

## SETTLEMENT AGREEMENT

The Attorney General of the Commonwealth of Massachusetts, Martha Coakley (the "Attorney General"), and Goldman, Sachs & Co., on behalf of itself and its affiliates Goldman Sachs Mortgage Company and GS Mortgage Securities Corp., have made and entered into this Settlement Agreement on May 7, 2009, in order to conclude and resolve all issues arising from the Attorney General's investigation described in Section B of this Settlement Agreement.

### A. Definitions

1. "CLTV" means combined loan to value ratio, defined as the ratio of the unpaid principal balance of the first lien loan and any second lien loan that may exist (as of the date of modification, refinance, or sale) to the then most current appraised value of the property.
2. "Interim Modification Rate" means the weekly Freddie Mac Primary Mortgage Market Survey ("PMMS") rate for 30-year fixed-rate conforming loans.
3. "First-Lien Massachusetts Loan" means a first-lien non-agency loan owned by the Goldman Sachs Mortgage Desk as of April 1, 2009 and secured by residential real property located in Massachusetts. These loans are identified in Exhibits A and B.
4. "Goldman Sachs" means collectively Goldman, Sachs & Co., Goldman Sachs Mortgage Company, and GS Mortgage Securities Corp.
5. "LTV" means the loan to value ratio, defined as the ratio of the unpaid principal balance of the loan (as of the date of modification, refinance, or sale) to the then most current appraised value of the property.
6. "Performing" means less than 60 days delinquent as of April 1, 2009 under the so-called Mortgage Bankers Association's calculation method.
7. "Second-Lien Massachusetts Loan" means a second-lien non-agency loan owned by the Goldman Sachs Mortgage Desk as of April 1, 2009 and secured by residential real property located in Massachusetts. These loans are identified in Exhibits C, D, and E.
8. "UPB" means the unpaid principal balance of the loan.
9. "Write Off" means that the loan is forgiven and the lien is released.
10. "Best Efforts" means activities performed in good faith to achieve the indicated outcome.

## **B. The Attorney General's Investigation**

In late 2007, the Attorney General commenced an investigation into the financing, purchase, and securitization of allegedly unfair residential mortgage loans during the period through 2007. This ongoing investigation concerns:

- a) whether securitizers may have facilitated the origination by others of "unfair" loans under Massachusetts law;
- b) whether securitizers may have failed to ascertain whether loans purchased from originators complied with the originators' stated underwriting guidelines;
- c) whether securitizers may have failed to take sufficient steps to avoid placing problem loans in securitization pools;
- d) whether securitizers may have been aware of allegedly unfair or problem loans;
- e) whether securitizers may have failed to correct inaccurate information in securitization trustee reports concerning repurchases of loans; and
- f) whether securitizers may have failed to make available to potential investors certain information concerning allegedly unfair or problem loans, including information obtained during loan diligence and the pre-securitization process, as well as information concerning their practices in making repurchase claims relating to loans both in and out of securitizations.

## **C. Resolution**

The Attorney General and Goldman Sachs have agreed to resolve any and all concerns relating to Goldman Sachs arising from the Attorney General's investigation in accordance with the following terms and conditions:

1. Goldman Sachs will pay the Commonwealth \$9.025 million by a check payable to the Commonwealth c/o Diana Hooley at the Office of the Attorney General, Insurance & Financial Services Division, One Ashburton Place, Room 1813, Boston, Massachusetts 02108. This check shall be provided to the Attorney General's Office within five (5) days of the date of this Settlement Agreement.
2. Goldman Sachs will provide \$975,000 to the Office of the Attorney General pursuant to G.L. c. 12, sec. 4A. This payment shall be made by a check payable to the Office of the Attorney General, shall be delivered to the Office of the Attorney General, Insurance & Financial Services Division, c/o Diana Hooley, One Ashburton Place, Room 1813, Boston, Massachusetts 02108, shall be held in accordance with state

law, and shall be used prior to January 1, 2012 for administering the terms of this Settlement Agreement, monitoring Goldman Sachs's compliance with the terms of this Settlement Agreement, assisting in the implementation of the relief programs described in this Settlement Agreement, and supporting the Attorney General's continuing investigation of the financing, purchase, and securitization of allegedly unfair residential mortgage loans. This check shall be provided to the Attorney General's Office within five (5) days of the date of this Agreement.

