



FOR IMMEDIATE RELEASE  
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## **Senate Subcommittee Investigating Financial Crisis Releases Documents on Role of Investment Banks**

WASHINGTON – The Senate Permanent Subcommittee on Investigations released several exhibits that will be among those discussed on Tuesday at the fourth of its hearings on the causes and consequences of the financial crisis.

Using Goldman Sachs as a case study, the April 27 hearing will focus on the role of investment banks in contributing to the worst U.S. economic crisis since the 1930s, resulting in the foreclosure of millions of homes, the shuttering of businesses, and the loss of millions of American jobs. The Subcommittee, whose Chairman is Sen. Carl Levin, D-Mich., and whose Ranking Republican is Sen. Tom Coburn, R-Okla., has conducted a nearly year and a half investigation into the 2008 financial crisis.

“Investment banks such as Goldman Sachs were not simply market-makers, they were self-interested promoters of risky and complicated financial schemes that helped trigger the crisis,” said Sen. Levin. “They bundled toxic mortgages into complex financial instruments, got the credit rating agencies to label them as AAA securities, and sold them to investors, magnifying and spreading risk throughout the financial system, and all too often betting against the instruments they sold and profiting at the expense of their clients.” The 2009 Goldman Sachs annual report stated that the firm “did not generate enormous net revenues by betting against residential related products.” Levin said, “These e-mails show that, in fact, Goldman made a lot of money by betting against the mortgage market.”

The four exhibits released today are Goldman Sachs internal e-mails that address practices involving residential mortgage-backed securities and collateralized debt obligations (CDOs), financial instruments that were key in the financial crisis.

Goldman Sachs Chairman and Chief Executive Officer Lloyd Blankfein and other current and former company personnel are scheduled to testify at Tuesday's hearing.

In one of the e-mails released today, Mr. Blankfein stated that the firm came out ahead in the mortgage crisis by taking short positions. In an e-mail exchange with other top Goldman Sachs

executives, Mr. Blankfein wrote: “Of course we didn't dodge the mortgage mess. We lost money, then made more than we lost because of shorts.”

In a second e-mail, Goldman Sachs Chief Financial Officer David Viniar, who also will testify on Tuesday, responded to a report on the firm's trading activities, showing that – in one day -- the firm netted over \$50 million by taking short positions that increased in value as the mortgage market cratered. Mr. Viniar wrote: “Tells you what might be happening to people who don't have the big short.” Levin said: “There it is, in their own words: Goldman Sachs taking ‘the big short’ against the mortgage market.”

In a third e-mail, Goldman employees discussed the ups and downs of securities that were underwritten and sold by Goldman and tied to mortgages issued by Washington Mutual Bank's subprime lender, Long Beach Mortgage Company. Reporting the “wipeout” of one Long Beach security and the “imminent” collapse of another as “bad news” that would cost the firm \$2.5 million, a Goldman Sachs employee then reported the “good news” – that the failure would bring the firm \$5 million from a bet it had placed against the very securities it had assembled and sold.

In a fourth e-mail, a Goldman Sachs manager reacted to news that the credit rating agencies had downgraded \$32 billion in mortgage related securities – causing losses for many investors – by noting that Goldman had bet against them: “Sounds like we will make some serious money.” His colleague responded: “Yes we are well positioned.”

Prior hearings of the Subcommittee have looked at how high risk lending strategies, bank regulatory failures, and inflated credit ratings contributed to the financial crisis. Next Tuesday's hearing examining the role of investment banks will be the final hearing in the quartet of hearings on “Wall Street and the Financial Crisis.”

The hearing will begin at 10:00 a.m. in room 106 of the Dirksen Senate Office Building. There will be a press briefing to preview the hearing at 11:00 a.m. Monday, April 26, in room 485 of the Russell Senate Office Building.

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**ADDITIONAL  
EXHIBITS**

**Hearing On**

***WALL STREET AND THE FINANCIAL CRISIS:  
THE ROLE OF CREDIT RATING AGENCIES***

**April 23, 2010**

**Included in this package:**

- Exhibits #101 - #104 (exhibits not included in the original package of exhibits).

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**From:** Cohn, Gary (EO 85B30)  
**Sent:** Sunday, November 18, 2007 6:04 PM  
**To:** Blankfein, Lloyd (EO 85B30); van Praag, Lucas (EO PBC09)  
**Cc:** Winkelried, Jon (EO 85B30); Viniar, David; Rogers, John F.W. (EO 85B30); Horwitz, Russell (EO 85B30)  
**Subject:** Re: NYT

We were just smaller in the toxic products

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

**From:** Blankfein, Lloyd  
**To:** van Praag, Lucas  
**Cc:** Winkelried, Jon; Cohn, Gary; Viniar, David; Rogers, John F.W.; Horwitz, Russell  
**Sent:** Sun Nov 18 17:59:01 2007  
**Subject:** RE: NYT

Of course we didn't dodge the mortgage mess. We lost money, then made more than we lost because of shorts. Also, it's not over, so who knows how it will turn out ultimately.

