UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended August 29, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission File Number: 001-14965

The Goldman Sachs Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**13-4019460** **(I.R.S. Employer Identification No.)**
85 Broad Street, New York, NY **(Address of principal executive offices)**	**10004** **(Zip Code)**

(212) 902-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of September 26, 2008, there were 395,441,815 shares of the registrant's common stock outstanding.

THE GOLDMAN SACHS GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE FISCAL QUARTER ENDED AUGUST 29, 2008

INDEX

Form 10-Q Item Number:		Page No.
PART I:	FINANCIAL INFORMATION	
Item 1:	Financial Statements (Unaudited)	
	Condensed Consolidated Statements of Earnings for the three and nine months ended August 29, 2008 and August 31, 2007	2
	Condensed Consolidated Statements of Financial Condition as of August 29, 2008 and November 30, 2007	3
	Condensed Consolidated Statements of Changes in Shareholders' Equity for the periods ended August 29, 2008 and November 30, 2007	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended August 29, 2008 and August 31, 2007	5
	Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended August 29, 2008 and August 31, 2007	6
	Notes to Condensed Consolidated Financial Statements	7
	Report of Independent Registered Public Accounting Firm	63
Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	64
Item 3:	Quantitative and Qualitative Disclosures About Market Risk	122
Item 4:	Controls and Procedures	122
PART II:	OTHER INFORMATION	
Item 1:	Legal Proceedings	123
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	125
Item 6:	Exhibits	126
SIGNATURES		127

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements (Unaudited)

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions, except per share amounts)			
Revenues				
Investment banking	$ 1,294	$ 2,145	$ 4,145	$ 5,581
Trading and principal investments	2,440	7,576	12,556	22,891
Asset management and securities services	1,174	1,272	3,736	3,512
Interest income	8,717	12,810	29,460	34,450
Total revenues	13,625	23,803	49,897	66,434
Interest expense	7,582	11,469	26,097	31,188
Revenues, net of interest expense	6,043	12,334	23,800	35,246
Operating expenses				
Compensation and benefits	2,901	5,920	11,424	16,918
Brokerage, clearing, exchange and distribution fees	734	795	2,265	1,984
Market development	119	148	389	424
Communications and technology	192	169	571	481
Depreciation and amortization	251	145	604	417
Amortization of identifiable intangible assets	49	53	170	154
Occupancy	237	218	707	632
Professional fees	168	188	531	510
Other expenses	432	439	1,204	1,177
Total non-compensation expenses	2,182	2,155	6,441	5,779
Total operating expenses	5,083	8,075	17,865	22,697
Pre-tax earnings	960	4,259	5,935	12,549
Provision for taxes	115	1,405	1,492	4,165
Net earnings	845	2,854	4,443	8,384
Preferred stock dividends	35	48	115	143
Net earnings applicable to common shareholders	$ 810	$ 2,806	$ 4,328	$ 8,241
Earnings per common share				
Basic	$ 1.89	$ 6.54	$ 10.08	$ 18.89
Diluted	1.81	6.13	9.62	17.75
Dividends declared and paid per common share	$ 0.35	$ 0.35	$ 1.05	$ 1.05
Average common shares outstanding				
Basic	427.6	429.0	429.3	436.2
Diluted	448.3	457.4	449.7	464.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

	As of	
	August 2008	November 2007
	(in millions, except share and per share amounts)	
Assets		
Cash and cash equivalents	$ 12,160	$ 11,882
Cash and securities segregated for regulatory and other purposes (includes $79,191 and $94,018 at fair value as of August 2008 and November 2007, respectively)	99,430	119,939
Receivables from brokers, dealers and clearing organizations	21,038	19,078
Receivables from customers and counterparties (includes $1,866 and $1,950 at fair value as of August 2008 and November 2007, respectively)	83,187	129,105
Collateralized agreements:		
Securities borrowed (includes $88,617 and $83,277 at fair value as of August 2008 and November 2007, respectively)	302,676	277,413
Financial instruments purchased under agreements to resell, at fair value	135,415	85,717
Financial instruments owned, at fair value	362,779	406,457
Financial instruments owned and pledged as collateral, at fair value	37,341	46,138
Total financial instruments owned, at fair value	400,120	452,595
Other assets	27,747	24,067
Total assets	$1,081,773	$1,119,796
Liabilities and shareholders' equity		
Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes $32,275 and $48,331 at fair value as of August 2008 and November 2007, respectively)	$ 64,653	$ 71,557
Bank deposits (includes $655 and $463 at fair value as of August 2008 and November 2007, respectively)	29,051	15,370
Payables to brokers, dealers and clearing organizations	12,115	8,335
Payables to customers and counterparties	346,073	310,118
Collateralized financings:		
Securities loaned (includes $9,255 and $5,449 at fair value as of August 2008 and November 2007, respectively)	29,424	28,624
Financial instruments sold under agreements to repurchase, at fair value	110,204	159,178
Other secured financings (includes $24,208 and $33,581 at fair value as of August 2008 and November 2007, respectively)	52,821	65,710
Financial instruments sold, but not yet purchased, at fair value	186,441	215,023
Other liabilities and accrued expenses (includes $1,343 at fair value as of August 2008)	29,025	38,907
Unsecured long-term borrowings (includes $21,493 and $15,928 at fair value as of August 2008 and November 2007, respectively)	176,367	164,174
Total liabilities	1,036,174	1,076,996
Commitments, contingencies and guarantees		
Shareholders' equity		
Preferred stock, par value $0.01 per share; 150,000,000 shares authorized, 124,000 shares issued and outstanding as of both August 2008 and November 2007, with liquidation preference of $25,000 per share	3,100	3,100
Common stock, par value $0.01 per share; 4,000,000,000 shares authorized, 632,949,974 and 618,707,032 shares issued as of August 2008 and November 2007, respectively, and 394,533,477 and 390,682,013 shares outstanding as of August 2008 and November 2007, respectively	6	6
Restricted stock units and employee stock options	8,936	9,302
Nonvoting common stock, par value $0.01 per share; 200,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	23,597	22,027
Retained earnings	42,301	38,642
Accumulated other comprehensive income/(loss)	(165)	(118)
Common stock held in treasury, at cost, par value $0.01 per share; 238,416,497 and 228,025,019 shares as of August 2008 and November 2007, respectively	(32,176)	(30,159)
Total shareholders' equity	45,599	42,800
Total liabilities and shareholders' equity	$1,081,773	$1,119,796

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Period Ended	
	August 2008	November 2007
	(in millions, except per share amounts)	
Preferred stock		
Balance, beginning of year	$ 3,100	$ 3,100
Issued	—	—
Balance, end of period	3,100	3,100
Common stock, par value $0.01 per share		
Balance, beginning of year	6	6
Issued	—	—
Balance, end of period	6	6
Restricted stock units and employee stock options		
Balance, beginning of year	9,302	6,290
Issuance and amortization of restricted stock units and employee stock options	1,822	4,684
Delivery of common stock underlying restricted stock units	(1,998)	(1,548)
Forfeiture of restricted stock units and employee stock options	(187)	(113)
Exercise of employee stock options	(3)	(11)
Balance, end of period	8,936	9,302
Additional paid-in capital		
Balance, beginning of year	22,027	19,731
Issuance of common stock, including the delivery of common stock underlying restricted stock units and proceeds from the exercise of employee stock options	2,242	2,338
Cancellation of restricted stock units in satisfaction of withholding tax requirements	(1,314)	(929)
Stock purchase contract fee related to automatic preferred enhanced capital securities	—	(20)
Excess net tax benefit related to share-based compensation	642	908
Cash settlement of share-based compensation	—	(1)
Balance, end of period	23,597	22,027
Retained earnings		
Balance, beginning of year, as previously reported	38,642	27,868
Cumulative effect of adjustment from adoption of FIN 48	(201)	—
Cumulative effect of adjustment from adoption of SFAS No. 157, net of tax	—	51
Cumulative effect of adjustment from adoption of SFAS No. 159, net of tax	—	(45)
Balance, beginning of year, after cumulative effect of adjustments	38,441	27,874
Net earnings	4,443	11,599
Dividends and dividend equivalents declared on common stock and restricted stock units	(468)	(639)
Dividends declared on preferred stock	(115)	(192)
Balance, end of period	42,301	38,642
Accumulated other comprehensive income/(loss)		
Balance, beginning of year	(118)	21
Adjustment from adoption of SFAS No. 158, net of tax	—	(194)
Currency translation adjustment, net of tax	(37)	39
Pension and postretirement liability adjustment, net of tax	9	38
Net gains/(losses) on cash flow hedges, net of tax	—	(2)
Net unrealized gains/(losses) on available-for-sale securities, net of tax	(19)	(12)
Reclassification to retained earnings from adoption of SFAS No. 159, net of tax	—	(8)
Balance, end of period	(165)	(118)
Common stock held in treasury, at cost		
Balance, beginning of year	(30,159)	(21,230)
Repurchased	(2,035)	(8,956)
Reissued	18	27
Balance, end of period	(32,176)	(30,159)
Total shareholders' equity	$ 45,599	$ 42,800

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended August	
	2008	2007
	(in millions)	
Cash flows from operating activities		
Net earnings	$ 4,443	$ 8,384
Non-cash items included in net earnings		
Depreciation and amortization	876	636
Amortization of identifiable intangible assets	170	200
Share-based compensation	1,195	1,038
Changes in operating assets and liabilities		
Cash and securities segregated for regulatory and other purposes	20,715	(16,767)
Net receivables from brokers, dealers and clearing organizations	1,820	(2,076)
Net payables to customers and counterparties	82,244	22,721
Securities borrowed, net of securities loaned	(24,463)	(46,307)
Financial instruments sold under agreements to repurchase, net of financial instruments purchased under agreements to resell	(98,672)	14,393
Financial instruments owned, at fair value	37,946	(92,725)
Financial instruments sold, but not yet purchased, at fair value	(28,582)	39,345
Other, net	(8,296)	6,929
Net cash used for operating activities	(10,604)	(64,229)
Cash flows from investing activities		
Purchase of property, leasehold improvements and equipment	(1,529)	(1,483)
Proceeds from sales of property, leasehold improvements and equipment	70	55
Business acquisitions, net of cash acquired	(2,517)	(1,385)
Proceeds from sales of investments	384	2,783
Purchase of available-for-sale securities	(3,240)	(675)
Proceeds from sales of available-for-sale securities	2,825	628
Net cash used for investing activities	(4,007)	(77)
Cash flows from financing activities		
Unsecured short-term borrowings, net	(10,061)	12,548
Other secured financings (short-term), net	(5,545)	9,355
Proceeds from issuance of other secured financings (long-term)	9,870	21,391
Repayment of other secured financings (long-term), including the current portion	(9,343)	(6,372)
Proceeds from issuance of unsecured long-term borrowings	37,143	43,945
Repayment of unsecured long-term borrowings, including the current portion	(19,190)	(11,785)
Derivative contracts with a financing element, net	73	3,887
Bank deposits, net	13,681	3,389
Common stock repurchased	(2,032)	(6,269)
Dividends and dividend equivalents paid on common stock, preferred stock and restricted stock units	(587)	(624)
Proceeds from issuance of common stock	261	530
Excess tax benefit related to share-based compensation	619	674
Cash settlement of share-based compensation	—	(1)
Net cash provided by financing activities	14,889	70,668
Net increase/(decrease) in cash and cash equivalents	278	6,362
Cash and cash equivalents, beginning of year	11,882	6,293
Cash and cash equivalents, end of period	$ 12,160	$ 12,655

SUPPLEMENTAL DISCLOSURES:

Cash payments for interest, net of capitalized interest, were $26.13 billion and $30.47 billion during the nine months ended August 2008 and August 2007, respectively.

Cash payments for income taxes, net of refunds, were $2.46 billion and $4.45 billion during the nine months ended August 2008 and August 2007, respectively.

Non-cash activities:
The firm assumed $610 million and $137 million of debt in connection with business acquisitions during the nine months ended August 2008 and August 2007, respectively. The firm issued $17 million of common stock in connection with business acquisitions for the nine months ended August 2007.

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Net earnings	$845	$2,854	$4,443	$8,384
Currency translation adjustment, net of tax	(25)	10	(37)	30
Pension and postretirement liability adjustment, net of tax	3	—	9	—
Net gains/(losses) on cash flow hedges, net of tax	—	—	—	(2)
Net unrealized gains/(losses) on available-for-sale securities, net of tax	(7)	(3)	(19)	(11)
Comprehensive income	$816	$2,861	$4,396	$8,401

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Description of Business

The Goldman Sachs Group, Inc. (Group Inc.), a Delaware corporation, together with its consolidated subsidiaries (collectively, the firm), is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. On September 21, 2008, Group Inc. became a bank holding company regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the U.S. Bank Holding Company Act of 1956. See Note 16 for further information.

The firm's activities are divided into three segments:

- **Investment Banking.** The firm provides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.
- **Trading and Principal Investments.** The firm facilitates client transactions with a diverse group of corporations, financial institutions, investment funds, governments and individuals and takes proprietary positions through market making in, trading of and investing in fixed income and equity products, currencies, commodities and derivatives on these products. In addition, the firm engages in market-making and specialist activities on equities and options exchanges and clears client transactions on major stock, options and futures exchanges worldwide. In connection with the firm's merchant banking and other investing activities, the firm makes principal investments directly and through funds that the firm raises and manages.
- **Asset Management and Securities Services.** The firm provides investment advisory and financial planning services and offers investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse group of institutions and individuals worldwide and provides prime brokerage services, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and to high-net-worth individuals worldwide.

Note 2. Significant Accounting Policies

Basis of Presentation

These condensed consolidated financial statements include the accounts of Group Inc. and all other entities in which the firm has a controlling financial interest. All material intercompany transactions and balances have been eliminated.

The firm determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity, a variable interest entity (VIE) or a qualifying special-purpose entity (QSPE) under generally accepted accounting principles.

- **Voting Interest Entities.** Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. Voting interest entities are consolidated in accordance with Accounting Research Bulletin No. 51, "Consolidated Financial Statements," as amended. The usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the firm consolidates voting interest entities in which it has a majority voting interest.

- **Variable Interest Entities.** VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has a variable interest, or a combination of variable interests, that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. In accordance with Financial Accounting Standards Board (FASB) Interpretation (FIN) 46-R, "Consolidation of Variable Interest Entities," the firm consolidates VIEs for which it is the primary beneficiary. The firm determines whether it is the primary beneficiary of a VIE by first performing a qualitative analysis of the VIE's expected losses and expected residual returns. This analysis includes a review of, among other factors, the VIE's capital structure, contractual terms, which interests create or absorb variability, related party relationships and the design of the VIE. Where qualitative analysis is not conclusive, the firm performs a quantitative analysis. For purposes of allocating a VIE's expected losses and expected residual returns to its variable interest holders, the firm utilizes the "top down" method. Under that method, the firm calculates its share of the VIE's expected losses and expected residual returns using the specific cash flows that would be allocated to it, based on contractual arrangements and/or the firm's position in the capital structure of the VIE, under various probability-weighted scenarios. The firm reassesses its initial evaluation of an entity as a VIE and its initial determination of whether the firm is the primary beneficiary of a VIE upon the occurrence of certain reconsideration events as defined in FIN 46-R.
- **QSPEs.** QSPEs are passive entities that are commonly used in mortgage and other securitization transactions. Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," sets forth the criteria an entity must satisfy to be a QSPE. These criteria include the types of assets a QSPE may hold, limits on asset sales, the use of derivatives and financial guarantees, and the level of discretion a servicer may exercise in attempting to collect receivables. These criteria may require management to make judgments about complex matters, such as whether a derivative is considered passive and the level of discretion a servicer may exercise, including, for example, determining when default is reasonably foreseeable. In accordance with SFAS No. 140 and FIN 46-R, the firm does not consolidate QSPEs.
- **Equity-Method Investments.** When the firm does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies (generally defined as owning a voting interest of 20% to 50%) and has an investment in common stock or in-substance common stock, the firm accounts for its investment either in accordance with Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock" or at fair value in accordance with SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." In general, the firm accounts for investments acquired subsequent to the adoption of SFAS No. 159 at fair value. In certain cases, the firm may apply the equity method of accounting to new investments that are strategic in nature or closely related to the firm's principal business activities, where the firm has a significant degree of involvement in the cash flows or operations of the investee, or where cost-benefit considerations are less significant. See "— Revenue Recognition — Other Financial Assets and Financial Liabilities at Fair Value" below for a discussion of the firm's application of SFAS No. 159.
- **Other.** If the firm does not consolidate an entity or apply the equity method of accounting, the firm accounts for its investment at fair value. The firm also has formed numerous nonconsolidated investment funds with third-party investors that are typically organized as

limited partnerships. The firm acts as general partner for these funds and generally does not hold a majority of the economic interests in these funds. The firm has generally provided the third-party investors with rights to terminate the funds or to remove the firm as the general partner. As a result, the firm does not consolidate these funds. These fund investments are included in "Financial instruments owned, at fair value" in the condensed consolidated statements of financial condition.

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the firm's Annual Report on Form 10-K for the fiscal year ended November 30, 2007. The condensed consolidated financial information as of November 30, 2007 has been derived from audited consolidated financial statements not included herein.

These unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

Unless specifically stated otherwise, all references to August 2008, May 2008 and August 2007 refer to the firm's fiscal periods ended, or the dates, as the context requires, August 29, 2008, May 30, 2008 and August 31, 2007, respectively. All references to November 2007, unless specifically stated otherwise, refer to the firm's fiscal year ended, or the date, as the context requires, November 30, 2007. All references to 2008, unless specifically stated otherwise, refer to the firm's fiscal year ending, or the date, as the context requires, November 28, 2008. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

Use of Estimates

These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles that require management to make certain estimates and assumptions. The most important of these estimates and assumptions relate to fair value measurements, the accounting for goodwill and identifiable intangible assets and the provision for potential losses that may arise from litigation and regulatory proceedings and tax audits. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Revenue Recognition

Investment Banking. Underwriting revenues and fees from mergers and acquisitions and other financial advisory assignments are recognized in the condensed consolidated statements of earnings when the services related to the underlying transaction are completed under the terms of the engagement. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded. Underwriting revenues are presented net of related expenses. Expenses associated with financial advisory transactions are recorded as non-compensation expenses, net of client reimbursements.

Financial Instruments. "Total financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value" are reflected in the condensed consolidated statements of financial condition on a trade-date basis. Related unrealized gains or losses are generally recognized in "Trading and principal investments" in the condensed consolidated statements of earnings. The fair value of a financial instrument is the amount that would be received to sell an

asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Instruments that the firm owns (long positions) are marked to bid prices, and instruments that the firm has sold, but not yet purchased (short positions), are marked to offer prices. Fair value measurements do not include transaction costs.

SFAS No. 157, "Fair Value Measurements," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The firm defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The firm defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

In determining fair value, the firm separates its "Financial instruments owned, at fair value" and its "Financial instruments sold, but not yet purchased, at fair value" into two categories: cash instruments and derivative contracts.

- **Cash Instruments.** The firm's cash instruments are generally classified within level 1 or level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include most U.S. government and sovereign obligations, active listed equities and certain money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. The firm does not adjust the quoted price for such instruments, even in situations where the firm holds a large position and a sale could reasonably impact the quoted price.

  The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain money market securities and loan commitments. Such instruments are generally classified within level 2 of the fair value hierarchy.

Certain cash instruments are classified within level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity and real estate fund investments, certain bank loans and bridge loans (including certain mezzanine financing, leveraged loans arising from capital market transactions and other corporate bank debt), less liquid corporate debt securities and other debt obligations (including less liquid high-yield corporate bonds, distressed debt instruments and collateralized debt obligations (CDOs) backed by corporate obligations), less liquid mortgage whole loans and securities (backed by either commercial or residential real estate), and acquired portfolios of distressed loans. The transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. This valuation is adjusted only when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

- **Derivative Contracts.** Derivative contracts can be exchange-traded or over-the-counter (OTC). Exchange-traded derivatives typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The firm generally values exchange-traded derivatives within portfolios using models which calibrate to market-clearing levels and eliminate timing differences between the closing price of the exchange-traded derivatives and their underlying instruments. In such cases, exchange-traded derivatives are classified within level 2 of the fair value hierarchy.

OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market-clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The firm generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivatives are classified within level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Where the firm does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. The valuations of these less

liquid OTC derivatives are typically based on level 1 and/or level 2 inputs that can be observed in the market, as well as unobservable level 3 inputs. Subsequent to initial recognition, the firm updates the level 1 and level 2 inputs to reflect observable market changes, with resulting gains and losses reflected within level 3. Level 3 inputs are only changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations, or other empirical market data. In circumstances where the firm cannot verify the model value to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Other Financial Assets and Financial Liabilities at Fair Value. The firm has elected to account for certain of the firm's other financial assets and financial liabilities at fair value under SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140," or SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," (i.e., the fair value option). The primary reasons for electing the fair value option are mitigating volatility in earnings from using different measurement attributes, simplification and cost-benefit considerations.

Such financial assets and financial liabilities accounted for at fair value include (i) certain unsecured short-term borrowings, consisting of all promissory notes and commercial paper and certain hybrid financial instruments; (ii) certain other secured financings, primarily transfers accounted for as financings rather than sales under SFAS No. 140, debt raised through the firm's William Street program and certain other nonrecourse financings; (iii) certain unsecured long-term borrowings, including prepaid physical commodity transactions; (iv) resale and repurchase agreements; (v) securities borrowed and loaned within Trading and Principal Investments, consisting of the firm's matched book and certain firm financing activities; (vi) corporate loans, loan commitments and certain certificates of deposit issued by Goldman Sachs Bank USA (GS Bank USA) as well as securities held by GS Bank USA (which would otherwise be accounted for as available-for-sale); (vii) receivables from customers and counterparties arising from transfers accounted for as secured loans rather than purchases under SFAS No. 140; (viii) certain insurance and reinsurance contracts; and (ix) in general, investments acquired after the adoption of SFAS No. 159 where the firm has significant influence over the investee and would otherwise apply the equity method of accounting.

Collateralized Agreements and Financings. Collateralized agreements consist of resale agreements and securities borrowed. Collateralized financings consist of repurchase agreements, securities loaned and other secured financings. Interest on collateralized agreements and collateralized financings is recognized in "Interest income" and "Interest expense," respectively, over the life of the transaction.

- **Resale and Repurchase Agreements.** Financial instruments purchased under agreements to resell and financial instruments sold under agreements to repurchase, principally U.S. government, federal agency and investment-grade sovereign obligations, represent collateralized financing transactions. The firm receives financial instruments purchased under agreements to resell, makes delivery of financial instruments sold under agreements to repurchase, monitors the market value of these financial instruments on a daily basis and delivers or obtains additional collateral as appropriate. As noted above, resale and repurchase agreements are carried in the condensed consolidated statements of financial condition at fair value under SFAS No. 159. Resale and repurchase agreements are generally valued based on

inputs with reasonable levels of price transparency and are classified within level 2 of the fair value hierarchy. Resale and repurchase agreements are presented on a net-by-counterparty basis when the requirements of FIN 41, “Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements,” or FIN 39, “Offsetting of Amounts Related to Certain Contracts,” are satisfied.

- **Securities Borrowed and Loaned.** Securities borrowed and loaned are generally collateralized by cash, securities or letters of credit. The firm receives securities borrowed, makes delivery of securities loaned, monitors the market value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Securities borrowed and loaned within Securities Services, relating to both customer activities and, to a lesser extent, certain firm financing activities, are recorded based on the amount of cash collateral advanced or received plus accrued interest. As these arrangements generally can be terminated on-demand, they exhibit little, if any, sensitivity to changes in interest rates. As noted above, securities borrowed and loaned within Trading and Principal Investments, which are related to the firm’s matched book and certain firm financing activities, are recorded at fair value under SFAS No. 159. These securities borrowed and loaned transactions are generally valued based on inputs with reasonable levels of price transparency and are classified within level 2 of the fair value hierarchy.

- **Other Secured Financings.** In addition to repurchase agreements and securities loaned, the firm funds assets through the use of other secured financing arrangements and pledges financial instruments and other assets as collateral in these transactions. As noted above, the firm has elected to apply SFAS No. 159 to transfers accounted for as financings rather than sales under SFAS No. 140, debt raised through the firm’s William Street program and certain other nonrecourse financings, for which the use of fair value eliminates non-economic volatility in earnings that would arise from using different measurement attributes. These other secured financing transactions are generally valued based on inputs with reasonable levels of price transparency and are classified within level 2 of the fair value hierarchy. Other secured financings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest. See Note 3 for further information regarding other secured financings.

Hybrid Financial Instruments. Hybrid financial instruments are instruments that contain bifurcatable embedded derivatives under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and do not require settlement by physical delivery of non-financial assets (e.g., physical commodities). If the firm elects to bifurcate the embedded derivative, it is accounted for at fair value and the host contract is accounted for at amortized cost, adjusted for the effective portion of any fair value hedge accounting relationships. If the firm does not elect to bifurcate, the entire hybrid financial instrument is accounted for at fair value under SFAS No. 155. See Notes 3 and 4 for additional information about hybrid financial instruments.

Transfers of Financial Assets. In general, transfers of financial assets are accounted for as sales under SFAS No. 140 when the firm has relinquished control over the transferred assets. For transfers accounted for as sales, any related gains or losses are recognized in net revenues. Transfers that are not accounted for as sales are accounted for as collateralized financings, with the related interest expense recognized in net revenues over the life of the transaction.

Commissions. Commission revenues from executing and clearing client transactions on stock, options and futures markets are recognized in “Trading and principal investments” in the condensed consolidated statements of earnings on a trade-date basis.

Insurance Activities. Certain of the firm's insurance and reinsurance contracts are accounted for at fair value under SFAS No. 159, with changes in fair value included in "Trading and principal investments" in the condensed consolidated statements of earnings.

Revenues from variable annuity and life insurance and reinsurance contracts not accounted for at fair value under SFAS No. 159 generally consist of fees assessed on contract holder account balances for mortality charges, policy administration and surrender charges, and are recognized within "Trading and principal investments" in the condensed consolidated statements of earnings in the period that services are provided.

Interest credited to variable annuity and life insurance and reinsurance contracts account balances and changes in reserves are recognized in "Other expenses" in the condensed consolidated statements of earnings.

Premiums earned for underwriting property catastrophe reinsurance are recognized within "Trading and principal investments" in the condensed consolidated statements of earnings over the coverage period, net of premiums ceded for the cost of reinsurance. Expenses for liabilities related to property catastrophe reinsurance claims, including estimates of losses that have been incurred but not reported, are recognized within "Other expenses" in the condensed consolidated statements of earnings.

Merchant Banking Overrides. The firm is entitled to receive merchant banking overrides (i.e., an increased share of a fund's income and gains) when the return on the funds' investments exceeds certain threshold returns. Overrides are based on investment performance over the life of each merchant banking fund, and future investment underperformance may require amounts of override previously distributed to the firm to be returned to the funds. Accordingly, overrides are recognized in the condensed consolidated statements of earnings only when all material contingencies have been resolved. Overrides are included in "Trading and principal investments" in the condensed consolidated statements of earnings.

Asset Management. Management fees are recognized over the period that the related service is provided based upon average net asset values. In certain circumstances, the firm is also entitled to receive incentive fees based on a percentage of a fund's return or when the return on assets under management exceeds specified benchmark returns or other performance targets. Incentive fees are generally based on investment performance over a 12-month period and are subject to adjustment prior to the end of the measurement period. Accordingly, incentive fees are recognized in the condensed consolidated statements of earnings when the measurement period ends. Asset management fees and incentive fees are included in "Asset management and securities services" in the condensed consolidated statements of earnings.

Share-Based Compensation

The firm accounts for share-based compensation in accordance with SFAS No. 123-R, "Share-Based Payment." The cost of employee services received in exchange for a share-based award is generally measured based on the grant-date fair value of the award. Share-based awards that do not require future service (i.e., vested awards, including awards granted to retirement-eligible employees) are expensed immediately. Share-based employee awards that require future service are amortized over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expense. The firm adopted SFAS No. 123-R under the modified prospective adoption method. Under that method of adoption, the provisions of SFAS No. 123-R are generally applied only to share-based awards granted subsequent to adoption. Share-based awards

held by employees that were retirement-eligible on the date of adoption of SFAS No. 123-R must continue to be amortized over the stated service period of the award (and accelerated if the employee actually retires).

The firm pays cash dividend equivalents on outstanding restricted stock units. Dividend equivalents paid on restricted stock units are generally charged to retained earnings. Dividend equivalents paid on restricted stock units expected to be forfeited are included in compensation expense. The tax benefit related to dividend equivalents paid on restricted stock units is accounted for as a reduction of income tax expense. See "— Recent Accounting Developments" for a discussion of Emerging Issues Task Force (EITF) Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards."

In certain cases, primarily related to the death of an employee or conflicted employment (as outlined in the applicable award agreements), the firm may cash settle share-based compensation awards. For awards accounted for as equity instruments, "Additional paid-in capital" is adjusted to the extent of the difference between the current value of the award and the grant-date value of the award.

Goodwill

Goodwill is the cost of acquired companies in excess of the fair value of identifiable net assets at acquisition date. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is tested at least annually for impairment. An impairment loss is recognized if the estimated fair value of an operating segment, which is a component one level below the firm's three business segments, is less than its estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

Identifiable Intangible Assets

Identifiable intangible assets, which consist primarily of customer lists, specialist rights and the value of business acquired (VOBA) and deferred acquisition costs (DAC) in the firm's insurance subsidiaries, are amortized over their estimated lives in accordance with SFAS No. 142 or, in the case of insurance contracts, in accordance with SFAS No. 60, "Accounting and Reporting by Insurance Enterprises," and SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." Identifiable intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," or SFAS No. 60 and SFAS No. 97. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the sum of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

Property, Leasehold Improvements and Equipment

Property, leasehold improvements and equipment, net of accumulated depreciation and amortization, are included in "Other assets" in the condensed consolidated statements of financial condition.

Substantially all property and equipment are depreciated on a straight-line basis over the useful life of the asset. Leasehold improvements are amortized on a straight-line basis over the useful life of the improvement or the term of the lease, whichever is shorter. Certain costs of software developed or obtained for internal use are capitalized and amortized on a straight-line basis over the useful life of the software.

Property, leasehold improvements and equipment are tested for impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be fully recoverable in accordance with SFAS No. 144. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the sum of the expected undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

The firm's operating leases include space held in excess of current requirements. Rent expense relating to space held for growth is included in "Occupancy" in the condensed consolidated statements of earnings. In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," the firm records a liability, based on the fair value of the remaining lease rentals reduced by any potential or existing sublease rentals, for leases where the firm has ceased using the space and management has concluded that the firm will not derive any future economic benefits. Costs to terminate a lease before the end of its term are recognized and measured at fair value upon termination.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the condensed consolidated statement of financial condition, and revenues and expenses are translated at average rates of exchange for the period. Gains or losses on translation of the financial statements of a non-U.S. operation, when the functional currency is other than the U.S. dollar, are included, net of hedges and taxes, in the condensed consolidated statements of comprehensive income. The firm seeks to reduce its net investment exposure to fluctuations in foreign exchange rates through the use of foreign currency forward contracts and foreign currency-denominated debt. For foreign currency forward contracts, hedge effectiveness is assessed based on changes in forward exchange rates; accordingly, forward points are reflected as a component of the currency translation adjustment in the condensed consolidated statements of comprehensive income. For foreign currency-denominated debt, hedge effectiveness is assessed based on changes in spot rates. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are included in the condensed consolidated statements of earnings.

Income Taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the firm's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. The firm's tax assets and liabilities are presented as a component of "Other assets" and "Other liabilities and accrued expenses," respectively, in the condensed consolidated statements of financial condition. Tax provisions are computed in accordance with SFAS No. 109, "Accounting for Income Taxes."

The firm adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109," as of December 1, 2007, and recorded a transition adjustment resulting in a reduction of $201 million to beginning retained earnings. See Note 13 for further information regarding the firm's adoption of FIN 48. A tax position can be recognized in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interim period accounting and accounting for interest and penalties. Prior to the adoption of FIN 48, contingent liabilities related to income taxes were recorded when the criteria for loss recognition under SFAS No. 5, "Accounting for Contingencies," as amended, had been met.

Earnings Per Common Share (EPS)

Basic EPS is calculated by dividing net earnings applicable to common shareholders by the weighted average number of common shares outstanding. Common shares outstanding includes common stock and restricted stock units for which no future service is required as a condition to the delivery of the underlying common stock. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect of the common stock deliverable pursuant to stock options and to restricted stock units for which future service is required as a condition to the delivery of the underlying common stock.

Cash and Cash Equivalents

The firm defines cash equivalents as highly liquid overnight deposits held in the ordinary course of business.

Recent Accounting Developments

EITF Issue No. 06-11. In June 2007, the EITF reached consensus on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF Issue No. 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock units, which are expected to vest, be recorded as an increase to additional paid-in capital. The firm currently accounts for this tax benefit as a reduction to income tax expense. EITF Issue No. 06-11 is to be applied prospectively for tax benefits on dividends declared in fiscal years beginning after December 15, 2007, and the firm expects to adopt the provisions of EITF Issue No. 06-11 beginning in the first quarter of 2009. The firm does not expect the adoption of EITF Issue No. 06-11 to have a material effect on its financial condition, results of operations or cash flows.

FASB Staff Position FAS No. 140-3. In February 2008, the FASB issued FASB Staff Position (FSP) FAS No. 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions." FSP FAS No. 140-3 requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met, including that the transferred asset must be readily obtainable in the marketplace. FSP FAS No. 140-3 is effective for fiscal years beginning after November 15, 2008, and will be applied to new transactions entered into after the date of adoption. Early adoption is prohibited. The firm is currently evaluating the impact of adopting FSP FAS No. 140-3 on its financial condition and cash flows. Adoption of FSP FAS No. 140-3 will have no effect on the firm's results of operations.

SFAS No. 161. In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, and is effective for financial statements issued for reporting periods beginning after November 15, 2008, with early application encouraged. Since SFAS No. 161 requires only additional disclosures concerning derivatives and hedging activities, adoption of SFAS No. 161 will not affect the firm's financial condition, results of operations or cash flows.