3. For First-Lien Massachusetts Loans that are Performing, which are identified in Exhibit A, Goldman Sachs will provide an incentive for the borrower to obtain alternative financing, through lenders with Federal Housing Authority (FHA) and other lending programs, by forgiving in a refinancing (a) 25% of the UPB or (b) so much of the UPB as is sufficient to bring the LTV to 96.5%, whichever reduction in UPB is smaller. Similarly, in order to facilitate an arm's length short sale, Goldman Sachs will offer to forgive in connection with an arm's length short sale (a) 25% of the UPB or (b) so much of the UPB as is sufficient to bring the LTV to 96.5%, whichever reduction in UPB is smaller. If the borrower has a second lien loan on the property not owned by the Goldman Sachs Mortgage Desk, Goldman Sachs, on its own behalf or through its agents will, with the borrower's consent, contact the second lien lender and use its Best Efforts to facilitate principal forgiveness by the second lien lender to reduce the UPB of the second lien loan such that the CLTV of the loans is reduced in a refinancing or arm's length short sale to 96.5% (given the reduced UPBs of the first and second lien loans), subject to the limit on the reduction of UPB for the first lien loan of 25%.

4. For First-Lien Massachusetts Loans that are not Performing, which are identified in Exhibit B, Goldman Sachs will offer to forgive so much of the UPB as is necessary, up to 35% of the UPB, to facilitate a refinancing or arm's length short sale of the property. Goldman Sachs will instruct each relevant loan's servicer to forgo for six (6) months from the date of this Settlement Agreement taking steps to complete foreclosure with respect to any borrower who (i) makes good faith efforts to achieve a refinancing or arm's length short sale, and (ii) during the six-month period makes monthly payments at the Interim Modification Rate applied to the UPB of each first-lien loan reduced by (a) 30% of the UPB; or (b) so much of UPB as is sufficient to bring the LTV of the loan (using the most recent broker price opinion ("BPO") or appraisal obtained by Goldman Sachs) to 90%, whichever reduction in UPB is smaller. For any borrower seeking refinancing who makes six (6) consecutive monthly payments in the amounts defined in subsection (ii) of this Paragraph, Goldman Sachs will modify the terms of the loan to forgive (a) 30% of the UPB or (b) so much of the UPB as is sufficient to bring the LTV to 90%, whichever reduction is smaller.

5. For Second-Lien Massachusetts Loans that are Performing, which are identified in Exhibit C, Goldman Sachs will offer to forgive up to 50% of the UPB in exchange for full satisfaction of the remainder of the balance of the loan through payoff, refinancing, or arm's length short sale.

6. For Second-Lien Massachusetts Loans that are more than 180 days delinquent as of April 1, 2009, which are identified in Exhibit D, as well as the loans identified in Exhibit E, Goldman Sachs will Write Off the loans.

7. In order to determine the current LTV or CLTV of the property for purposes of calculating the principal forgiveness pursuant to this Settlement Agreement, other than for refinancings which are addressed in Paragraph 8 of Section C of this Settlement Agreement, Goldman Sachs, on its own behalf or through its agents, will obtain and pay the reasonable costs of a BPO or appraisal of the property by an independent third party, unless a BPO was obtained or an appraisal was performed on or after January 1, 2009.

8. Goldman Sachs, on its own behalf or through its agents, will pay reasonable closing costs up to 2% of UPB for any refinancing of any First-Lien Massachusetts Loan or Second-Lien Massachusetts Loan referred to in Paragraphs 3 through 5 of Section C of this Settlement Agreement. These closing costs will include the costs of any appraisal of the property necessary to achieve the refinancing referred to in Paragraphs 3 and 4 of Section C of this Settlement Agreement.

9. The offers in Paragraphs 3 and 5 of Section C of this Settlement Agreement will remain open until November 30, 2009. The offer in Paragraph 4 of Section C of this Settlement Agreement will remain open through the later of November 30, 2009 or the period during which the borrower is making the six consecutive payments provided for in the last sentence of Paragraph 4, but only for borrowers (i) who contact the servicer of the loan or Goldman Sachs in response to the communications provided for in Paragraph 10 of Section C of this Settlement Agreement and concerning such communications, but in no event later than one (1) week after the visit to the borrowers' residence provided for in Paragraph 10, and (ii) who meet the conditions in subsections (i) and (ii) of Paragraph 4.

