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From: Sparks, Daniel L
Sent: Wednesday, February 21, 2007 10:09 PM
To: Winkelried, Jon (EO 85B30)
Subject: RE: Mortgages today

Bad news everywhere. Novastar (another subprime originator) bad earnings and 1/3 of cap gone immediately. Wells laying off 300+ subprime staff and home price appreciai data showed for first time lower prices on homes over year broad based. Index over wider last week and this week. CDOs starting to widen.

We are net short, but mostly in single name CDS and some tranched index vs the some longs. We are working to cover more, but liquidity makes it tough. Volatility is ca our VAR numbers to grow dramatically.

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

From: Winkelried, Jon (EO 85B30)
Sent: Wednesday, February 21, 2007 6:09 PM
To: Sparks, Daniel L
Subject: Re: Mortgages today

Give a few details if get a chance. I've been on the road in euirpe all week with clients so out of touch with it

 Sent from my BlackBerry Wireless Handheld

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

From: Sparks, Daniel L
To: Winkelried, Jon
Sent: Wed Feb 21 17:50:13 2007
Subject: RE: Mortgages today

Very large - it's getting messy

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

From: Winkelried, Jon (EO 85B30)
Sent: Wednesday, February 21, 2007 4:44 PM
To: Sparks, Daniel L
Subject: Re: Mortgages today

Another downdraft?

 Sent from my BlackBerry Wireless Handheld

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

From: Sparks, Daniel L
To: Montag, Tom; Ruzika, Richard; McMahon, Bill; Smith, Sarah; Lee, Brian-J
Cc: Cohn, Gary; Winkelried, Jon; Viniar, David; Gmelich, Justin; Gasvoda, Kevin
Sent: Wed Feb 21 16:43:10 2007
Subject: Mortgages today

Commercial Mortgage	+30mm (50/50 FICC/IBD)
Single names	+60mm
Index	(42)mm
Index tranches/index	flat
CDO CDS	+25mm

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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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