FASB Staff Position EITF No. 03-6-1. In June 2008, the FASB issued FSP EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, "Earnings per Share." The FSP requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. The FSP is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. The firm does not expect adoption of FSP EITF No. 03-6-1 to have a material effect on its results of operations or earnings per share.

FASB Staff Position FAS No. 133-1 and FIN 45-4. In September 2008, the FASB issued FSP FAS No. 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161." FSP FAS No. 133-1 and FIN 45-4 requires enhanced disclosures about credit derivatives and guarantees and amends FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" to exclude derivative instruments accounted for at fair value under SFAS No. 133. The FSP is effective for financial statements issued for reporting periods ending after November 15, 2008. Since FSP FAS No. 133-1 and FIN 45-4 only requires additional disclosures concerning credit derivatives and guarantees, adoption of FSP FAS No. 133-1 and FIN 45-4 will not affect the firm's financial condition, results of operations or cash flows.

Note 3. Financial Instruments

Fair Value of Financial Instruments

The following table sets forth the firm's financial instruments owned, at fair value, including those pledged as collateral, and financial instruments sold, but not yet purchased, at fair value. At any point in time, the firm may use cash instruments as well as derivatives to manage a long or short risk position.

	As of			
	August 2008		November 2007	
	Assets	Liabilities	Assets	Liabilities
	(in millions)			
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 17,405 [1]	$ —	$ 8,985 [1]	$ —
U.S. government, federal agency and sovereign obligations	81,232	43,811	70,774	58,637
Mortgage and other asset-backed loans and securities	29,540	254	54,073 [6]	—
Bank loans and bridge loans	29,045	2,012 [4]	49,154	3,563 [4]
Corporate debt securities and other debt obligations	32,683	6,886	39,219	8,280
Equities and convertible debentures	87,278	29,380	122,205	45,130
Physical commodities	1,374	194	2,571	35
Derivative contracts	121,563 [2]	103,904 [5]	105,614 [2]	99,378 [5]
Total	$400,120 [3]	$186,441	$452,595 [3]	$215,023

[1] Includes $4.90 billion and $6.17 billion as of August 2008 and November 2007, respectively, of money market instruments held by William Street Funding Corporation (Funding Corp.) to support the William Street credit extension program. See Note 6 for further information regarding the William Street program.

[2] Net of cash received pursuant to credit support agreements of $98.78 billion and $59.05 billion as of August 2008 and November 2007, respectively.

[3] Includes $1.63 billion and $1.17 billion as of August 2008 and November 2007, respectively, of securities held within the firm's insurance subsidiaries which are accounted for as available-for-sale under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

[4] Includes the fair value of commitments to extend credit.

[5] Net of cash paid pursuant to credit support agreements of $26.26 billion and $27.76 billion as of August 2008 and November 2007, respectively.

[6] Includes $7.64 billion as of November 2007, of mortgage whole loans that were transferred to securitization vehicles where such transfers were accounted for as secured financings rather than sales under SFAS No. 140. The firm distributed to investors the securities that were issued by the securitization vehicles and therefore did not bear economic exposure to the underlying mortgage whole loans.

Fair Value Hierarchy

The firm's financial assets at fair value classified within level 3 of the fair value hierarchy are summarized below:

	As of		
	August 2008	May 2008	November 2007
		($ in millions)	
Total level 3 assets	$ 67,868	$ 78,088	$ 69,151
Level 3 assets for which the firm bears economic exposure [1]	58,270	67,341	54,714
Total assets	1,081,773	1,088,145	1,119,796
Total financial assets at fair value	705,209	676,123	717,557
Total level 3 assets as a percentage of Total assets	6%	7%	6%
Level 3 assets for which the firm bears economic exposure as a percentage of Total assets	5	6	5
Total level 3 assets as a percentage of Total financial assets at fair value	10	12	10
Level 3 assets for which the firm bears economic exposure as a percentage of Total financial assets at fair value	8	10	8

(1) Excludes assets which are financed by nonrecourse debt, attributable to minority investors or attributable to employee interests in certain consolidated funds.

The following tables set forth by level within the fair value hierarchy "Financial instruments owned, at fair value," "Financial instruments sold, but not yet purchased, at fair value" and other financial assets and financial liabilities accounted for at fair value under SFAS No. 155 and SFAS No. 159 as of August 2008 and November 2007. See Note 2 for further information on the fair value hierarchy. As required by SFAS No. 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Financial Assets at Fair Value as of August 2008				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
			(in millions)		
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 5,965	$ 11,440	$ —	$ —	$ 17,405
U.S. government, federal agency and sovereign obligations	41,439	39,793	—	—	81,232
Mortgage and other asset-backed loans and securities	—	11,325	18,215	—	29,540
Bank loans and bridge loans	—	18,089	10,956	—	29,045
Corporate debt securities and other debt obligations	212	25,004	7,467	—	32,683
Equities and convertible debentures	45,571	24,222	17,485 [6]	—	87,278
Physical commodities	—	1,374	—	—	1,374
Cash instruments	93,187	131,247	54,123	—	278,557
Derivative contracts	34	208,783	13,745	(100,999) [7]	121,563
Financial instruments owned, at fair value	93,221	340,030	67,868	(100,999)	400,120
Securities segregated for regulatory and other purposes	22,743 [4]	56,448 [5]	—	—	79,191
Receivables from customers and counterparties [1]	—	1,866	—	—	1,866
Securities borrowed [2]	—	88,617	—	—	88,617
Financial instruments purchased under agreements to resell, at fair value	—	135,415	—	—	135,415
Total assets at fair value	$115,964	$622,376	$67,868	$(100,999)	$705,209
Level 3 assets for which the firm does not bear economic exposure [3]			(9,598)		
Level 3 assets for which the firm bears economic exposure			$58,270		

[1] Principally consists of transfers accounted for as secured loans rather than purchases under SFAS No. 140 and prepaid variable share forwards.

[2] Reflects securities borrowed within Trading and Principal Investments. Excludes securities borrowed within Securities Services, which are accounted for based on the amount of cash collateral advanced plus accrued interest.

[3] Consists of level 3 assets which are financed by nonrecourse debt, attributable to minority investors or attributable to employee interests in certain consolidated funds.

[4] Consists of U.S. Treasury securities and money market instruments as well as insurance separate account assets measured at fair value under AICPA SOP 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts."

[5] Principally consists of securities borrowed and resale agreements. The underlying securities have been segregated to satisfy certain regulatory requirements.

[6] Consists of private equity and real estate fund investments.

[7] Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

	Financial Liabilities at Fair Value as of August 2008				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
			(in millions)		
U.S. government, federal agency and sovereign obligations	$43,012	$ 799	$ —	$ —	$ 43,811
Mortgage and other asset-backed loans and securities	—	235	19	—	254
Bank loans and bridge loans	—	1,757	255	—	2,012
Corporate debt securities and other debt obligations	—	6,574	312	—	6,886
Equities and convertible debentures	28,722	647	11	—	29,380
Physical commodities	—	194	—	—	194
Cash instruments	71,734	10,206	597	—	82,537
Derivative contracts	54	123,622	8,706	(28,478) [8]	103,904
Financial instruments sold, but not yet purchased, at fair value	71,788	133,828	9,303	(28,478)	186,441
Unsecured short-term borrowings [1]	—	27,524	4,751	—	32,275
Bank deposits [2]	—	655	—	—	655
Securities loaned [3]	—	9,255	—	—	9,255
Financial instruments sold under agreements to repurchase, at fair value	—	110,204	—	—	110,204
Other secured financings [4]	—	19,842	4,366	—	24,208
Other liabilities and accrued expenses [5]	—	—	1,343	—	1,343
Unsecured long-term borrowings [6]	—	19,575	1,918	—	21,493
Total liabilities at fair value	$71,788	$320,883	$21,681 [7]	$(28,478)	$385,874

(1) Consists of promissory notes, commercial paper and hybrid financial instruments.

(2) Consists of certain certificates of deposit issued by GS Bank USA.

(3) Reflects securities loaned within Trading and Principal Investments. Excludes securities loaned within Securities Services, which are accounted for based on the amount of cash collateral received plus accrued interest.

(4) Primarily includes transfers accounted for as financings rather than sales under SFAS No. 140, debt raised through the firm's William Street program and certain other nonrecourse financings.

(5) Consists of liabilities related to insurance contracts.

(6) Primarily includes hybrid financial instruments and prepaid physical commodity transactions.

(7) Level 3 liabilities were 6% of Total liabilities at fair value.

(8) Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

	Financial Assets at Fair Value as of November 2007				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
			(in millions)		
Commercial paper, certificates of deposit, time deposits and other money market instruments	$ 6,237	$ 2,748	$ —	$ —	$ 8,985
U.S. government, federal agency and sovereign obligations	37,966	32,808	—	—	70,774
Mortgage and other asset-backed loans and securities	—	38,073	16,000	—	54,073
Bank loans and bridge loans	—	35,820	13,334	—	49,154
Corporate debt securities and other debt obligations	915	32,193	6,111	—	39,219
Equities and convertible debentures	68,727	35,472	18,006 [6]	—	122,205
Physical commodities	—	2,571	—	—	2,571
Cash instruments	113,845	179,685	53,451	—	346,981
Derivative contracts	286	153,065	15,700	(63,437) [7]	105,614
Financial instruments owned, at fair value	114,131	332,750	69,151	(63,437)	452,595
Securities segregated for regulatory and other purposes	24,078 [4]	69,940 [5]	—	—	94,018
Receivables from customers and counterparties [1]	—	1,950	—	—	1,950
Securities borrowed [2]	—	83,277	—	—	83,277
Financial instruments purchased under agreements to resell, at fair value	—	85,717	—	—	85,717
Total assets at fair value	$138,209	$573,634	$ 69,151	$(63,437)	$717,557
Level 3 assets for which the firm does not bear economic exposure [3]			(14,437)		
Level 3 assets for which the firm bears economic exposure			$ 54,714		

[1] Consists of transfers accounted for as secured loans rather than purchases under SFAS No. 140 and prepaid variable share forwards.

[2] Reflects securities borrowed within Trading and Principal Investments. Excludes securities borrowed within Securities Services, which are accounted for based on the amount of cash collateral advanced plus accrued interest.

[3] Consists of level 3 assets which are financed by nonrecourse debt, attributable to minority investors or attributable to employee interests in certain consolidated funds.

[4] Consists of U.S. Treasury securities and money market instruments as well as insurance separate account assets measured at fair value under AICPA SOP 03-1, “Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts.”

[5] Principally consists of securities borrowed and resale agreements. The underlying securities have been segregated to satisfy certain regulatory requirements.

[6] Consists of private equity and real estate fund investments.

[7] Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

	Financial Liabilities at Fair Value as of November 2007				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
			(in millions)		
U.S. government, federal agency and sovereign obligations	$ 57,714	$ 923	$ —	$ —	$ 58,637
Bank loans and bridge loans	—	3,525	38	—	3,563
Corporate debt securities and other debt obligations	—	7,764	516	—	8,280
Equities and convertible debentures	44,076	1,054	—	—	45,130
Physical commodities	—	35	—	—	35
Cash instruments	101,790	13,301	554	—	115,645
Derivative contracts	212	117,794	13,644	(32,272) [7]	99,378
Financial instruments sold, but not yet purchased, at fair value	102,002	131,095	14,198	(32,272)	215,023
Unsecured short-term borrowings [1]	—	44,060	4,271	—	48,331
Bank deposits [2]	—	463	—	—	463
Securities loaned [3]	—	5,449	—	—	5,449
Financial instruments sold under agreements to repurchase, at fair value	—	159,178	—	—	159,178
Other secured financings [4]	—	33,581	—	—	33,581
Unsecured long-term borrowings [5]	—	15,161	767	—	15,928
Total liabilities at fair value	$102,002	$388,987	$19,236 [6]	$(32,272)	$477,953

(1) Consists of promissory notes, commercial paper and hybrid financial instruments.

(2) Consists of certain certificates of deposit issued by GS Bank USA.

(3) Reflects securities loaned within Trading and Principal Investments. Excludes securities loaned within Securities Services, which are accounted for based on the amount of cash collateral received plus accrued interest.

(4) Primarily includes transfers accounted for as financings rather than sales under SFAS No. 140, debt raised through the firm's William Street program and certain other nonrecourse financings.

(5) Primarily includes hybrid financial instruments and prepaid physical commodity transactions.

(6) Level 3 liabilities were 4% of Total liabilities at fair value.

(7) Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

Level 3 Unrealized Gains/(Losses)

The table below sets forth a summary of unrealized gains/(losses) on the firm's level 3 financial assets and financial liabilities still held at the reporting date for the three and nine months ended August 2008 and August 2007.

	Level 3 Unrealized Gains/(Losses)			
	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Cash Instruments — Assets	$(2,207)	$(1,607)	$(4,249)	$ (662)
Cash Instruments — Liabilities	(104)	(558)	(246)	(569)
Net unrealized gains/(losses) on level 3 cash instruments	(2,311)	(2,165)	(4,495)	(1,231)
Derivative Contracts — Net	3,216	2,624	5,623	2,812
Unsecured Short-Term Borrowings	310	92	306	21
Other Secured Financings	99	—	263	—
Other Liabilities and Accrued Expenses	(20)	—	(20)	—
Unsecured Long-Term Borrowings	217	69	264	71
Total level 3 unrealized gains/(losses)	$ 1,511	$ 620	$ 1,941	$ 1,673

Cash Instruments

The net unrealized loss on level 3 cash instruments of $2.31 billion for the three months ended August 2008 primarily consisted of unrealized losses on loans and securities backed by commercial real estate and bank loans and bridge loans. The net unrealized loss on level 3 cash instruments of $4.50 billion for the nine months ended August 2008 primarily consisted of unrealized losses on loans and securities backed by commercial and residential real estate and certain bank loans and bridge loans. Losses in the three and nine month periods reflect the continued weakness in the global credit markets.

Level 3 cash instruments are frequently economically hedged with instruments classified within level 1 and level 2, and accordingly, gains or losses that have been reported in level 3 are frequently offset by gains or losses attributable to instruments classified within level 1 or level 2 or by gains or losses on derivative contracts classified in level 3 of the fair value hierarchy.

Derivative Contracts

The net unrealized gain on level 3 derivative contracts of $3.22 billion for the three months ended August 2008 and net unrealized gain of $5.62 billion for the nine months ended August 2008 was primarily attributable to changes in observable credit spreads (which are level 2 inputs) on the underlying instruments. Level 3 gains and losses on derivative contracts should be considered in the context of the following:

- A derivative contract with level 1 and/or level 2 inputs is classified as a level 3 financial instrument in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2) is still classified as level 3.
- Gains or losses that have been reported in level 3 resulting from changes in level 1 or level 2 inputs are frequently offset by gains or losses attributable to instruments classified within level 1 or level 2 or by cash instruments reported in level 3 of the fair value hierarchy.

The tables below set forth a summary of changes in the fair value of the firm's level 3 financial assets and financial liabilities for the three and nine months ended August 2008 and August 2007. The tables reflect gains and losses, including gains and losses on financial assets and financial liabilities that were transferred to level 3 during the period, for the three and nine month periods for all financial assets and financial liabilities categorized as level 3 as of August 2008 and August 2007, respectively. The tables do not include gains or losses that were reported in level 3 in prior periods for instruments that were sold or transferred out of level 3 prior to the end of the period presented.

Level 3 Financial Assets and Financial Liabilities Three Months Ended August 2008

	Cash Instruments - Assets	Cash Instruments - Liabilities	Derivative Contracts - Net	Unsecured Short-Term Borrowings	Other Secured Financings	Other Liabilities and Accrued Expenses	Unsecured Long-Term Borrowings
				(in millions)			
Balance, beginning of period	$59,671	$ (581)	$ 6,508	$(3,837)	$ (880)	$ —	$(2,002)
Realized gains/(losses)	598 [1]	(1) [3]	(381) [3]	33 [3]	25 [3]	(8) [3]	(5) [3]
Unrealized gains/(losses) relating to instruments still held at the reporting date	(2,207) [1]	(104) [3]	3,216 [3][4]	310 [3]	99 [3]	(20) [3]	217 [3]
Purchases, issuances and settlements	(5,837)	100	40	(787)	352	(1,315)	(202)
Transfers in and/or out of level 3	1,898 [2]	(11)	(4,344) [5]	(470)	(3,962) [6]	—	74
Balance, end of period	$54,123	$ (597)	$ 5,039	$(4,751)	$(4,366)	$(1,343)	$(1,918)

Level 3 Financial Assets and Financial Liabilities Three Months Ended August 2007

	Cash Instruments - Assets	Cash Instruments - Liabilities	Derivative Contracts - Net	Unsecured Short-Term Borrowings	Other Secured Financings	Other Liabilities and Accrued Expenses	Unsecured Long-Term Borrowings
				(in millions)			
Balance, beginning of period	$45,141	$ (849)	$ 399	$(5,507)	$ —	$ —	$ (503)
Realized gains/(losses)	251 [1]	7 [3]	313 [3]	(41) [3]	—	—	— [3]
Unrealized gains/(losses) relating to instruments still held at the reporting date	(1,607) [1]	(558) [3]	2,624 [3][4]	92 [3]	—	—	69 [3]
Purchases, issuances and settlements	5,682	140	(1,180)	(232)	—	—	(250)
Transfers in and/or out of level 3	6,736 [7]	(5)	(3,189) [8]	2,407 [9]	—	—	32
Balance, end of period	$56,203	$(1,265)	$(1,033)	$(3,281)	$ —	$ —	$ (652)

(1) The aggregate amounts include approximately $(2.23) billion and $623 million reported in "Trading and principal investments" and "Interest income," respectively, in the condensed consolidated statements of earnings for the three months ended August 2008. The aggregate amounts include approximately $(1.93) billion and $574 million reported in "Trading and principal investments" and "Interest income," respectively, in the condensed consolidated statements of earnings for the three months ended August 2007.