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

**From:** van Praag, Lucas  
**Sent:** Sunday, November 18, 2007 5:47 PM  
**To:** Blankfein, Lloyd  
**Cc:** Winkelried, Jon; Cohn, Gary; Viniar, David; Rogers, John F.W.; Horwitz, Russell  
**Subject:** NYT

Jenny Anderson and Landon Thomas' story about how we dodged the mortgage mess is scheduled to run tomorrow. At this stage, 95% certain to be on the front page. I don't expect it to be materially different to the WSJ story on the same subject that ran last week - although it will have more color and anecdotes.

Have given John and Russell a detailed briefing and Russell will update you on the plane, but here are a few points:

1. GS Gives in not in the story. I have agreed to brief Jenny thoroughly on it tomorrow and expect the news to run either Tues or Wed. I think it would be good if you had a 5 min phone call with her on the subject and I'll liaise with Russell on timing. We will issue the press release to coincide with publication of her article and will actively work with other media, esp in the UK, to make sure the message is spread and picked up effectively.
2. Tomorrow's story will, of course, have 'balance' (ie stuff we don't like). In this instance, we have spent much time discussing conflicts, and I think we've made some progress as she acknowledges that most of her sources on the subject are financial sponsors which fact, unless edited out, is included and gives context.
3. The article references the extraordinary influence GS alums have - the most topical being John Thain, but Rubin, Hank, Duncan et al are all in the mix too. She hasn't gone as far as suggesting that there is a credible conspiracy theory (unlike her former colleague at the NY Post). She does, however, make the point that it feels like GS is running everything.
5. We spent a lot of time on culture as a differentiator - she was receptive.
4. She has used several remarks you made at the ML conference on the record - which is fine.

If anything changes, I'll let you know. / L

Permanent Subcommittee on Investigations

EXHIBIT #101

**From:** Swenson, Michael  
**Sent:** Thursday, October 11, 2007 7:06 PM  
**To:** Mullen, Donald  
**Subject:** RE: Early post on P and L

— = Redacted by the Permanent  
Subcommittee on Investigations

Yes we are well positioned

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

**From:** Mullen, Donald  
**Sent:** Thursday, October 11, 2007 6:27 PM  
**To:** Swenson, Michael  
**Subject:** Re: Early post on P and L

Sounds like we will make some serious money

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

**From:** Swenson, Michael  
**To:** Mullen, Donald  
**Sent:** Thu Oct 11 18:24:00 2007  
**Subject:** RE: Early post on P and L

The [REDACTED] CDO has a bunch of second lien positions in it that have been written down. The collateral balance has fallen below the liabilities triggering an "implied write-down event" which is a credit event in our CDS document. Unlike RMBS structures, CDOs do not have a bond write-down feature.

On another note, today's RMBS downgrades by Moody's should cause many CDOs to fail their OC triggers. That will result in coupons being shut off on the bonds and hence our CDS protection premiums paid out will go to zero.

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

**From:** Mullen, Donald  
**Sent:** Thursday, October 11, 2007 5:49 PM  
**To:** Swenson, Michael  
**Subject:** Re: Early post on P and L

Nice day  
How did the trigger not work

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

**From:** Swenson, Michael  
**To:** Mullen, Donald; Montag, Tom  
**Cc:** Sparks, Daniel L; Brafman, Lester R  
**Sent:** Thu Oct 11 17:47:02 2007  
**Subject:** Early post on P and L

Moody's downgraded 32bb of of 2006 AA, A, BBB and BBB- bonds today. This will eventually filter into downgrades in CDOs. ABX single-As sold off by a point after the news.

ABS Desk P and L will be up between 30 and 35mm today. 12mm of the p and l is from our first credit event in CDOs where the implied trigger failed on a [REDACTED] deal [REDACTED] 06-1).

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Goldman, Sachs & Co.

Permanent Subcommittee on Investigations  
**EXHIBIT #102**

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e-mail: michael.swenson@gs.com

Goldman  
Sachs

Michael J. Swenson  
Fixed Income, Currency & Commodities

[REDACTED] = Redacted by the Permanent  
Subcommittee on Investigations

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**From:** Salem, Deeb  
**Sent:** Thursday, May 17, 2007 8:06 AM  
**To:** Swenson, Michael  
**Cc:** Chin, Edwin  
**Subject:** FW: LBML 06A

bad news...

wipes out the m6s and makes a wipeout on the m5 imminent ... costs us about 2.5mm

3.5 m6 marked at \$10  
12.5 m5 marked at \$20

good news...

