LBMLT 2006-1 M9	Baa3	BBB	\$ 15,000,000
MABS 2005-NC2 M8	Baa2	BBB	\$ 15,000,000
MABS 2005-NC2 M9	Baa3	BBB	\$ 15,000,000
MABS 2006-NC1 M8	Baa2	BBB	\$ 15,000,000
MABS 2006-NC1 M9	Baa3	BBB	\$ 15,000,000
MLMI 2005-AR1 B2	Baa2	BBB	\$ 15,000,000
MLMI 2005-AR1 B3	Baa3	BBB	\$ 15,000,000
MLMI 2006-HE1 B2A	Baa2	BBB	\$ 15,000,000
MLMI 2006-HE1 B3A	Baa3	BBB	\$ 15,000,000
MSAC 2005-HE5 B2	Baa2	BBB	\$ 15,000,000
MSAC 2005-HE5 B3	Baa3	BBB	\$ 15,000,000
MSAC 2006-WMC2 B2	Baa2	BBB	\$ 15,000,000
MSAC 2006-WMC2 B3	Baa3	BBB	\$ 15,000,000
MSC 2006-HE2 B2	Baa2	BBB	\$ 15,000,000
MSC 2006-HE2 B3	Baa3	BBB	\$ 15,000,000
MSHEL 2006-2 B2	Baa2	BBB+	\$ 13,000,000
NCHET 2005-4 M8	Baa2	BBB+	\$ 15,000,000
NCHET 2005-4 M9	Baa3	BBB+	\$ 15,000,000
NCHET 2005-C M8	Baa2	BBB+	\$ 13,000,000
NHEL 2005-2 M8	Baa2	A	\$ 13,000,000
NHEL 2006-2 M7	Baa2	A	\$ 13,000,000

# Portfolio Composition

## Comprehensive CDO Collateral Asset List:

Reference Obligation	Moody's	S&P	Size
OOMLT 2006-1 M9	Baa3	A	\$ 13,000,000
OOMLT 2006-2 M8	Baa2	BBB	\$ 13,000,000
OWNIT 2006-2 B2	Baa2	A-	\$ 13,000,000
POPLR 2006-A M6	Baa3	BBB	\$ 13,000,000
RAMP 2005-EFC2 M9	Baa3	BBB	\$ 13,000,000
RAMP 2005-EFC4 M8	Baa2	BBB+	\$ 15,000,000
RAMP 2005-EFC4 M9	Baa3	BBB	\$ 15,000,000
RAMP 2006-NC2 M8	Baa2	BBB	\$ 15,000,000
RAMP 2006-NC2 M9	Baa3	BBB-	\$ 15,000,000
RAMP 2006-RZ2 M9	Baa3	BBB+	\$ 13,000,000
RASC 2005-EMX2 M9	Baa3	BBB-	\$ 13,000,000
RASC 2005-KS11 M8	Baa2	A	\$ 15,000,000
RASC 2005-KS11 M9	Baa3	BBB+	\$ 15,000,000
RASC 2006-EMX2 M8	Baa2	A-	\$ 13,000,000
RASC 2006-KS3 M8	Baa2	A-	\$ 15,000,000
RASC 2006-KS3 M9	Baa3	BBB+	\$ 15,000,000
SABR 2005-EC1 B2	Baa2	BBB+	\$ 13,000,000
SABR 2005-HE1 B2	Baa2	BBB+	\$ 15,000,000
SABR 2005-HE1 B3	Baa3	BBB	\$ 15,000,000
SABR 2005-OP1 B2	Baa2	BBB+	\$ 13,000,000
SABR 2006-OP1 B2	Baa2	BBB+	\$ 15,000,000
SABR 2006-OP1 B3	Baa3	BBB+	\$ 15,000,000
SAIL 2005-HE3 M8	Baa2	BBB+	\$ 15,000,000

# Portfolio Composition

## Comprehensive CDO Collateral Asset List:

Reference Obligation	Moody's	S&P	Size
SAIL 2005-HE3 M9	Baa3	BBB+	\$ 15,000,000
SAIL 2006-4 M7	Baa2	BBB+	\$ 15,000,000
SAIL 2006-4 M8	Baa3	BBB+	\$ 15,000,000
SASC 2005-WF4 M8	Baa2	BBB+	\$ 15,000,000
SASC 2005-WF4 M9	Baa3	BBB+	\$ 15,000,000
SASC 2005-WMC1 M4	Baa2	BBB	\$ 13,000,000
SASC 2006-WF2 M8	Baa2	BBB	\$ 15,000,000
SASC 2006-WF2 M9	Baa3	BBB	\$ 15,000,000
SAST 2005-2 B2	Baa2	BBB	\$ 13,000,000
SURF 2006-BC1 B2A	Baa2	BBB+	\$ 13,000,000
SVHE 2005-4 M8	Baa2	BBB+	\$ 15,000,000
SVHE 2005-4 M9	Baa3	BBB	\$ 15,000,000
SVHE 2006-OPT2 M8	Baa3	BBB+	\$ 13,000,000
SVHE 2006-OPT5 M8	Baa2	BBB	\$ 15,000,000
SVHE 2006-OPT5 M9	Baa3	BBB-	\$ 15,000,000
WFHET 2006-1 M9	Baa3	BBB+	\$ 13,000,000





**Appendix B – Goldman Sachs Contact Information**



# Hudson High Grade Funding 2006-1, LTD

## Team Contact Information

### Phone

### Phone

#### SP CDOs – Structuring,

#### Marketing and Principal Investments

#### Syndication

Peter Ostrem, Vice President	+1 212-357-4617	Bunty Bohra, Managing Director	+1 212-902-7645
Darryl Herrick, Vice President	+1 212-902-9305	Scott Wisenbaker, Vice President	+1 212-902-2858
Deva Mishra, Analyst	+1 212-902-7002	Mitchell Resnick (London), Exec. Director	+44 (20) 7774-3068
Roman Shimonov, Associate	+1 212-902-6964	Omar Chaudhary (Tokyo), Vice President	+81 (3) 6437-7198
Andy Robertson (Legal), Vice President	+1 212-357-9072	Tetsuya Ishikawa (London), Associate	+44 (20) 7774-1025
Arianne West (Legal), Associate	+1 212-902-3665	Scott Walter, Associate	+1 212-357-8910