(2) Principally reflects transfers from level 2 within the fair value hierarchy of loans and securities backed by commercial real estate and private equity investments, reflecting reduced price transparency for these financial instruments, partially offset by transfers of corporate debt securities and other debt obligations to level 2 within the fair value hierarchy, reflecting improved price transparency for these financial instruments, largely as a result of sales and partial sales.

(3) Substantially all is reported in "Trading and principal investments" in the condensed consolidated statements of earnings.

(4) Principally resulted from changes in level 2 inputs.

(5) Principally reflects transfers to level 2 within the fair value hierarchy of mortgage-related derivative assets, as recent trading activity provided improved transparency of correlation inputs.

(6) Consists of transfers from level 2 within the fair value hierarchy.

(7) Principally reflects transfers from level 2 within the fair value hierarchy of loans and securities backed by commercial and residential real estate and certain bank loans and bridge loans, reflecting reduced price transparency for these financial instruments.

(8) Principally reflects transfers from level 2 within the fair value hierarchy of structured credit derivative liabilities, due to reduced transparency of correlation inputs.

(9) Principally reflects transfers to level 2 within the fair value hierarchy.

Level 3 Financial Assets and Financial Liabilities
Nine Months Ended August 2008

	Cash Instruments - Assets	Cash Instruments - Liabilities	Derivative Contracts - Net	Unsecured Short-Term Borrowings	Other Secured Financings	Other Liabilities and Accrued Expenses	Unsecured Long-Term Borrowings
				(in millions)			
Balance, beginning of period	$53,451	$ (554)	$ 2,056	$(4,271)	$ —	$ —	$ (767)
Realized gains/(losses)	2,103 [1]	2 [3]	362 [3]	(19) [3]	25 [3]	(8) [3]	(10) [3]
Unrealized gains/(losses) relating to instruments still held at the reporting date	(4,249) [1]	(246) [3]	5,623 [3][4]	306 [3]	263 [3]	(20) [3]	264 [3]
Purchases, issuances and settlements	426	167	(1,331)	(283)	271	(1,315)	(1,304)
Transfers in and/or out of level 3	2,392 [2]	34	(1,671) [5]	(484)	(4,925) [6]	—	(101)
Balance, end of period	$54,123	$ (597)	$ 5,039	$(4,751)	$(4,366)	$(1,343)	$(1,918)

Level 3 Financial Assets and Financial Liabilities
Nine Months Ended August 2007

	Cash Instruments - Assets	Cash Instruments - Liabilities	Derivative Contracts - Net	Unsecured Short-Term Borrowings	Other Secured Financings	Other Liabilities and Accrued Expenses	Unsecured Long-Term Borrowings
				(in millions)			
Balance, beginning of period	$29,905	$ (223)	$ 580	$(3,253)	$ —	$ —	$ (135)
Realized gains/(losses)	1,363 [1]	14 [3]	1,135 [3]	(100) [3]	—	—	1 [3]
Unrealized gains/(losses) relating to instruments still held at the reporting date	(662) [1]	(569) [3]	2,812 [3][4]	21 [3]	—	—	71 [3]
Purchases, issuances and settlements	18,886	(489)	(3,154)	(985)	—	—	(559)
Transfers in and/or out of level 3	6,711 [7]	2	(2,406) [8]	1,036	—	—	(30)
Balance, end of period	$56,203	$(1,265)	$(1,033)	$(3,281)	$ —	$ —	$ (652)

(1) The aggregate amounts include approximately $(4.09) billion and $1.94 billion reported in "Trading and principal investments" and "Interest income," respectively, in the condensed consolidated statements of earnings for the nine months ended August 2008. The aggregate amounts include approximately $(789) million and $1.49 billion reported in "Trading and principal investments" and "Interest income," respectively, in the condensed consolidated statements of earnings for the nine months ended August 2007.

(2) Principally reflects transfers from level 2 within the fair value hierarchy of loans and securities backed by commercial real estate, reflecting reduced price transparency for these financial instruments.

(3) Substantially all is reported in "Trading and principal investments" in the condensed consolidated statements of earnings.

(4) Principally resulted from changes in level 2 inputs.

(5) Principally reflects transfers to level 2 within the fair value hierarchy of mortgage-related derivative assets, as recent trading activity provided improved transparency of correlation inputs.

(6) Consists of transfers from level 2 within the fair value hierarchy.

(7) Principally reflects transfers from level 2 within the fair value hierarchy of loans and securities backed by commercial and residential real estate and certain bank loans and bridge loans, reflecting reduced price transparency for these financial instruments.

(8) Principally reflects transfers from level 2 within the fair value hierarchy of structured credit derivative liabilities, due to reduced transparency of correlation inputs.

Credit risk is an essential component of fair value (i.e., exit price). Cash products (e.g., bonds and loans) and derivative instruments (particularly those with significant future projected cash flows) trade in the market at levels which reflect credit considerations. The firm calculates the fair value of derivative assets by discounting future cash flows at a rate which incorporates counterparty credit spreads and on derivative liabilities at a rate which incorporates the firm's own credit spreads. In doing so, credit exposures are adjusted to reflect mitigants, namely collateral agreements which reduce exposures based on triggers and contractual posting requirements. The firm manages its exposure to credit risk as it does other market risks and will price, economically hedge, facilitate and intermediate trades which involve credit risk. The firm records liquidity valuation adjustments to reflect the cost of exiting concentrated risk positions, including exposure to the firm's own credit spreads.

On an ongoing basis, the firm realizes gains or losses relating to changes in credit risk on derivative contracts through changes in credit mitigants or the sale or unwind of the contracts. The net gain attributable to the impact of changes in credit exposure and credit spreads on derivative contracts was $257 million and $128 million for the three and nine months ended August 2008.

The following table sets forth the gains/(losses) attributable to the impact of changes in the firm's own credit spreads on unsecured borrowings for which the fair value option was elected. The firm calculates the fair value of unsecured borrowings by discounting future cash flows at a rate which incorporates the firm's observable credit spreads.

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Gains/(losses) including hedges	$176	$256	$331	$254
Gains/(losses) excluding hedges	248	271	391	269

For the three and nine months ended August 2008 and August 2007, the changes in the fair value of receivables (including securities borrowed and resale agreements) for which the fair value option was elected that were attributable to changes in instrument-specific credit spreads were not material. As of August 2008 and November 2007, the difference between the fair value and the aggregate contractual principal amount of both long-term receivables and long-term debt instruments (principal and non-principal protected) for which the fair value option was elected was not material to the carrying value of either the long-term receivables or the long-term debt.

The following table sets forth the gains/(losses) included in earnings for the three and nine months ended August 2008 and August 2007 related to financial assets and financial liabilities for which the firm has elected to apply the fair value option under SFAS No. 155 and SFAS No. 159. The table does not reflect the impact to the firm's earnings of applying SFAS No. 159 because a significant amount of these gains and losses would have also been recognized under previously issued generally accepted accounting principles, or are economically hedged with instruments accounted for at fair value under other generally accepted accounting principles that are not reflected in the table below.

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Other secured financings	$ 232	$ 897	$1,397 [1]	$ 772
Financial instruments owned, at fair value [2]	(528)	(33)	(930)	39
Unsecured short-term borrowings	1,921	(51)	2,149	(403)
Unsecured long-term borrowings	1,737	(226)	(387)	(957)
Other [3]	(66)	11	(87)	10
Total [4]	$3,296	$ 598	$2,142	$(539)

[1] Includes $870 million for the nine months ended August 2008, related to financings recorded as a result of certain mortgage securitizations that were accounted for as secured financings rather than sales under SFAS No. 140. Changes in the fair value of these secured financings are equally offset by changes in the fair value of the related mortgage whole loans, which were included within the firm's "Financial instruments owned, at fair value" in the condensed consolidated statement of financial condition.

[2] Primarily consists of investments for which the firm would otherwise have applied the equity method of accounting as well as securities held in GS Bank USA (which would otherwise be accounted for as available-for-sale).

[3] Primarily consists of certain insurance and reinsurance contracts, resale and repurchase agreements and securities borrowed and loaned within Trading and Principal Investments.

[4] Reported within "Trading and principal investments" within the condensed consolidated statements of earnings. The amounts exclude contractual interest, which is included in "Interest income" and "Interest expense," for all instruments other than hybrid financial instruments.

Derivative Activities

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts, that derive their value from underlying assets, indices, reference rates or a combination of these factors. Derivative instruments may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange. Derivatives may involve future commitments to purchase or sell financial instruments or commodities, or to exchange currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, securities, commodities, currencies or indices.

Certain cash instruments, such as mortgage-backed securities, interest-only and principal-only obligations, and indexed debt instruments, are not considered derivatives even though their values or contractually required cash flows are derived from the price of some other security or index. However, certain commodity-related contracts are included in the firm's derivatives disclosure, as these contracts may be settled in cash or the assets to be delivered under the contract are readily convertible into cash.

The firm enters into derivative transactions to facilitate client transactions, to take proprietary positions and as a means of risk management. Risk exposures are managed through diversification, by controlling position sizes and by entering into offsetting positions. For example, the firm may manage the risk related to a portfolio of common stock by entering into an offsetting position in a related equity-index futures contract.

The firm applies hedge accounting under SFAS No. 133 to certain derivative contracts. The firm uses these derivatives to manage certain interest rate and currency exposures, including the firm's net investment in non-U.S. operations. The firm designates certain interest rate swap contracts as fair value hedges. These interest rate swap contracts hedge changes in the relevant benchmark interest rate (e.g., London Interbank Offered Rate (LIBOR)), effectively converting a substantial portion of the firm's unsecured long-term and certain unsecured short-term borrowings into floating rate obligations. See Note 2 for information regarding the firm's accounting policy for foreign currency forward contracts used to hedge its net investment in non-U.S. operations.

The firm applies a long-haul method to all of its hedge accounting relationships to perform an ongoing assessment of the effectiveness of these relationships in achieving offsetting changes in fair value or offsetting cash flows attributable to the risk being hedged. The firm utilizes a dollar-offset method, which compares the change in the fair value of the hedging instrument to the change in the fair value of the hedged item, excluding the effect of the passage of time, to prospectively and retrospectively assess hedge effectiveness. The firm's prospective dollar-offset assessment utilizes scenario analyses to test hedge effectiveness via simulations of numerous parallel and slope shifts of the relevant yield curve. Parallel shifts change the interest rate of all maturities by identical amounts. Slope shifts change the curvature of the yield curve. For both the prospective assessment, in response to each of the simulated yield curve shifts, and the retrospective assessment, a hedging relationship is deemed to be effective if the fair value of the hedging instrument and the hedged item change inversely within a range of 80% to 125%.

For fair value hedges, gains or losses on derivative transactions are recognized in "Interest expense" in the condensed consolidated statements of earnings. The change in fair value of the hedged item attributable to the risk being hedged is reported as an adjustment to its carrying value and is subsequently amortized into interest expense over its remaining life. Gains or losses related to hedge ineffectiveness for all hedges are generally included in "Interest expense." These gains or losses and the component of gains or losses on derivative transactions excluded from the assessment

of hedge effectiveness (e.g., the effect of the passage of time on fair value hedges of the firm's borrowings) were not material to the firm's results of operations for the three and nine months ended August 2008 or August 2007. Gains and losses on derivatives used for trading purposes are included in "Trading and principal investments" in the condensed consolidated statements of earnings.

The fair value of the firm's derivative contracts is reflected net of cash paid or received pursuant to credit support agreements and is reported on a net-by-counterparty basis in the firm's condensed consolidated statements of financial condition when management believes a legal right of setoff exists under an enforceable netting agreement. The fair value of derivative financial instruments, presented in accordance with the firm's netting policy, is set forth below:

	As of			
	August 2008		November 2007	
	Assets	Liabilities	Assets	Liabilities
	(in millions)			
Contract Type				
Forward settlement contracts	$ 30,146	$ 32,372	$ 22,561	$ 27,138
Swap agreements	141,338	57,693	104,793	62,697
Option contracts	64,582	55,826	53,056	53,047
Subtotal	236,066	145,891	180,410	142,882
Netting across contract types [1]	(15,725)	(15,725)	(15,746)	(15,746)
Cash collateral netting [2]	(98,778)	(26,262)	(59,050)	(27,758)
Total	$121,563	$103,904	$105,614	$ 99,378

(1) Represents the netting of receivable balances with payable balances for the same counterparty across contract types pursuant to credit support agreements.

(2) Represents the netting of cash collateral received and posted on a counterparty basis pursuant to credit support agreements.

The fair value of derivatives accounted for as qualifying hedges under SFAS No. 133 consisted of $11.33 billion and $5.15 billion in assets as of August 2008 and November 2007, respectively, and $409 million and $355 million in liabilities as of August 2008 and November 2007, respectively.

The firm also has embedded derivatives that have been bifurcated from related borrowings under SFAS No. 133. Such derivatives, which are classified in unsecured short-term and unsecured long-term borrowings, had a carrying value of $(320) million and $463 million (excluding the debt host contract) as of August 2008 and November 2007, respectively. See Notes 4 and 5 for further information regarding the firm's unsecured borrowings.

Securitization Activities

The firm securitizes commercial and residential mortgages, home equity and auto loans, government and corporate bonds and other types of financial assets. The firm acts as underwriter of the beneficial interests that are sold to investors. The firm derecognizes financial assets transferred in securitizations, provided it has relinquished control over such assets. Transferred assets are accounted for at fair value prior to securitization. Net revenues related to these underwriting activities are recognized in connection with the sales of the underlying beneficial interests to investors.

The firm may retain interests in securitized financial assets, primarily in the form of senior or subordinated securities, including residual interests. Retained interests are accounted for at fair value and are included in "Total financial instruments owned, at fair value" in the condensed consolidated statements of financial condition.

The following table sets forth the amount of financial assets the firm securitized, as well as cash flows received on retained interests:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Residential mortgages	$1,375	$ 2,856	$ 5,486	$22,852
Commercial mortgages	—	14,250	773	15,611
Other financial assets	4,476 [1]	6,833 [2]	6,130 [1]	31,282 [2]
Total	$5,851	$23,939	$12,389	$69,745
Cash flows received on retained interests	$ 133	$ 183	$ 404	$ 548

(1) Primarily in connection with collateralized loan obligations (CLOs).

(2) Primarily in connection with CDOs and CLOs.

As of August 2008 and November 2007, the firm held $2.53 billion and $4.57 billion of retained interests, respectively, from these securitization activities, including $2.04 billion and $2.72 billion, respectively, held in QSPEs.

The following table sets forth the weighted average key economic assumptions used in measuring the fair value of the firm's retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions:

	As of August 2008		As of November 2007	
	Type of Retained Interests		Type of Retained Interests	
	Mortgage-Backed	CDOs and CLOs [4]	Mortgage-Backed	CDOs and CLOs [4]
	($ in millions)			
Fair value of retained interests	$1,879	$ 650	$3,378	$1,188
Weighted average life (years)	4.9	4.5	6.6	2.7
Constant prepayment rate [1]	16.9%	10.1%	15.1%	11.9%
Impact of 10% adverse change [1]	$ (16)	$ (4)	$ (50)	$ (43)
Impact of 20% adverse change [1]	(33)	(9)	(91)	(98)
Anticipated credit losses [2]	1.6%	N/A	4.3%	N/A
Impact of 10% adverse change [3]	$ (2)	$ —	$ (45)	$ —
Impact of 20% adverse change [3]	(4)	—	(72)	—
Discount rate	13.0%	25.8%	8.4%	23.1%
Impact of 10% adverse change	$ (53)	$ (31)	$ (89)	$ (46)
Impact of 20% adverse change	(103)	(60)	(170)	(92)

(1) Constant prepayment rate is included only for positions for which constant prepayment rate is a key assumption in the determination of fair value.

(2) Anticipated credit losses are computed only on positions for which expected credit loss is a key assumption in the determination of fair value or positions for which expected credit loss is not reflected within the discount rate.

(3) The impacts of adverse change take into account credit mitigants incorporated in the retained interests, including over-collateralization and subordination provisions.

(4) Includes $323 million and $905 million as of August 2008 and November 2007, respectively, of retained interests related to transfers of securitized assets that were accounted for as secured financings rather than sales under SFAS No. 140.

The preceding table does not give effect to the offsetting benefit of other financial instruments that are held to mitigate risks inherent in these retained interests. Changes in fair value based on an adverse variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value is not usually linear. In addition, the impact of a change in a particular assumption is calculated independently of changes in any other assumption. In practice, simultaneous changes in assumptions might magnify or counteract the sensitivities disclosed above.

In addition to the retained interests described above, the firm also held interests in residential mortgage QSPEs purchased in connection with secondary market-making activities. These purchased interests were approximately $4 billion and $6 billion as of August 2008 and November 2007, respectively.

