
From: Cohn, Gary
Sent: Wednesday, February 14, 2007 11:49 AM
To: Blankfein, Lloyd
Subject: FW: Post

From: Sparks, Daniel L
Sent: Wednesday, February 14, 2007 10:49 AM
To: Montag, Tom; Viniar, David; Ruzika, Richard; Cohn, Gary; Winkelried, Jon
Subject: Post

Over the last few months, our risk reduction program consisted of:

- (1) selling index outright
- (2) buying single name protection
- (3) buying protection on super-senior portions of the BBB/BBB- index (40-100% of the index). We thought that the correlation of tranches on the very thin BBB- index was higher than where the market implied. We sold around \$ in the mid-30's bp range.

Today is the first day of tranching ABX trading (TABX). We are getting greater transparency on the super-senior. The market is opening up in BBB-'s around +200bps. We currently have our trades from (3) above marked in the area.

That is good for us position-wise, bad for accounts who wrote that protection (MS Prop, Peleton, ACA, Harvard). could hurt our CDO pipeline position as CDOs will be harder to do.

ABX index pretty flat so far.

It's early.

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