10. Goldman Sachs will use its Best Efforts to cause the servicer of the loan to communicate the offers referred to in Paragraphs 3 through 6 of Section C of this Settlement Agreement in a letter to each borrower. With respect to each borrower who has not contacted the servicer or Goldman Sachs (concerning these offers), Goldman Sachs will use its Best Efforts to cause the servicer of the loan to make at least five (5) telephone calls to the borrower in order to communicate the terms of the offer orally. With respect to each borrower who has not contacted the servicer or Goldman Sachs (concerning these offers) within two (2) weeks of the date of the initial letter, Goldman Sachs will use its Best Efforts to cause the servicer of the loan to send a second letter to the borrower. With respect to each borrower who has not contacted the servicer or Goldman Sachs (concerning these offers) within three (3) weeks of the date of the initial letter, Goldman Sachs will use its Best Efforts to cause a representative of the servicer of the loan (or a contractor on the servicer's behalf) to visit the borrower's residence during a time of day reasonably calculated to find the borrower at home in order to communicate the terms of the offer to the borrower orally and in writing. For all loans serviced by its affiliate Litton Loan Servicing, LP ("Litton"), Goldman Sachs will cause Litton to

comply with the provisions of this Paragraph. For all loans serviced by a servicer other than Litton, if the servicer does not undertake to take the actions required by this Paragraph, Goldman Sachs, on its own behalf or through its agents, will take those actions.

11. Goldman Sachs agrees that Litton will hold sessions to meet with borrowers who have loans owned by Goldman Sachs or serviced by Litton to help qualified borrowers understand and take advantage of the offers in Paragraphs 3 through 6 of Section C of this Settlement Agreement or to develop other loss mitigation alternatives. Within two (2) months of the date of this Settlement Agreement, Litton will hold at least three (3) meetings for borrowers in at least three (3) different Massachusetts locations to be designated by the Attorney General within seven (7) days of the date of this Settlement Agreement. During or after these meetings, Litton will make available representatives to hold one-on-one sessions with borrowers. Litton will schedule each meeting at least three (3) weeks in advance of the meeting and will communicate the schedule in writing to borrowers.

12. The letter required in Paragraph 10 of Section C of this Settlement Agreement shall contain any information requested by the Attorney General and consistent with this Settlement Agreement, and shall be subject to the approval of the Attorney General. Drafts of the letters shall be submitted to the Attorney General within seven (7) days of the date of this Settlement Agreement. The Attorney General will provide her comments or approval within seven (7) days of receipt of draft letters from Goldman Sachs. Goldman Sachs shall cause the letters to be sent to borrowers within seven (7) days of mutual approval by Goldman Sachs and the Attorney General. The letters shall be sent by a delivery method that confirms the delivery, and Goldman Sachs shall provide confirmation of the delivery of all such letters to the Attorney General. Where such letters communicate an offer by Goldman Sachs, each letter shall include clear instructions for acceptance of the offer. All such letters shall also include a dedicated toll free telephone number that a borrower may call for advice, assistance and answers to questions concerning the terms set forth in the letter. Goldman Sachs shall cause a log of all calls received at such telephone number to be maintained and shall provide a copy of such log to the Attorney General.

13. Within five (5) days of the date of this Settlement Agreement, Goldman Sachs shall provide to the Attorney General a list of the borrowers eligible for each of the offers in Paragraphs 3 through 6 of Section C of this Settlement Agreement, along with, to the extent available:

- a) the current UPB of each borrower's loan;
- b) the current servicer of each borrower's loan;
- c) the address of the property securing each borrower's loan;
- d) the current lien status of each borrower's loan;

- e) the current delinquency status of each borrower's loan;
- f) to Goldman Sachs' knowledge, the most recent appraised value of the property securing each borrower's loan; and
- g) the most recent telephone numbers and addresses for each borrower.

This information will be provided as part of the Attorney General's ongoing investigation under Massachusetts General Laws chapter 93A and will be subject to the confidentiality provisions of that chapter.

14. During the months June through December 2009, on the fifth business day of each month, Goldman Sachs will provide the Attorney General with a report that provides monthly and cumulative information concerning the refinancing referred to in Paragraphs 3 through 6 of Section C of this Settlement Agreement. Goldman Sachs will include in the monthly reports a description of all activities undertaken by Goldman Sachs that constitute Best Efforts under Paragraphs 3 and 10 of Section C of this Settlement Agreement.