As of August 2008 and November 2007, the firm held mortgage servicing rights with a fair value of $240 million and $93 million, respectively. These servicing assets represent the firm's right to receive a future stream of cash flows, such as servicing fees, in excess of the firm's obligation to service residential mortgages. The fair value of mortgage servicing rights will fluctuate in response to changes in certain economic variables, such as discount rates and loan prepayment rates. The firm estimates the fair value of mortgage servicing rights by using valuation models that incorporate these variables in quantifying anticipated cash flows related to servicing activities. Mortgage servicing rights are included in "Financial instruments owned, at fair value" in the condensed consolidated statements of financial condition and are classified within level 3 of the fair value hierarchy. The following table sets forth changes in the firm's mortgage servicing rights, as well as servicing fees earned:

	Three Months Ended August 2008	Nine Months Ended August 2008
	(in millions)	
Balance, beginning of period	$248	$ 93
Purchases	27	239 [2]
Servicing assets that resulted from transfers of financial assets	—	3
Changes in fair value due to changes in valuation inputs and assumptions	(35)	(95)
Balance, end of period [1]	$240	$240
Contractually specified servicing fees	$ 87	$224

[1] Fair value as of August 2008 was estimated using a weighted average discount rate of approximately 16% and a weighted average prepayment rate of approximately 28%.

[2] Primarily related to the acquisition of Litton Loan Servicing LP.

Variable Interest Entities (VIEs)

The firm, in the ordinary course of business, retains interests in VIEs in connection with its securitization activities. The firm also purchases and sells variable interests in VIEs, which primarily issue mortgage-backed and other asset-backed securities, CDOs and CLOs, in connection with its market-making activities and makes investments in and loans to VIEs that hold performing and nonperforming debt, equity, real estate, power-related and other assets. In addition, the firm utilizes VIEs to provide investors with principal-protected notes, credit-linked notes and asset-repackaged notes designed to meet their objectives.

VIEs generally purchase assets by issuing debt and equity instruments. In certain instances, the firm provides guarantees to VIEs or holders of variable interests in VIEs. In such cases, the maximum exposure to loss included in the tables set forth below is the notional amount of such guarantees. Such amounts do not represent anticipated losses in connection with these guarantees.

The firm's variable interests in VIEs include senior and subordinated debt; loan commitments; limited and general partnership interests; preferred and common stock; interest rate, foreign currency, equity, commodity and credit derivatives; guarantees; and residual interests in mortgage-backed and asset-backed securitization vehicles, CDOs and CLOs. The firm's exposure to the obligations of VIEs is generally limited to its interests in these entities.

The following tables set forth total assets in nonconsolidated VIEs in which the firm holds significant variable interests and the firm's maximum exposure to loss associated with these variable interests. The firm has aggregated nonconsolidated VIEs based on principal business activity, as reflected in the first column. The nature of the firm's variable interests can take different forms, as described in the columns under maximum exposure to loss.

These tables do not give effect to the benefit of any offsetting financial instruments that are held to mitigate risks related to the firm's interests in nonconsolidated VIEs.

	As of August 2008					
		Maximum Exposure to Loss in Nonconsolidated VIEs [1]				
	VIE Assets	Purchased and Retained Interests	Commitments and Guarantees	Derivatives	Loans and Investments	Total
	(in millions)					
Mortgage CDOs	$15,895	$386	$ —	$ 6,663 [4]	$ —	$ 7,049
Corporate CDOs and CLOs	13,503	306	—	3,187 [5]	—	3,493
Real estate, credit-related and other investing [2]	26,788	—	8	—	3,636	3,644
Municipal bond securitizations	146	—	146	—	—	146
Other asset-backed	1,643	—	—	894	—	894
Power-related	830	—	37	—	215	252
Principal-protected notes [3]	6,299	—	—	6,274	—	6,274
Total	$65,104	$692	$191	$17,018	$3,851	$21,752

	As of November 2007					
		Maximum Exposure to Loss in Nonconsolidated VIEs [1]				
	VIE Assets	Purchased and Retained Interests	Commitments and Guarantees	Derivatives	Loans and Investments	Total
	(in millions)					
Mortgage CDOs	$18,914	$1,011	$ —	$10,089 [4]	$ —	$11,100
Corporate CDOs and CLOs	10,750	411	—	2,218 [5]	—	2,629
Real estate, credit-related and other investing [2]	17,272	—	107	12	3,141	3,260
Municipal bond securitizations	1,413	—	1,413	—	—	1,413
Other mortgage-backed	3,881	719	—	—	—	719
Other asset-backed	3,771	—	—	1,579	—	1,579
Power-related	438	2	37	—	16	55
Principal-protected notes [3]	5,698	—	—	5,186	—	5,186
Total	$62,137	$2,143	$1,557	$19,084	$3,157	$25,941

(1) Such amounts do not represent the anticipated losses in connection with these transactions.

(2) The firm obtains interests in these VIEs in connection with making proprietary investments in real estate, distressed loans and other types of debt, mezzanine instruments and equities.

(3) Consists of out-of-the-money written put options that provide principal protection to clients invested in various fund products, with risk to the firm mitigated through portfolio rebalancing.

(4) Primarily consists of written protection on investment-grade, short-term collateral held by VIEs that have issued CDOs.

(5) Primarily consists of total return swaps on CDOs and CLOs. The firm has generally transferred the risks related to the underlying securities through derivatives with non-VIEs.

The following table sets forth the firm's total assets and maximum exposure to loss associated with its significant variable interests in consolidated VIEs where the firm does not hold a majority voting interest. The firm has aggregated consolidated VIEs based on principal business activity, as reflected in the first column.

The table does not give effect to the benefit of any offsetting financial instruments that are held to mitigate risks related to the firm's interests in consolidated VIEs.

	As of August 2008		As of November 2007	
	VIE Assets (1)	Maximum Exposure to Loss (2)	VIE Assets (1)	Maximum Exposure to Loss (2)
	(in millions)			
Real estate, credit-related and other investing	$1,741	$ 467	$2,118	$ 525
Municipal bond securitizations	1,368	1,368	1,959	1,959
CDOs, mortgage-backed and other asset-backed	206	174	604	109
Foreign exchange and commodities	566	593	300	329
Principal-protected notes	395	389	1,119	1,118
Total	$4,276	$2,991	$6,100	$4,040

(1) Consolidated VIE assets include assets financed on a nonrecourse basis.

(2) Such amounts do not represent the anticipated losses in connection with these transactions.

While the firm is routinely involved with VIEs and QSPEs in connection with its securitization activities, the firm did not have off-balance-sheet commitments to purchase or finance CDOs held by structured investment vehicles as of August 2008 or November 2007.

Collateralized Transactions

The firm receives financial instruments as collateral, primarily in connection with resale agreements, securities borrowed, derivative transactions and customer margin loans. Such financial instruments may include obligations of the U.S. government, federal agencies, sovereigns and corporations, as well as equities and convertibles.

In many cases, the firm is permitted to deliver or repledge these financial instruments in connection with entering into repurchase agreements, securities lending agreements and other secured financings, collateralizing derivative transactions and meeting firm or customer settlement requirements. As of August 2008 and November 2007, the fair value of financial instruments received as collateral by the firm that it was permitted to deliver or repledge was $831.85 billion and $891.05 billion, respectively, of which the firm delivered or repledged $691.94 billion and $785.62 billion, respectively.

The firm also pledges assets that it owns to counterparties who may or may not have the right to deliver or repledge them. Financial instruments owned and pledged to counterparties that have the right to deliver or repledge are reported as "Financial instruments owned and pledged as collateral, at fair value" in the condensed consolidated statements of financial condition and were $37.34 billion and $46.14 billion as of August 2008 and November 2007, respectively. Financial instruments owned and pledged in connection with repurchase agreements, securities lending agreements and other secured financings to counterparties that did not have the right to sell or repledge are included in "Financial instruments owned, at fair value" in the condensed consolidated statements of financial condition and

were $105.19 billion and $156.92 billion as of August 2008 and November 2007, respectively. Other assets (primarily real estate and cash) owned and pledged in connection with other secured financings to counterparties that did not have the right to sell or repledge were $9.03 billion and $5.86 billion as of August 2008 and November 2007, respectively.

In addition to repurchase agreements and securities lending agreements, the firm obtains secured funding through the use of other arrangements. Other secured financings include arrangements that are nonrecourse, that is, only the subsidiary that executed the arrangement or a subsidiary guaranteeing the arrangement is obligated to repay the financing. Other secured financings consist of liabilities related to the firm's William Street program, consolidated VIEs, collateralized central bank financings, transfers of financial assets that are accounted for as financings rather than sales under SFAS No. 140 (primarily pledged bank loans and mortgage whole loans) and other structured financing arrangements.

Other secured financings by maturity are set forth in the table below:

	As of	
	August 2008	November 2007
	(in millions)	
Other secured financings (short-term) [1][2]	$27,212	$32,410
Other secured financings (long-term):		
2009	289	2,903
2010	2,417	2,301
2011	5,929	2,427
2012	4,195	4,973
2013	1,466	702
2014-thereafter	11,313	19,994
Total other secured financings (long-term) [3][4]	25,609	33,300
Total other secured financings [5]	$52,821	$65,710

(1) As of August 2008, consists of U.S. dollar-denominated financings of $17.21 billion with a weighted average interest rate of 2.82% and non-U.S. dollar-denominated financings of $10.00 billion with a weighted average interest rate of 1.09%, after giving effect to hedging activities. As of November 2007, consists of U.S. dollar-denominated financings of $18.47 billion with a weighted average interest rate of 5.32% and non-U.S. dollar-denominated financings of $13.94 billion with a weighted average interest rate of 0.91%, after giving effect to hedging activities. The weighted average interest rates as of August 2008 and November 2007 excluded financial instruments accounted for at fair value under SFAS No. 159.

(2) Includes other secured financings maturing within one year of the financial statement date and other secured financings that are redeemable within one year of the financial statement date at the option of the holder.

(3) As of August 2008, consists of U.S. dollar-denominated financings of $12.34 billion with a weighted average interest rate of 4.05% and non-U.S. dollar-denominated financings of $13.27 billion with a weighted average interest rate of 4.74%, after giving effect to hedging activities. As of November 2007, consists of U.S. dollar-denominated financings of $22.13 billion with a weighted average interest rate of 5.73% and non-U.S. dollar-denominated financings of $11.17 billion with a weighted average interest rate of 4.28%, after giving effect to hedging activities. The weighted average interest rates as of August 2008 and November 2007 excluded financial instruments accounted for at fair value under SFAS No. 159.

(4) Secured long-term financings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates. Secured long-term financings that are redeemable prior to maturity at the option of the holder are reflected at the dates such options become exercisable.

(5) As of August 2008, $43.46 billion of these financings were collateralized by financial instruments and $9.36 billion by other assets (primarily real estate and cash). As of November 2007, $61.34 billion of these financings were collateralized by financial instruments and $4.37 billion by other assets (primarily real estate and cash). Other secured financings include $17.89 billion and $25.37 billion of nonrecourse obligations as of August 2008 and November 2007, respectively.

Note 4. Unsecured Short-Term Borrowings

As of August 2008 and November 2007, unsecured short-term borrowings were $64.65 billion and $71.56 billion, respectively. Such amounts also include the portion of unsecured long-term borrowings maturing within one year of the financial statement date and unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder. The firm accounts for promissory notes, commercial paper and certain hybrid financial instruments at fair value under SFAS No. 155 or SFAS No. 159. Short-term borrowings that are not recorded at fair value are recorded based on the amount of cash received plus accrued interest, and such amounts approximate fair value due to the short-term nature of the obligations.

Unsecured short-term borrowings are set forth below:

	As of	
	August 2008	November 2007
	(in millions)	
Current portion of unsecured long-term borrowings	$27,385	$22,740
Hybrid financial instruments	18,894	22,318
Promissory notes	8,005	13,251
Commercial paper	1,365	4,343
Other short-term borrowings	9,004	8,905
Total [1]	$64,653	$71,557

[1] The weighted average interest rates for these borrowings, after giving effect to hedging activities, were 2.77% and 5.05% as of August 2008 and November 2007, respectively. The weighted average interest rates as of August 2008 and November 2007 excluded financial instruments accounted for at fair value under SFAS No. 155 or SFAS No. 159.

Note 5. Unsecured Long-Term Borrowings

The firm's unsecured long-term borrowings extend through 2043 and consist principally of senior borrowings.

Unsecured long-term borrowings are set forth below:

	As of	
	August 2008	November 2007
	(in millions)	
Fixed rate obligations [1]		
U.S. dollar	$ 63,818	$ 55,281
Non-U.S. dollar	36,673	29,139
Floating rate obligations [2]		
U.S. dollar	38,283	47,308
Non-U.S. dollar	37,593	32,446
Total [3]	$176,367	$164,174

[1] As of August 2008 and November 2007, interest rates on U.S. dollar fixed rate obligations ranged from 3.60% to 10.04% and from 3.88% to 10.04%, respectively. As of both August 2008 and November 2007, interest rates on non-U.S. dollar fixed rate obligations ranged from 0.67% to 8.88%.

[2] Floating interest rates generally are based on LIBOR or the federal funds target rate. Equity-linked and indexed instruments are included in floating rate obligations.

[3] Includes $2.95 billion and $3.05 billion as of August 2008 and November 2007, respectively, of foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries under SFAS No. 133.

Unsecured long-term borrowings by maturity date are set forth below:

	As of					
	August 2008 [1][2]			November 2007 [1][2]		
	U.S. Dollar	Non-U.S. Dollar	Total	U.S. Dollar	Non-U.S. Dollar	Total
	(in millions)					
2009	$ 3,754	$ 962	$ 4,716	$ 20,204	$ 2,978	$ 23,182
2010	9,389	6,754	16,143	7,989	5,714	13,703
2011	7,009	5,321	12,330	5,848	4,839	10,687
2012	13,196	3,704	16,900	14,913	3,695	18,608
2013	9,138	13,865	23,003	6,490	9,326	15,816
2014-thereafter	59,615	43,660	103,275	47,145	35,033	82,178
Total	$102,101	$74,266	$176,367	$102,589	$61,585	$164,174

[1] Unsecured long-term borrowings maturing within one year of the financial statement date and certain unsecured long-term borrowings that are redeemable within one year of the financial statement date at the option of the holder are included as unsecured short-term borrowings in the condensed consolidated statements of financial condition.

[2] Unsecured long-term borrowings that are repayable prior to maturity at the option of the firm are reflected at their contractual maturity dates. Unsecured long-term borrowings that are redeemable prior to maturity at the option of the holder are reflected at the dates such options become exercisable.

The firm enters into derivative contracts, such as interest rate futures contracts, interest rate swap agreements, currency swap agreements, commodity contracts and equity-linked and indexed contracts, to effectively convert a substantial portion of its unsecured long-term borrowings into U.S. dollar-based floating rate obligations. Accordingly, excluding the cumulative impact of changes in the firm's credit spreads, the carrying value of unsecured long-term borrowings approximated fair value as of August 2008 and November 2007. For unsecured long-term borrowings for which the firm did not elect the fair value option, the cumulative impact due to the widening of the firm's own credit spreads was a reduction in the fair value of total unsecured long-term borrowings of approximately 6% and 1% as of August 2008 and November 2007, respectively.

The effective weighted average interest rates for unsecured long-term borrowings are set forth below:

	As of			
	August 2008		November 2007	
	Amount	Rate	Amount	Rate
	($ in millions)			
Fixed rate obligations	$ 4,341	4.81%	$ 3,787	5.28%
Floating rate obligations [1]	172,026	3.52	160,387	5.68
Total [2]	$176,367	3.55	$164,174	5.67

(1) Includes fixed rate obligations that have been converted into floating rate obligations through derivative contracts.

(2) The weighted average interest rates as of August 2008 and November 2007 excluded financial instruments accounted for at fair value under SFAS No. 155 or SFAS No. 159.

Subordinated Borrowings

Unsecured long-term borrowings include subordinated borrowings with outstanding principal amounts of $19.89 billion and $16.32 billion as of August 2008 and November 2007, respectively, as set forth below.

Subordinated Debt. As of August 2008, the firm had $14.80 billion of senior subordinated debt outstanding with maturities ranging from 2009 to 2038. The effective weighted average interest rate on this debt was 3.77%, after giving effect to derivative contracts used to convert fixed rate obligations into floating rate obligations. As of November 2007, the firm had $11.23 billion of senior subordinated debt outstanding with maturities ranging from fiscal 2009 to 2037. The effective weighted average interest rate on this debt was 5.75%, after giving effect to derivative contracts used to convert fixed rate obligations into floating rate obligations. This debt is junior in right of payment to all of the firm's senior indebtedness.

Junior Subordinated Debt Issued to a Trust in Connection with Trust Preferred Securities. The firm issued $2.84 billion of junior subordinated debentures in 2004 to Goldman Sachs Capital I (the Trust), a Delaware statutory trust that, in turn, issued $2.75 billion of guaranteed preferred beneficial interests to third parties and $85 million of common beneficial interests to the firm and invested the proceeds from the sale in junior subordinated debentures issued by the firm. The Trust is a wholly owned finance subsidiary of the firm for regulatory and legal purposes but is not consolidated for accounting purposes.