we own 10mm protection on the m6 marked at \$50 .... we make \$5mm

**From:** Heagle, Jonathan  
**Sent:** Thursday, May 17, 2007 8:00 AM  
**To:** Salem, Deeb; Chin, Edwin  
**Cc:** Pouraghabagher, Dariush; Brosterman, Jonathan  
**Subject:** LBML 06A

06:07 17May2007 LONG BEACH MORTGAGE LOAN TRUST 2006-A FILES (8-K) Disclosing Other Events

May 17 (EDGAR Online) -  
Item 8.01 Other Events

Long Beach Mortgage Securities Corp announces that the May 2007 distribution report for LBMLT 2006-A will reflect that 616 second-lien mortgage loans with an aggregate unpaid principal balance of \$ 49,340,870.90 will be charged off on May 25, 2007. The total amount to be charged off, \$52,797,628.59, includes certain unreimbursed advances of principal and interest made by the servicer, Washington Mutual Bank.

Information regarding the characteristics of the loans in LBMLT 2006-A is available from the trustee at its website <https://tss.db.com/invr> and at <http://wmsubprime.lewtan.com>.

The table below sets forth the number and aggregate unpaid principal balance of the charged off mortgage loans by distribution date (the month following the due date of the last monthly payment that should have been received with respect to the loans). The chargeoff assessment date for the pool was May 1, 2007.

Distribution Date	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007
Number of Loans in Pool	7,767	7,624	7,468	7,305	7,163	6,997	TBD*
Aggregate Unpaid	\$485,292,702.94	\$475,682,053.93	\$465,992,547.68	\$455,518,577.50	\$444,362,214.18	\$434,469,820.04	

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EXHIBIT #103

TBD\*  
Principal  
Balance

Loans that became 180 days delinquent	Count:	Count:	Count:	Count:	Count:	Count:	Count:
	31	45	70	111	97	124	134**
	Balance:	Balance:	Balance:	Balance:	Balance:	Balance:	Balance
	\$2,504,764.64	\$3,624,267.82	\$5,474,744.25	\$9,605,192.29	\$8,158,758.05	\$9,781,894.90	
	\$10,001,312.08						

\*Pool loan count and aggregate unpaid principal balance for the May 2007 distribution will be published on May 25<sup>th</sup> 2007.

\*\* The sum of loan counts in this row equals 612 because it excludes four loans charged off for reasons other than 180 days delinquency.

Due to the number of affected mortgage loans for the May 2007 distribution date, there may be a larger than usual reconciliation activity on the remittance report for the June 2007 distribution date to reflect items that have not been closed out as of the scheduled reporting date to the trustee for the May 2007 distribution date.

Please Contact: Doug Potolsky at (212) 702- 6961 if you have any questions about this filing.

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Full filing at:

<http://www.edgar-online.com/rtrs/?doc=A-0001277277-07-000368>

For 3000 Xtra, Kobra and internet-enabled Reuters News users, click on the URL above. For Reuters Terminal users, please type the URL into a browser.  
Thursday, 17 May 2007 06:07:50EOL [nEol007427] {C}ENDS



**From:** Viniar, David  
**Sent:** Wednesday, July 25, 2007 9:18 PM  
**To:** Cohn, Gary (EO 85B30)  
**Subject:** RE: Private & Confidential: FICC Financial Package 07/25/07  
**Sensitivity:** Confidential

Tells you what might be happening to people who don't have the big short.

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

**From:** Cohn, Gary (EO 85B30)  
**Sent:** Wednesday, July 25, 2007 8:55 PM  
**To:** Viniar, David; Blankfein, Lloyd (EO 85B30); Winkelried, Jon (EO 85B30)  
**Subject:** Fw: Private & Confidential: FICC Financial Package 07/25/07  
**Sensitivity:** Confidential

Look at the Mortgage numbers up 373 in the index book and wrote down 230 in CLO-CDO and. 92 in resids

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

**From:** Tricarico, Geoffrey P.  
**To:** ficc-package  
**Sent:** Wed Jul 25 19:33:10 2007  
**Subject:** Private & Confidential: FICC Financial Package 07/25/07

REVENUES (Including Estimate)

EST \$ 126.5  
WTD \$  
MTD \$  
QTD \$  
YTD \$

**Redacted By**  
**Permanent Subcommittee on Investigations**

PRE-TAX

EST \$ 96.6  
WTD \$  
MTD \$  
QTD \$  
YTD \$

**Redacted By**  
**Permanent Subcommittee on Investigations**

**Permanent Subcommittee on Investigations**  
**EXHIBIT #104**

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**Redacted By**  
**Permanent Subcommittee on Investigations**

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Mortgage Backed Securities \$ 48.7  
SPG Trading +373.0 (CDO/CDS and ABS/CDS widening) / CDO-CLO -230.0 (Markdown of retained  
debt) / Resi Credit -92.0 (Markdown of residuals)

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**Redacted By**  
**Permanent Subcommittee on Investigations**

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<<FICC Package 2007-07-25.xls>>