

From: michael.sherwood@gs.com
Sent: 12/23/2007 06:19:00 PM
To: Cassano, Joseph; david.viniar@gs.com
CC: dan.sparks@gs.com
Subject: RE: CDO Spreadsheet

we will talk in new year,we will take a close look again at all our prices

Mike

From: Cassano@aigfpc.com [mailto:Cassano@aigfpc.com]
Sent: Friday, December 21, 2007 3:10 PM
To: Sherwood, Michael S; Viniar, David
Subject: CDO Spreadsheet

Dear Michael and David ,

Thank you for providing the super senior CDO pricing information, which I received late last night. The team and I have begun our review, but the timing of your e-mail is a little unfortunate given that the Christmas and New Year's holiday week is now in front of us. As a result, it will be difficult for us to provide a full response before the early part of January.

That said, I will pass on our initial observations, which indicate that your current exposure calculations are too high. We note that the third party super senior CDO prices that you provided appear to be, on average, 7% higher (as a percentage of current face value) than Goldman Sachs' own prices for the CDOs. Your collateral exposure calculation of \$3.23 billion would drop to approximately \$2.64 billion if it were based on third party prices where provided and Goldman's where not. The exposure would drop further if three adjustments were made: if the third party prices were adjusted to take into account the fact that 3 of them are bid prices and 1 of them is an offered price (based on information that you've provided in the past regarding a uniform bid-offer spread of 10% for almost all super senior CDO prices, which is the adjustment you make to the super senior CDO values you imply from your collateral NAV and leakage calculations); if, in light of our observation above, your prices are increased uniformly by 7% (as a percentage of the current face value) where no third party prices are provided; and if all prices were increased by a further 5%, reflecting our belief that the 10% bid-offer spread noted above is itself questionable (which we highlighted during a conference call earlier last week). These three adjustments would bring the \$2.64 billion down to approximately \$1.64 billion. You currently hold \$2 billion of collateral for these positions, which is thus demonstrably in excess of what is contractually required.

Please note that these initial observations are very much a starting point for us, but it's already evident that your exposure calculations are significantly higher than is warranted by the third party indications that you yourself have provided to us. We will need to pick this up as soon as we can in January in order to resolve the matter.

Sincerely,

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