The firm pays interest semi-annually on these debentures at an annual rate of 6.345% and the debentures mature on February 15, 2034. The coupon rate and the payment dates applicable to the beneficial interests are the same as the interest rate and payment dates applicable to the debentures. The firm has the right, from time to time, to defer payment of interest on the debentures, and, therefore, cause payment on the Trust's preferred beneficial interests to be deferred, in each case up to ten consecutive semi-annual periods. During any such extension period, the firm will not be permitted to, among other things, pay dividends on or make certain repurchases of its common stock. The Trust is not permitted to pay any distributions on the common beneficial interests held by the firm unless all dividends payable on the preferred beneficial interests have been paid in full. These debentures are junior in right of payment to all of the firm's senior indebtedness and all of the firm's subordinated borrowings, other than the junior subordinated debt issued in connection with the Normal Automatic Preferred Enhanced Capital Securities (see discussion below).

Junior Subordinated Debt Issued to Trusts in Connection with Fixed-to-Floating and Floating Rate Normal Automatic Preferred Enhanced Capital Securities. In 2007, the firm issued a total of $2.25 billion of remarketable junior subordinated debt to Goldman Sachs Capital II and Goldman Sachs Capital III (the APEX Trusts), Delaware statutory trusts that, in turn, issued $2.25 billion of guaranteed perpetual Automatic Preferred Enhanced Capital Securities (APEX) to third parties and a de minimis amount of common securities to the firm. The firm also entered into contracts with the APEX Trusts to sell $2.25 billion of perpetual non-cumulative preferred stock to be issued by the firm (the stock purchase contracts). The APEX Trusts are wholly owned finance subsidiaries of the firm for regulatory and legal purposes but are not consolidated for accounting purposes.

The firm pays interest semi-annually on $1.75 billion of junior subordinated debt issued to Goldman Sachs Capital II at a fixed annual rate of 5.59% and the debt matures on June 1, 2043. The firm pays interest quarterly on $500 million of junior subordinated debt issued to Goldman Sachs Capital III at a rate per annum equal to three-month LIBOR plus 0.57% and the debt matures on September 1, 2043. In addition, the firm makes contract payments at a rate of 0.20% per annum on the stock purchase contracts held by the APEX Trusts. The firm has the right to defer payments on the junior subordinated debt and the stock purchase contracts, subject to limitations, and therefore cause payment on the APEX to be deferred. During any such extension period, the firm will not be permitted to, among other things, pay dividends on or make certain repurchases of its common or preferred stock. The junior subordinated debt is junior in right of payment to all of the firm's senior indebtedness and all of the firm's other subordinated borrowings.

In connection with the APEX issuance, the firm covenanted in favor of certain of its debtholders, who are initially the holders of the firm's 6.345% Junior Subordinated Debentures due February 15, 2034, that, subject to certain exceptions, the firm would not redeem or purchase (i) the firm's junior subordinated debt issued to the APEX Trusts prior to the applicable stock purchase date or (ii) APEX or shares of the firm's Series E or Series F Preferred Stock prior to the date that is ten years after the applicable stock purchase date, unless the applicable redemption or purchase price does not exceed a maximum amount determined by reference to the aggregate amount of net cash proceeds that the firm has received from the sale of qualifying equity securities during the 180-day period preceding the redemption or purchase.

The firm has accounted for the stock purchase contracts as equity instruments under EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," and, accordingly, recorded the cost of the stock purchase contracts as a reduction to additional paid-in capital. See Note 7 for information on the preferred stock that the firm will issue in connection with the stock purchase contracts.

Note 6. Commitments, Contingencies and Guarantees

Commitments

Forward Starting Collateralized Agreements and Financings. The firm had forward starting resale agreements and securities borrowing agreements of $41.04 billion and $28.14 billion as of August 2008 and November 2007, respectively. The firm had forward starting repurchase agreements and securities lending agreements of $13.84 billion and $15.39 billion as of August 2008 and November 2007, respectively.

Commitments to Extend Credit. In connection with its lending activities, the firm had outstanding commitments to extend credit of $54.80 billion and $82.75 billion as of August 2008 and November 2007, respectively. The firm's commitments to extend credit are agreements to lend to counterparties that have fixed termination dates and are contingent on the satisfaction of all conditions to borrowing set forth in the contract. Since these commitments may expire unused or be reduced or cancelled at the counterparty's request, the total commitment amount does not necessarily reflect the actual future cash flow requirements. The firm accounts for these commitments at fair value. To the extent that the firm recognizes losses on these commitments, such losses are recorded within the firm's Trading and Principal Investments segment net of any related underwriting fees.

The following table summarizes the firm's commitments to extend credit, net of amounts syndicated to third parties, as of August 2008 and November 2007:

	As of	
	August 2008	November 2007
	(in millions)	
Commercial lending commitments		
Investment-grade	$14,051	$11,719
Non-investment-grade	13,523	41,930
William Street program	24,456	24,488
Warehouse financing	2,773	4,610
Total commitments to extend credit	$54,803	$82,747

- **Commercial lending commitments.** The firm's commercial lending commitments are generally extended in connection with contingent acquisition financing and other types of corporate lending as well as commercial real estate financing. The total commitment amount does not necessarily reflect the actual future cash flow requirements, as the firm may syndicate all or substantial portions of these commitments in the future, the commitments may expire unused, or the commitments may be cancelled or reduced at the request of the counterparty. In addition, commitments that are extended for contingent acquisition financing are often intended to be short-term in nature, as borrowers often seek to replace them with other funding sources.

  Included within non-investment-grade commitments as of August 2008 was $2.91 billion of exposure to leveraged lending capital market transactions, $293 million related to commercial real estate transactions and $10.32 billion arising from other unfunded credit facilities. Included within the non-investment-grade amount as of November 2007 was $26.09 billion of exposure to leveraged lending capital market transactions, $3.50 billion related to commercial real estate transactions and $12.34 billion arising from other unfunded credit facilities. Including funded loans, the firm's total exposure to leveraged lending capital market transactions was $9.54 billion and $43.06 billion as of August 2008 and November 2007, respectively.

- **William Street program.** Substantially all of the commitments provided under the William Street credit extension program are to investment-grade corporate borrowers. Commitments under the program are extended by William Street Commitment Corporation (Commitment Corp.), a consolidated wholly owned subsidiary of Group Inc. whose assets and liabilities are legally separated from other assets and liabilities of the firm, William Street Credit Corporation, GS Bank USA, Goldman Sachs Credit Partners L.P. or other consolidated wholly owned subsidiaries of Group Inc. The commitments extended by Commitment Corp. are supported, in part, by funding raised by William Street Funding Corporation (Funding Corp.), another consolidated wholly owned subsidiary of Group Inc. whose assets and liabilities are also legally separated from other assets and liabilities of the firm. The assets of Commitment Corp. and of Funding Corp. will not be available to their respective shareholders until the claims of their respective creditors have been paid. In addition, no affiliate of either Commitment Corp. or Funding Corp., except in limited cases as expressly agreed in writing, is responsible for any obligation of either entity. With respect to most of the William Street commitments, Sumitomo Mitsui Financial Group, Inc. (SMFG) provides the firm with credit loss protection that is generally limited to 95% of the first loss the firm realizes on approved loan commitments, up to a maximum of $1.00 billion. In addition, subject to the satisfaction of certain conditions, upon the firm's request, SMFG will provide protection for 70% of the second loss on such commitments, up to a maximum of $1.13 billion. The firm also uses other financial instruments to mitigate credit risks related to certain William Street commitments not covered by SMFG.
- **Warehouse financing.** The firm provides financing for the warehousing of financial assets. These arrangements are secured by the warehoused assets, primarily consisting of corporate bank loans and commercial mortgages as of August 2008 and November 2007. In connection with its warehouse financing activities, the firm had loans of $8 million and $44 million collateralized by subprime mortgages as of August 2008 and November 2007, respectively.

Letters of Credit. The firm provides letters of credit issued by various banks to counterparties in lieu of securities or cash to satisfy various collateral and margin deposit requirements. Letters of credit outstanding were $9.68 billion and $8.75 billion as of August 2008 and November 2007, respectively.

Investment Commitments. In connection with its merchant banking and other investing activities, the firm invests in private equity, real estate and other assets directly and through funds that it raises and manages. In connection with these activities, the firm had commitments to invest up to $13.99 billion and $17.76 billion as of August 2008 and November 2007, respectively, including $11.08 billion and $12.32 billion, respectively, of commitments to invest in funds managed by the firm.

Construction-Related Commitments. As of August 2008 and November 2007, the firm had construction-related commitments of $480 million and $769 million, respectively, including commitments of $337 million and $642 million as of August 2008 and November 2007, respectively, related to the firm's new world headquarters in New York City, which is expected to cost between $2.3 billion and $2.5 billion. The firm has partially financed this construction project with $1.65 billion of tax-exempt Liberty Bonds.

Underwriting Commitments. As of August 2008, the firm had no commitments to purchase securities in connection with its underwriting activities. As of November 2007, the firm had commitments to purchase $88 million of securities in connection with its underwriting activities.

Other. The firm had other purchase commitments of $1.95 billion (including $768 million related to the firm's offer to repurchase auction rate securities and a $760 million commitment to purchase mortgage loan and servicing assets) as of August 2008 and $1.76 billion (including a $1.34 billion commitment for the acquisition of Litton Loan Servicing LP) as of November 2007.

Leases. The firm has contractual obligations under long-term noncancelable lease agreements, principally for office space, expiring on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. Future minimum rental payments, net of minimum sublease rentals are set forth below:

	(in millions)
Minimum rental payments	
Remainder of 2008	$ 115
2009	471
2010	439
2011	330
2012	266
2013-thereafter	2,017
Total	$3,638

Contingencies

The firm is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. Management believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the firm's financial condition, but may be material to the firm's operating results for any particular period, depending, in part, upon the operating results for such period. Given the inherent difficulty of predicting the outcome of the firm's litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, the firm cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred.

In connection with its insurance business, the firm is contingently liable to provide guaranteed minimum death and income benefits to certain contract holders and has established a reserve related to $8.31 billion and $10.84 billion of contract holder account balances as of August 2008 and November 2007, respectively, for such benefits. The weighted average attained age of these contract holders was 68 years and 67 years as of August 2008 and November 2007, respectively. The net amount at risk, representing guaranteed minimum death and income benefits in excess of contract holder account balances, was $1.58 billion and $1.04 billion as of August 2008 and November 2007, respectively. See Note 10 for more information on the firm's insurance liabilities.

Guarantees

The firm enters into various derivative contracts that meet the definition of a guarantee under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Such derivative contracts include credit default and total return swaps, written equity and commodity put options, written currency contracts and interest rate caps, floors and swaptions. FIN 45 does not require disclosures about derivative contracts if such contracts may be cash settled and the firm has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The firm has concluded that these conditions have been met for certain large, internationally active commercial and investment bank end users and certain other users. Accordingly, the firm has not included such contracts in the tables below.

The firm, in its capacity as an agency lender, indemnifies most of its securities lending customers against losses incurred in the event that borrowers do not return securities and the collateral held is insufficient to cover the market value of the securities borrowed.

In the ordinary course of business, the firm provides other financial guarantees of the obligations of third parties (e.g., performance bonds, standby letters of credit and other guarantees to enable clients to complete transactions and merchant banking fund-related guarantees). These guarantees represent obligations to make payments to beneficiaries if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary.

The following tables set forth certain information about the firm's derivative contracts that meet the definition of a guarantee and certain other guarantees as of August 2008 and November 2007:

	As of August 2008				
	Maximum Payout/Notional Amount by Period of Expiration [1]				
	Remainder of 2008	2009-2010	2011-2012	2013-Thereafter	Total
	(in millions)				
Derivatives [2]	$177,757	$468,630	$415,677	$537,606	$1,599,670
Securities lending indemnifications [3]	30,132	—	—	—	30,132
Performance bonds [4]	2,047	—	—	—	2,047
Other financial guarantees [5]	161	394	325	410	1,290

	As of November 2007				
	Maximum Payout/Notional Amount by Period of Expiration [1]				
	2008	2009-2010	2011-2012	2013-Thereafter	Total
	(in millions)				
Derivatives [2]	$580,769	$492,563	$457,511	$514,498	$2,045,341
Securities lending indemnifications [3]	26,673	—	—	—	26,673
Performance bonds [4]	2,046	—	—	—	2,046
Other financial guarantees [5]	381	121	258	46	806

(1) Such amounts do not represent the anticipated losses in connection with these contracts.

(2) The aggregate carrying value of these derivatives was a liability of $49.10 billion and $33.10 billion as of August 2008 and November 2007, respectively. The carrying value excludes the effect of a legal right of setoff that may exist under an enforceable netting agreement. These derivative contracts are risk managed together with derivative contracts that are not considered guarantees under FIN 45, and therefore, these amounts do not reflect the firm's overall risk related to its derivative activities.

(3) Collateral held by the lenders in connection with securities lending indemnifications was $31.05 billion and $27.49 billion as of August 2008 and November 2007, respectively.

(4) Excludes collateral of $2.05 billion related to these obligations as of both August 2008 and November 2007.

(5) The carrying value of these guarantees was a liability of $68 million and $43 million as of August 2008 and November 2007, respectively.

The firm has established trusts, including Goldman Sachs Capital I, II and III, and other entities for the limited purpose of issuing securities to third parties, lending the proceeds to the firm and entering into contractual arrangements with the firm and third parties related to this purpose. See Note 5 for information regarding the transactions involving Goldman Sachs Capital I, II and III. The firm effectively provides for the full and unconditional guarantee of the securities issued by these entities, which are not consolidated for accounting purposes. Timely payment by the firm of amounts due to these entities under the borrowing, preferred stock and related contractual arrangements will be sufficient to cover payments due on the securities issued by these entities. Management believes that it is unlikely that any circumstances will occur, such as nonperformance on the part of paying agents or other service providers, that would make it necessary for the firm to make payments related to these entities other than those required under the terms of the borrowing, preferred stock and related contractual arrangements and in connection with certain expenses incurred by these entities.

In the ordinary course of business, the firm indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the firm or its affiliates. The firm also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. In addition, the firm is a member of payment, clearing and settlement networks as well as securities exchanges around the world that may require the firm to meet the obligations of such networks and exchanges in the event of member defaults. In connection with its prime brokerage and clearing businesses, the firm agrees to clear and settle on behalf of its clients the transactions entered into by them with other brokerage firms. The firm's obligations in respect of such transactions are secured by the assets in the client's account as well as any proceeds received from the transactions cleared and settled by the firm on behalf of the client. In connection with joint venture investments, the firm may issue loan guarantees under which it may be liable in the event of fraud, misappropriation, environmental liabilities and certain other matters involving the borrower. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no liabilities related to these guarantees and indemnifications have been recognized in the condensed consolidated statements of financial condition as of August 2008 and November 2007.

The firm provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The firm may also provide indemnifications protecting against changes in or adverse application of certain U.S. tax laws in connection with ordinary-course transactions such as securities issuances, borrowings or derivatives. In addition, the firm may provide indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or an adverse application of certain non-U.S. tax laws. These indemnifications generally are standard contractual terms and are entered into in the ordinary course of business. Generally, there are no stated or notional amounts included in these indemnifications, and the contingencies triggering the obligation to indemnify are not expected to occur. The firm is unable to develop an estimate of the maximum payout under these guarantees and indemnifications. However, management believes that it is unlikely the firm will have to make any material payments under these arrangements, and no liabilities related to these arrangements have been recognized in the condensed consolidated statements of financial condition as of August 2008 and November 2007.

Note 7. Shareholders' Equity

On September 15, 2008, the Board of Directors of Group Inc. (the Board) declared a dividend of $0.35 per common share with respect to the firm's third quarter of 2008 to be paid on November 24, 2008 to common shareholders of record on October 27, 2008.

During the three and nine months ended August 2008, the firm repurchased 1.5 million and 10.5 million shares of its common stock for a total cost of $271 million and $2.03 billion, respectively. The average cost per share for repurchased shares was $180.07 and $193.41 for the three and nine months ended August 2008, respectively. In addition, to satisfy minimum statutory employee tax withholding requirements related to the delivery of common stock underlying restricted stock units, the firm cancelled 6.7 million of restricted stock units with a total value of $1.31 billion in the first nine months of 2008.

The firm's share repurchase program is intended to help maintain the appropriate level of common equity and to substantially offset increases in share count over time resulting from employee share-based compensation. The repurchase program is effected primarily through regular open-market purchases, the amounts and timing of which are determined primarily by the firm's current and projected capital positions (i.e., comparisons of the firm's desired level of capital to its actual level of capital) but which may also be influenced by general market conditions and the prevailing price and trading volumes of the firm's common stock.

As of August 2008, the firm had 124,000 shares of perpetual non-cumulative preferred stock issued and outstanding in four series as set forth in the following table:

Series	Shares Issued	Shares Authorized	Dividend Rate	Earliest Redemption Date	Redemption Value (in millions)
A	30,000	50,000	3 month LIBOR + 0.75%, with floor of 3.75% per annum	April 25, 2010	$ 750
B	32,000	50,000	6.20% per annum	October 31, 2010	800
C	8,000	25,000	3 month LIBOR + 0.75%, with floor of 4.00% per annum	October 31, 2010	200
D	54,000	60,000	3 month LIBOR + 0.67%, with floor of 4.00% per annum	May 24, 2011	1,350
	124,000	185,000			$3,100

Each share of preferred stock issued and outstanding has a par value of $0.01, has a liquidation preference of $25,000, is represented by 1,000 depositary shares and is redeemable at the firm's option at a redemption price equal to $25,000 plus declared and unpaid dividends. Dividends on each series of preferred stock, if declared, are payable quarterly in arrears. The firm's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the firm fails to pay or set aside full dividends on the preferred stock for the latest completed dividend period. All series of preferred stock are pari passu and have a preference over the firm's common stock upon liquidation.