#### **D. Ongoing Cooperation**

1. Goldman Sachs agrees to provide reasonable cooperation to the Attorney General in the implementation of this Settlement Agreement.
2. Goldman Sachs agrees to provide reasonable cooperation to the Attorney General in connection with her continuing investigation into the origination, financing, purchase and securitization of allegedly unfair residential mortgage loans.
3. Goldman Sachs will comply with all reasonable requests by the Attorney General for documents or information related to the origination and securitization of residential mortgage loans, including but not limited to the sale of residential mortgage backed securities or derivatives referencing such securities to the Commonwealth and/or any political subdivision thereof. Goldman Sachs will provide such documents and information to the Attorney General within such time as the Attorney General and Goldman Sachs agree is reasonable.
4. Goldman Sachs will use its Best Efforts to make available current and former officers, directors, employees, and agents of Goldman Sachs for interviews by the Attorney General within such time as the Attorney General and Goldman Sachs agree is reasonable.
5. The Attorney General represents that her requests to Goldman Sachs pursuant to Paragraphs 3 and 4 above shall be made with due regard to the expense and inconvenience that Goldman Sachs will incur in complying with them, and will discuss with Goldman Sachs ways to reduce the expense and inconvenience of compliance. To the extent possible, Goldman Sachs will make the materials and/or persons requested

pursuant to Paragraphs 3 and 4 above available voluntarily and will provide all requested information that is not privileged. With respect to any document withheld or redacted on the ground of privilege, Goldman Sachs shall submit a written log indicating: (i) the type of document; (ii) the date of the document; (iii) the author and each recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding or redacting the document; and (vi) the Bates number or range of any redacted document. The Attorney General will return any privileged documents or information inadvertently provided to the Attorney General and later identified by Goldman Sachs as privileged. The Attorney General and Goldman Sachs will work cooperatively to resolve any legitimate confidentiality concerns related to requested information.

### **E. Implementation**

1. Nothing contained herein shall be deemed to constitute an admission by Goldman Sachs of any wrongdoing in connection with any matter. Nor shall this Settlement Agreement or any negotiations, transactions, or proceedings connected in any way with this Settlement Agreement be offered or received in evidence in any proceeding to prove any liability, any wrongdoing, or an admission on the part of any party hereto, by any individual or entity not a party hereto; provided, however, that nothing herein shall prevent this Settlement Agreement from being used, offered, or received in evidence in any proceeding to enforce any or all of the terms of this Settlement Agreement.

2. The Attorney General will not seek further payments from Goldman Sachs or bring an enforcement action against Goldman Sachs related to the investigation described in Section B of this Settlement Agreement.

3. The persons executing this document represent and warrant that they have the full legal power, capacity, and authority to bind the parties for whom they are acting, and that this Settlement Agreement constitutes a legal, binding obligation of each party hereto, enforceable in accordance with its terms. Each person or attorney signing represents and warrants that he/she has obtained the authorization and direction of his/her clients to agree to all terms and provisions of this Settlement Agreement, and that his/her signature is affixed below with the full knowledge and understanding of his/her clients. Further, each party represents and warrants by its execution hereof that it has the right, power, legal capacity and authority to enter into and perform all of its obligations arising under this Settlement Agreement, including, as to Goldman, Sachs & Co., Goldman Sachs Mortgage Company, GS Mortgage Securities Corp., and the obligations of Litton Loan Servicing LP arising under this Settlement Agreement. Further, each party represents and warrants by its execution hereof that it has conferred with legal counsel of its choosing as to the significance and legal effect of this Settlement Agreement.

4. This Settlement Agreement constitutes the entire agreement among the parties with respect to the subject matter of this Settlement Agreement, and no prior oral or written statement concerning that subject matter shall have any force or effect, and shall not be relied upon to interpret this Settlement Agreement. No representations,


warranties, or inducements have been made by any party concerning this Settlement Agreement other than those contained and memorialized herein.

5. This Settlement Agreement shall be governed solely by the laws of the Commonwealth of Massachusetts.

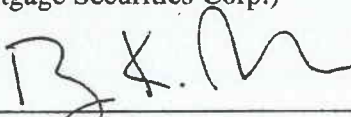
6. This Settlement Agreement may be executed in signed counterparts, and the signatures in those signed counterparts may be delivered to the other party by fax or electronic means.

Signed: May 7, 2009

OFFICE OF THE ATTORNEY GENERAL FOR  
THE COMMONWEALTH OF MASSACHUSETTS

By:   
Name: Glenn Kaplan  
Title: Assistant Attorney General

GOLDMAN, SACHS & CO. (on behalf of itself and  
its affiliates Goldman Sachs Mortgage Company and  
GS Mortgage Securities Corp.)

By:   
Name: Gregory K. Palm  
Title: General Counsel