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**From:** Viniar, David  
**Sent:** Friday, December 15, 2006 8:57 AM  
**To:** Montag, Tom  
**Subject:** RE: Subprime risk meeting with Viniar/McMahon Summary

Yes. We spent about two hours together. Dan and team did a very good job going through the risks. On ABX, the position is reasonably sensible but is just too big. Might have to spend a little to size it appropriately. On everything else my basic message was let's be aggressive distributing things because there will be very good opportunities as the markets goes into what is likely to be even greater distress and we want to be in position to take advantage of them. Let me know if you want to catch up live.

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**From:** Montag, Tom  
**Sent:** Friday, December 15, 2006 1:00 AM  
**To:** Viniar, David  
**Subject:** FW: Subprime risk meeting with Viniar/McMahon Summary

is this fair summary?

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**From:** Sparks, Daniel L  
**Sent:** Thursday, December 14, 2006 11:04 PM  
**To:** Montag, Tom; Ruzika, Richard  
**Subject:** Subprime risk meeting with Viniar/McMahon Summary

Mortgage team - Gasvoda, Rosenblum, Swenson and me.  
Viniar, Bill, Brian Lee (controllers) and some risk guys.  
Ruzika on phone.

Reviewed in detail 6 areas of risk related to subprime:  
ABX/CDS  
Loans  
Residuals  
CDO warehouse  
Early Payment Defaults (EPDs)  
Loan warehouse

Follow-ups:

1. Reduce exposure, sell more ABX index outright, basis trade of index vs CDS too large
2. Distribute as much as possible on bonds created from new loan securitizations and clean previous positions
3. Sell some more resid
4. Mark the CDO warehouse more regularly (had been policy to true-up quarterly) - will likely be weekly or more if necessary
5. Stay focused on the credit of the originators we buy loans from and lend to
6. Stay focused and aggressive on MLN (warehouse customer and originator we have EPDs to that is likely to fail)
7. Be ready for the good opportunities that are coming (keep powder dry and look around the market hard)

Permanent Subcommittee on Investigations

EXHIBIT #3