In 2007, the Board authorized 17,500.1 shares of perpetual Non-Cumulative Preferred Stock, Series E and 5,000.1 shares of perpetual Non-Cumulative Preferred Stock, Series F in connection with the APEX issuance. See Note 5 for further information on the APEX issuance. Under the stock purchase contracts, the firm will issue on the relevant stock purchase dates (on or before June 1, 2013 and September 1, 2013 for Series E and Series F preferred stock, respectively) one share of Series E and Series F preferred stock to Goldman Sachs Capital II and III, respectively, for each $100,000 principal amount of subordinated debt held by these trusts. When issued, each share of Series E and Series F preferred stock will have a par value of $0.01 and a liquidation preference of $100,000 per share. Dividends on Series E preferred stock, if declared, will be payable semi-annually at a fixed annual rate of 5.79% if the stock is issued prior to June 1, 2012 and quarterly thereafter, at a rate per annum equal to the greater of (i) three-month LIBOR plus 0.77% and (ii) 4.00%. Dividends on Series F preferred stock, if declared, will be payable quarterly at a rate per annum equal to three-month LIBOR plus 0.77% if the stock is issued prior to September 1, 2012 and quarterly thereafter, at a rate per annum equal to the greater of (i) three-month LIBOR plus 0.77% and (ii) 4.00%. The preferred stock may be redeemed at the option of the firm on the stock purchase dates or any day thereafter, subject to regulatory approval and certain covenant restrictions governing the firm's ability to redeem or purchase the preferred stock without issuing common stock or other instruments with equity-like characteristics.

On September 15, 2008, the Board declared a dividend per preferred share of $236.98, $387.50, $252.78 and $252.78 for Series A, Series B, Series C and Series D preferred stock, respectively, to be paid on November 10, 2008 to preferred shareholders of record on October 26, 2008.

Subsequent to August 2008, the firm issued preferred and common stock and warrants to purchase common stock. See Note 16 for further information.

The following table sets forth the firm's accumulated other comprehensive income/(loss) by type:

	As of	
	August 2008	November 2007
	(in millions)	
Adjustment from adoption of SFAS No. 158, net of tax	$(194)	$(194)
Currency translation adjustment, net of tax	31	68
Net unrealized gains/(losses) on available-for-sale securities, net of tax [1]	(11)	8
Pension and postretirement liability adjustment, net of tax	9	—
Total accumulated other comprehensive income/(loss), net of tax	$(165)	$(118)

[1] Consists of net unrealized losses of $23 million on available-for-sale securities held by the firm's insurance subsidiaries and net unrealized gains of $12 million on available-for-sale securities held by investees accounted for under the equity method as of August 2008. Consists of net unrealized gains of $9 million on available-for-sale securities held by investees accounted for under the equity method and net unrealized losses of $1 million on available-for-sale securities held by the firm's insurance subsidiaries as of November 2007.

Note 8. Earnings Per Common Share

The computations of basic and diluted earnings per common share are set forth below:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions, except per share amounts)			
Numerator for basic and diluted EPS — net earnings applicable to common shareholders	$ 810	$2,806	$4,328	$8,241
Denominator for basic EPS — weighted average number of common shares	427.6	429.0	429.3	436.2
Effect of dilutive securities [1]				
Restricted stock units	11.2	14.4	9.8	13.2
Stock options	9.5	14.0	10.6	14.9
Dilutive potential common shares	20.7	28.4	20.4	28.1
Denominator for diluted EPS — weighted average number of common shares and dilutive potential common shares	448.3	457.4	449.7	464.3
Basic EPS	$ 1.89	$ 6.54	$10.08	$18.89
Diluted EPS	1.81	6.13	9.62	17.75

[1] The diluted EPS computations do not include the antidilutive effect of the following restricted stock units and stock options:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Number of antidilutive restricted stock units and stock options, end of period	6.1	—	6.7	—

Note 9. Goodwill and Identifiable Intangible Assets

Goodwill

The following table sets forth the carrying value of the firm's goodwill by operating segment, which is included in "Other assets" in the condensed consolidated statements of financial condition:

	As of	
	August 2008	November 2007
	(in millions)	
Investment Banking		
Underwriting	$ 125	$ 125
Trading and Principal Investments		
FICC	275	123
Equities [1]	2,389	2,381
Principal Investments	80	11
Asset Management and Securities Services		
Asset Management [2]	567	564
Securities Services	117	117
Total	$3,553	$3,321

(1) Primarily related to SLK LLC (SLK).

(2) Primarily related to The Ayco Company, L.P. (Ayco).

Identifiable Intangible Assets

The following table sets forth the gross carrying amount, accumulated amortization and net carrying amount of the firm's identifiable intangible assets:

		As of	
		August 2008	November 2007
		(in millions)	
Customer lists [(1)]	Gross carrying amount	$1,129	$1,086
	Accumulated amortization	(416)	(354)
	Net carrying amount	$ 713	$ 732
New York Stock Exchange (NYSE) specialist rights	Gross carrying amount	$ 714	$ 714
	Accumulated amortization	(242)	(212)
	Net carrying amount	$ 472	$ 502
Insurance-related assets [(2)]	Gross carrying amount	$ 444	$ 461
	Accumulated amortization	(123)	(89)
	Net carrying amount	$ 321	$ 372
Exchange-traded fund (ETF) lead market maker rights	Gross carrying amount	$ 138	$ 138
	Accumulated amortization	(42)	(38)
	Net carrying amount	$ 96	$ 100
Other [(3)]	Gross carrying amount	$ 147	$ 360
	Accumulated amortization	(69)	(295)
	Net carrying amount	$ 78	$ 65
Total	Gross carrying amount	$2,572	$2,759
	Accumulated amortization	(892)	(988)
	Net carrying amount	$1,680	$1,771

(1) Primarily includes the firm's clearance and execution and NASDAQ customer lists related to SLK and financial counseling customer lists related to Ayco.

(2) Consists of VOBA and DAC. VOBA represents the present value of estimated future gross profits of the variable annuity and life insurance business. DAC results from commissions paid by the firm to the primary insurer (ceding company) on life and annuity reinsurance agreements as compensation to place the business with the firm and to cover the ceding company's acquisition expenses. VOBA and DAC are amortized over the estimated life of the underlying contracts based on estimated gross profits, and amortization is adjusted based on actual experience. The weighted average remaining amortization period for VOBA and DAC is seven years as of August 2008.

(3) Primarily includes marketing-related assets and power contracts.

Substantially all of the firm's identifiable intangible assets are considered to have finite lives and are amortized over their estimated lives. The weighted average remaining life of the firm's identifiable intangibles is approximately 11 years.

The estimated future amortization for existing identifiable intangible assets through 2013 is set forth below:

	(in millions)
Remainder of 2008	$ 45
2009	176
2010	157
2011	150
2012	140
2013	127

Note 10. Other Assets and Other Liabilities

Other Assets

Other assets are generally less liquid, nonfinancial assets. The following table sets forth the firm's other assets by type:

	As of	
	August 2008	November 2007
	(in millions)	
Property, leasehold improvements and equipment [1]	$10,717	$ 8,975
Goodwill and identifiable intangible assets [2]	5,233	5,092
Income tax-related assets	5,184	4,177
Equity-method investments [3]	1,766	2,014
Miscellaneous receivables and other	4,847	3,809
Total	$27,747	$24,067

(1) Net of accumulated depreciation and amortization of $6.47 billion and $5.88 billion as of August 2008 and November 2007, respectively.

(2) See Note 9 for further information regarding the firm's goodwill and identifiable intangible assets.

(3) Excludes investments of $3.71 billion and $2.25 billion accounted for at fair value under SFAS No. 159 as of August 2008 and November 2007, respectively, which are included in "Financial instruments owned, at fair value" in the condensed consolidated statements of financial condition.

Other Liabilities

The following table sets forth the firm's other liabilities and accrued expenses by type:

	As of	
	August 2008	November 2007
	(in millions)	
Insurance-related liabilities [1]	$10,603	$10,344
Minority interest [2]	3,621	7,265
Compensation and benefits	7,551	11,816
Income tax-related liabilities	2,123	2,546
Accrued expenses and other payables	4,619	4,749
Employee interests in consolidated funds	508	2,187
Total	$29,025	$38,907

(1) Insurance-related liabilities are set forth in the table below:

	As of	
	August 2008	November 2007
	(in millions)	
Separate account liabilities	$ 5,430	$ 7,039
Liabilities for future benefits and unpaid claims	4,071	2,142
Contract holder account balances	861	937
Reserves for guaranteed minimum death and income benefits	241	226
Total insurance-related liabilities	$10,603	$10,344

Separate account liabilities are supported by separate account assets, representing segregated contract holder funds under variable annuity and life insurance contracts. Separate account assets are included in "Cash and securities segregated for regulatory and other purposes" in the condensed consolidated statements of financial condition.

Liabilities for future benefits and unpaid claims include liabilities arising from reinsurance provided by the firm to other insurers. The firm had a receivable for $1.29 billion and $1.30 billion as of August 2008 and November 2007, respectively, related to such reinsurance contracts, which is reported in "Receivables from customers and counterparties" in the condensed consolidated statements of financial condition. In addition, the firm has ceded risks to reinsurers related to certain of its liabilities for future benefits and unpaid claims and had a receivable of $1.34 billion and $785 million as of August 2008 and November 2007, respectively, related to such reinsurance contracts, which is reported in "Receivables from customers and counterparties" in the condensed consolidated statements of financial condition. Contracts to cede risks to reinsurers do not relieve the firm from its obligations to contract holders. Liabilities for future benefits and unpaid claims include $1.34 billion carried at fair value under SFAS No. 159.

Reserves for guaranteed minimum death and income benefits represent a liability for the expected value of guaranteed benefits in excess of projected annuity account balances. These reserves are computed in accordance with AICPA SOP 03-1 and are based on total payments expected to be made less total fees expected to be assessed over the life of the contract.

(2) Includes $2.31 billion and $5.95 billion related to consolidated investment funds as of August 2008 and November 2007, respectively.

Note 11. Employee Benefit Plans

The firm sponsors various pension plans and certain other postretirement benefit plans, primarily healthcare and life insurance. The firm also provides certain benefits to former or inactive employees prior to retirement.

Defined Benefit Pension Plans and Postretirement Plans

Employees of certain non-U.S. subsidiaries participate in various defined benefit pension plans. These plans generally provide benefits based on years of credited service and a percentage of the employee's eligible compensation. The firm maintains a defined benefit pension plan for substantially all U.K. employees. As of April 2008, this plan has been closed to new participants, but will continue to accrue benefits for existing participants.

The firm also maintains a defined benefit pension plan for substantially all U.S. employees hired prior to November 1, 2003. As of November 2004, this plan was closed to new participants and frozen such that existing participants would not accrue any additional benefits. In addition, the firm maintains unfunded postretirement benefit plans that provide medical and life insurance for eligible retirees and their dependents covered under these programs.

The components of pension expense/(income) and postretirement expense are set forth below:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
U.S. pension				
Interest cost	$ 7	$ 5	$ 18	$ 16
Expected return on plan assets	(9)	(8)	(25)	(24)
Net amortization	(1)	—	(1)	1
Total	$ (3)	$ (3)	$ (8)	$ (7)
Non-U.S. pension				
Service cost	$ 22	$18	$ 64	$ 55
Interest cost	10	8	31	24
Expected return on plan assets	(10)	(8)	(31)	(25)
Net amortization	—	2	1	7
Total	$ 22	$20	$ 65	$ 61
Postretirement				
Service cost	$ 6	$ 7	$ 16	$ 16
Interest cost	7	7	20	17
Net amortization	4	6	13	14
Total	$ 17	$20	$ 49	$ 47

The firm expects to contribute a minimum of $133 million to its pension plans and $7 million to its postretirement plans in 2008.

Note 12. Transactions with Affiliated Funds

The firm has formed numerous nonconsolidated investment funds with third-party investors. The firm generally acts as the investment manager for these funds and, as such, is entitled to receive management fees and, in certain cases, advisory fees, incentive fees or overrides from these funds. These fees amounted to $2.55 billion and $2.76 billion for the nine months ended August 2008 and August 2007, respectively. As of August 2008 and November 2007, the fees receivable from these funds were $769 million and $596 million, respectively. Additionally, the firm may invest alongside the third-party investors in certain funds. The aggregate carrying value of the firm's interests in these funds was $16.66 billion and $12.90 billion as of August 2008 and November 2007, respectively. In the ordinary course of business, the firm may also engage in other activities with these funds, including, among others, securities lending, trade execution, trading, custody, and acquisition and bridge financing. See Note 6 for the firm's commitments related to these funds.

Note 13. Income Taxes

FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold required before a tax position can be recognized in the financial statements. FIN 48 also provides guidance on measurement, derecognition, classification, interim period accounting and accounting for interest and penalties. The firm adopted the provisions of FIN 48 as of December 1, 2007 and recorded a transition adjustment resulting in a reduction of $201 million to beginning retained earnings.

FIN 48 requires disclosure of the following amounts as of the date of adoption, and on an annual basis thereafter. As of December 1, 2007 (date of adoption), the firm's liability for unrecognized tax benefits reported in "Other liabilities and accrued expenses" in the condensed consolidated statement of financial condition was $1.04 billion. The firm reported a related deferred tax asset of $497 million in "Other assets" in the condensed consolidated statement of financial condition. If recognized, the net liability of $545 million would reduce the firm's effective income tax rate. As of December 1, 2007, the firm's accrued liability for interest expense related to income tax matters and income tax penalties was $79 million. The firm reports interest expense related to income tax matters in "Provision for taxes" in the condensed consolidated statements of earnings and income tax penalties in "Other expenses" in the condensed consolidated statements of earnings.

During the nine months ended August 29, 2008, the net liability of $545 million as of December 1, 2007 increased by approximately $164 million. The firm does not expect unrecognized tax benefits to change significantly during the twelve months subsequent to August 29, 2008.

The firm is subject to examination by the U.S. Internal Revenue Service (IRS) and other taxing authorities in jurisdictions where the firm has significant business operations, such as the United Kingdom, Japan, Hong Kong, Korea and various states, such as New York. The tax years under examination vary by jurisdiction. During fiscal 2007, the IRS substantially concluded its examination of fiscal years 2003 and 2004. Tax audits that have been substantially concluded in other jurisdictions in which the firm has significant business operations include New York State's examination of fiscal years through 2003, the United Kingdom's review of fiscal years through 2004 and Hong Kong's review of fiscal years through 2001. The firm does not expect that potential additional assessments from these examinations will be material to its results of operations.

Below is a table of the earliest tax years that remain subject to examination by major jurisdiction:

Jurisdiction	Earliest Tax Year Subject to Examination
U.S. Federal	2005 [1]
New York State and City	2004 [2]
United Kingdom	2005
Japan	2005
Hong Kong	2002
Korea	2003

[1] IRS examination of fiscal 2005, 2006 and 2007 began during 2008.

[2] New York State and City examination of fiscal 2004, 2005 and 2006 began in 2008.

All years subsequent to the above years remain open to examination by the taxing authorities. The firm believes that the liability for unrecognized tax benefits it has established is adequate in relation to the potential for additional assessments. The resolution of tax matters is not expected to have a material effect on the firm's financial condition but may be material to the firm's operating results for a particular period, depending, in part, upon the operating results for that period.

Note 14. Regulation

As of August 2008, the firm was regulated by the U.S. Securities and Exchange Commission (SEC) as a Consolidated Supervised Entity (CSE) and, as such, was subject to group-wide supervision and examination by the SEC and to minimum capital adequacy standards on a consolidated basis as set out in the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision. The firm was in compliance with the CSE capital adequacy standards as of August 2008 and November 2007. On September 21, 2008, Group Inc. became a bank holding company regulated by the Federal Reserve Board under the U.S. Bank Holding Company Act of 1956. On September 26, 2008, the SEC announced that it was ending the CSE program. As a bank holding company, the firm is now subject to Federal Reserve Board regulations and policies which, among other things, may, under certain circumstances, limit the amount of dividends Group Inc. can pay to its shareholders. In addition, the firm will now be subject to Federal Reserve Board scrutiny of its leverage ratio. See Note 16 for further information.

The firm's U.S. regulated broker-dealer subsidiaries include Goldman, Sachs & Co. (GS&Co.) and Goldman Sachs Execution & Clearing, L.P. (GSEC). GS&Co. and GSEC are registered U.S. broker-dealers and futures commission merchants subject to Rule 15c3-1 of the SEC and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require that a significant part of the registrants' assets be kept in relatively liquid form. GS&Co. and GSEC have elected to compute their minimum capital requirements in accordance with the "Alternative Net Capital Requirement" as permitted by Rule 15c3-1. As of August 2008, GS&Co. had regulatory net capital, as defined by Rule 15c3-1, of $11.37 billion, which exceeded the amounts required by $8.53 billion. As of August 2008, GSEC had regulatory net capital, as defined by Rule 15c3-1, of $1.27 billion, which exceeded the amounts required by $1.19 billion. In addition to its alternative minimum net capital requirements, GS&Co. is

also required to hold tentative net capital in excess of $1 billion and net capital in excess of $500 million in accordance with the market and credit risk standards of Appendix E of Rule 15c3-1. GS&Co. is also required to notify the SEC in the event that its tentative net capital is less than $5 billion. As of August 2008 and November 2007, GS&Co. had tentative net capital and net capital in excess of both the minimum and the notification requirements.

As of August 2008, GS Bank USA, a wholly owned industrial bank, was regulated by the State of Utah Department of Financial Institutions and was a member of the Federal Deposit Insurance Corporation (FDIC). On September 26, 2008, GS Bank USA became a member of the Federal Reserve System and is now regulated by the Federal Reserve Board and by the State of Utah Department of Financial Institutions, and continues to be a member of the FDIC. The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. Goldman Sachs Bank Europe PLC (GS Bank Europe), a wholly owned credit institution, is regulated by the Irish Financial Services Regulatory Authority. Both entities are subject to minimum capital requirements and as of August 2008, both were in compliance with all regulatory capital requirements. As of August 2008 and November 2007, substantially all bank deposits were held at GS Bank USA and GS Bank Europe. Deposits at GS Bank USA were $22.17 billion and $15.26 billion as of August 2008 and November 2007, respectively, all of which were U.S. dollar-denominated and the weighted average interest rates for these deposits were 2.39% and 4.71% as of August 2008 and November 2007, respectively. As of August 2008, deposits at GS Bank Europe were $6.80 billion, substantially all of which were either U.S. dollar or Euro-denominated and the weighted average interest rate for these deposits was 3.04%. Substantially all of these deposits have no stated maturity and can be withdrawn upon short notice. The carrying value of bank deposits approximated fair value as of August 2008 and November 2007.

The firm has U.S. insurance subsidiaries that are subject to state insurance regulation and oversight in the states in which they are domiciled and in the other states in which they are licensed. In addition, certain of the firm's insurance subsidiaries outside of the U.S. are regulated by the Bermuda Registrar of Companies and the U.K.'s Financial Services Authority (FSA). The firm's insurance subsidiaries were in compliance with all regulatory capital requirements as of August 2008 and November 2007.

The firm's principal non-U.S. regulated subsidiaries include Goldman Sachs International (GSI) and Goldman Sachs Japan Co., Ltd. (GSJCL). GSI, the firm's regulated U.K. broker-dealer, is subject to the capital requirements of the FSA. GSJCL, the firm's regulated Japanese broker-dealer, is subject to the capital requirements of Japan's Financial Services Agency. As of August 2008 and November 2007, GSI and GSJCL were in compliance with their local capital adequacy requirements. Certain other non-U.S. subsidiaries of the firm are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of August 2008 and November 2007, these subsidiaries were in compliance with their local capital adequacy requirements.

Note 15. Business Segments

In reporting to management, the firm's operating results are categorized into the following three business segments: Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services.

Basis of Presentation

In reporting segments, certain of the firm's business lines have been aggregated where they have similar economic characteristics and are similar in each of the following areas: (i) the nature of

the services they provide, (ii) their methods of distribution, (iii) the types of clients they serve and (iv) the regulatory environments in which they operate.

The cost drivers of the firm taken as a whole — compensation, headcount and levels of business activity — are broadly similar in each of the firm's business segments. Compensation and benefits expenses within the firm's segments reflect, among other factors, the overall performance of the firm as well as the performance of individual business units. Consequently, pre-tax margins in one segment of the firm's business may be significantly affected by the performance of the firm's other business segments. The timing and magnitude of changes in the firm's bonus accruals can have a significant effect on segment results in a given period.

The firm allocates revenues and expenses among the three business segments. Due to the integrated nature of these segments, estimates and judgments have been made in allocating certain revenue and expense items. Transactions between segments are based on specific criteria or approximate third-party rates. Total operating expenses include corporate items that have not been allocated to individual business segments. The allocation process is based on the manner in which management views the business of the firm.

The segment information presented in the table below is prepared according to the following methodologies:

- Revenues and expenses directly associated with each segment are included in determining pre-tax earnings.
- Net revenues in the firm's segments include allocations of interest income and interest expense to specific securities, commodities and other positions in relation to the cash generated by, or funding requirements of, such underlying positions. Net interest is included within segment net revenues as it is consistent with the way in which management assesses segment performance.
- Overhead expenses not directly allocable to specific segments are allocated ratably based on direct segment expenses.

Segment Operating Results

Management believes that the following information provides a reasonable representation of each segment's contribution to consolidated pre-tax earnings and total assets:

		As of or for the Three Months Ended August		As of or for the Nine Months Ended August	
		2008	2007	2008	2007
		(in millions)			
Investment Banking	Net revenues	$ 1,294	$ 2,145	$ 4,151	$ 5,582
	Operating expenses	772	1,291	2,867	3,831
	Pre-tax earnings	$ 522	$ 854	$ 1,284	$ 1,751
	Segment assets	$ 3,663	$ 5,051	$ 3,663	$ 5,051
Trading and Principal Investments	Net revenues	$ 2,704	$ 8,229	$ 13,419	$ 24,295
	Operating expenses	3,465	5,344	11,169	14,934
	Pre-tax earnings/(loss)	$ (761)	$ 2,885	$ 2,250	$ 9,361
	Segment assets	$ 724,717	$ 712,236	$ 724,717	$ 712,236
Asset Management and Securities Services	Net revenues	$ 2,045	$ 1,960	$ 6,230	$ 5,369
	Operating expenses	833	1,405	3,803	3,895
	Pre-tax earnings	$ 1,212	$ 555	$ 2,427	$ 1,474
	Segment assets	$ 353,393	$ 328,491	$ 353,393	$ 328,491
Total	Net revenues [(1)]	$ 6,043	$ 12,334	$ 23,800	$ 35,246
	Operating expenses [(2)]	5,083	8,075	17,865	22,697
	Pre-tax earnings [(3)]	$ 960	$ 4,259	$ 5,935	$ 12,549
	Total assets	$1,081,773	$1,045,778	$1,081,773	$1,045,778

(1) Net revenues include net interest as set forth in the table below:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Investment Banking	$ —	$ —	$ 6	$ 1
Trading and Principal Investments	264	653	863	1,404
Asset Management and Securities Services	871	688	2,494	1,857
Total net interest	$1,135	$1,341	$3,363	$3,262

(2) Operating expenses include net provisions for a number of litigation and regulatory proceedings of $13 million and $35 million for the three months ended August 2008 and August 2007, respectively, and $26 million and $37 million for the nine months ended August 2008 and August 2007, respectively, that have not been allocated to the firm's segments.

(3) Pre-tax earnings include total depreciation and amortization as set forth in the table below:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Investment Banking	$ 41	$ 32	$ 117	$ 99
Trading and Principal Investments	289	208	749	608
Asset Management and Securities Services	62	43	180	129
Total depreciation and amortization	$392	$283	$1,046	$836

Geographic Information

Due to the highly integrated nature of international financial markets, the firm manages its businesses based on the profitability of the enterprise as a whole. Since a significant portion of the firm's activities require cross-border coordination in order to facilitate the needs of the firm's clients, the methodology for allocating the firm's profitability to geographic regions is dependent on the judgment of management.

Geographic results are generally allocated as follows:

- Investment Banking: location of the client and investment banking team.
- Fixed Income, Currency and Commodities, and Equities: location of the trading desk.
- Principal Investments: location of the investment.
- Asset Management: location of the sales team.
- Securities Services: location of the primary market for the underlying security.

The following table sets forth the total net revenues of the firm and its consolidated subsidiaries by geographic region allocated on the methodology described above, as well as the percentage of total net revenues for each geographic region:

	Three Months Ended August				Nine Months Ended August			
	2008		2007		2008		2007	
	($ in millions)							
Net revenues								
Americas [1]	$4,315	71%	$ 5,759	47%	$13,838	58%	$16,918	48%
EMEA [2]	1,523	25	3,449	28	6,953	29	11,081	31
Asia	205	4	3,126	25	3,009	13	7,247	21
Total net revenues	$6,043	100%	$12,334	100%	$23,800	100%	$35,246	100%

[1] Substantially all relates to the U.S.

[2] EMEA (Europe, Middle East and Africa).

Note 16. Subsequent Events

Bank Holding Company

On September 21, 2008, Group Inc. became a bank holding company under the U.S. Bank Holding Company Act of 1956, and the Federal Reserve Board became its primary federal regulator. On September 26, 2008, GS Bank USA became a member of the Federal Reserve System and is now regulated by the Federal Reserve Board and by the State of Utah Department of Financial Institutions, and continues to be a member of the FDIC. The deposits of GS Bank USA are insured by the FDIC to the extent provided by law. The firm has become subject to the Federal Reserve's minimum capital standards on a consolidated basis and is no longer supervised by the SEC as a CSE. As of August 2008, the firm's ratio of Tier 1 Capital to Total Risk-Weighted Assets was 11.6%.

Equity Issuances

On October 1, 2008, in a private offering, Group Inc. issued to Berkshire Hathaway Inc. and certain affiliates, in exchange for $5.00 billion, 50,000 shares of 10% Cumulative Perpetual Preferred Stock, Series G and warrants to purchase 43,478,260 shares of voting common stock. Each share of preferred stock has a par value of $0.01, a liquidation preference of $100,000 and a dividend rate of 10% per annum, and is redeemable, at Group Inc.'s option, at any time, subject to the approval of the Federal Reserve Board, at 110% of the liquidation preference. The warrants, which are exercisable at any time until October 1, 2013, have an exercise price of $115 per share, subject to adjustment for certain dilutive events. On October 3, 2008, the Board declared a dividend per preferred share of $1,083.33 for the Series G preferred stock to be paid on November 10, 2008 to preferred shareholders of record on October 26, 2008.

On September 29, 2008, Group Inc. completed a public offering of 46.75 million common shares at $123 per share for total proceeds of $5.75 billion.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and the Shareholders of
The Goldman Sachs Group, Inc.:

We have reviewed the accompanying condensed consolidated statement of financial condition of The Goldman Sachs Group, Inc. and its subsidiaries (the Company) as of August 29, 2008, the related condensed consolidated statements of earnings for the three and nine months ended August 29, 2008 and August 31, 2007, the condensed consolidated statement of changes in shareholders' equity for the nine months ended August 29, 2008, the condensed consolidated statements of cash flows for the nine months ended August 29, 2008 and August 31, 2007, and the condensed consolidated statements of comprehensive income for the three and nine months ended August 29, 2008 and August 31, 2007. These condensed consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition as of November 30, 2007, and the related consolidated statements of earnings, changes in shareholders' equity, cash flows and comprehensive income for the year then ended (not presented herein), and in our report dated January 24, 2008 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of November 30, 2007 and the condensed consolidated statement of changes in shareholders' equity for the year ended November 30, 2007, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

/s/ PricewaterhouseCoopers LLP

New York, New York
October 3, 2008

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

INDEX

	Page No.
Introduction	65
Executive Overview	66
Business Environment	68
Critical Accounting Policies	69
Fair Value	69
Goodwill and Identifiable Intangible Assets	76
Use of Estimates	79
Results of Operations	80
Financial Overview	80
Segment Operating Results	85
Geographic Data	92
Off-Balance-Sheet Arrangements	92
Equity Capital	93
Contractual Obligations and Commitments	101
Market Risk	104
Credit Risk	108
Derivatives	109
Liquidity and Funding Risk	113
Recent Accounting Developments	121
Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995	122

Introduction

The Goldman Sachs Group, Inc. (Group Inc.) is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. On September 21, 2008, Group Inc. became a bank holding company regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the U.S. Bank Holding Company Act of 1956. See Note 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Our activities are divided into three segments:

- **Investment Banking.** We provide a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.
- **Trading and Principal Investments.** We facilitate client transactions with a diverse group of corporations, financial institutions, investment funds, governments and individuals and take proprietary positions through market making in, trading of and investing in fixed income and equity products, currencies, commodities and derivatives on these products. In addition, we engage in market-making and specialist activities on equities and options exchanges and clear client transactions on major stock, options and futures exchanges worldwide. In connection with our merchant banking and other investing activities, we make principal investments directly and through funds that we raise and manage.
- **Asset Management and Securities Services.** We provide investment advisory and financial planning services and offer investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse group of institutions and individuals worldwide and provide prime brokerage services, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and to high-net-worth individuals worldwide.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended November 30, 2007. References herein to the Annual Report on Form 10-K are to our Annual Report on Form 10-K for the fiscal year ended November 30, 2007.

Unless specifically stated otherwise, all references to August 2008, May 2008 and August 2007 refer to our fiscal periods ended, or the dates, as the context requires, August 29, 2008, May 30, 2008 and August 31, 2007, respectively. All references to November 2007, unless specifically stated otherwise, refer to our fiscal year ended, or the date, as the context requires, November 30, 2007. All references to 2008, unless specifically stated otherwise, refer to our fiscal year ending, or the date, as the context requires, November 28, 2008.

When we use the terms "Goldman Sachs," "we," "us" and "our," we mean Group Inc., a Delaware corporation, and its consolidated subsidiaries.

Executive Overview

Three Months Ended August 2008 versus August 2007. Our diluted earnings per common share were $1.81 for the third quarter of 2008 compared with $6.13 for the third quarter of 2007. Annualized return on average tangible common shareholders' equity [1] was 8.8% and annualized return on average common shareholders' equity was 7.7% for the third quarter of 2008. Book value per common share increased 2% during the quarter to $99.30. Our Tier 1 Ratio [2] was 11.6% at the end of the third quarter of 2008, compared with 10.8% at the end of the second quarter of 2008.

Net revenues in Trading and Principal Investments decreased significantly compared with the third quarter of 2007, reflecting significant declines in Fixed Income, Currency and Commodities (FICC) and Equities compared with particularly strong results in the third quarter of 2007, as well as lower results in Principal Investments. The decrease in FICC primarily reflected very weak results in credit products and mortgages, which were adversely affected by broad-based declines in asset values. Credit products included very weak results from investments, particularly outside of the U.S., and a loss of approximately $275 million (including hedges) related to non-investment-grade credit origination activities. Mortgages included net losses of approximately $500 million on residential mortgage loans and securities and approximately $325 million on commercial mortgage loans and securities. Commodities produced strong results, which were higher compared with the third quarter of 2007. Net revenues in currencies and interest rate products were also strong, although essentially unchanged from the third quarter of 2007. During the quarter, FICC operated in an environment generally characterized by wider mortgage and corporate credit spreads, volatile markets and lower levels of client activity. The decline in net revenues in Equities reflected very weak results in principal strategies. In addition, net revenues in derivatives were significantly lower than a particularly strong third quarter of 2007. Commissions were strong, but lower, compared with the third quarter of 2007. Our Equities business operated in an environment characterized by a significant decline in global equity prices, deleveraging by clients and generally lower client activity levels towards the end of the quarter. The decrease in Principal Investments primarily reflected net losses from corporate and real estate principal investments, particularly outside of the U.S.

Net revenues in Investment Banking were significantly lower compared with the third quarter of 2007, reflecting a significant decrease in Financial Advisory, as well as lower net revenues in equity underwriting. In Financial Advisory, the decline from a particularly strong third quarter of 2007 primarily reflected a decrease in industry-wide completed mergers and acquisitions. The decrease in equity underwriting primarily reflected a decline in industry-wide initial public offerings. Our investment banking transaction backlog increased during the quarter. [3]

Net revenues in Asset Management and Securities Services increased slightly compared with the third quarter of 2007. Securities Services net revenues were higher, as our prime brokerage business continued to generate strong results. Customer balances were higher compared with the third quarter of 2007. Asset Management net revenues decreased, reflecting lower management and other fees, as well as lower incentive fees. The decrease in management and other fees primarily reflected the impact of one fewer week in our fiscal third quarter of 2008 compared with the third quarter of 2007.

Nine Months Ended August 2008 versus August 2007. Our diluted earnings per common share were $9.62 for the nine months ended August 2008 compared with $17.75 for the same period last year. Annualized return on average tangible common shareholders' equity [1] was 16.3% and annualized return on average common shareholders' equity was 14.2% for the nine months ended August 2008.

---

[1] Return on average tangible common shareholders' equity (ROTE) is computed by dividing net earnings (or annualized net earnings for annualized ROTE) applicable to common shareholders by average monthly tangible common shareholders' equity. See "— Results of Operations — Financial Overview" below for further information regarding our calculation of ROTE.

[2] As of August 2008, Goldman Sachs was regulated by the SEC as a Consolidated Supervised Entity (CSE) and, as such, was subject to group-wide supervision and examination by the SEC and to minimum capital adequacy standards on a consolidated basis. The Tier 1 Ratio equals tier 1 capital divided by total risk-weighted assets. See "— Equity Capital" below for a further discussion of our Tier 1 Ratio. On September 21, 2008, Group Inc. became a bank holding company regulated by the Federal Reserve Board under the U.S. Bank Holding Company Act of 1956. See Note 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

[3] Our investment banking transaction backlog represents an estimate of our future net revenues from investment banking transactions where we believe that future revenue realization is more likely than not.

Our results for the first nine months of 2008 reflected significantly less favorable market conditions compared with the same period last year. Net revenues in Trading and Principal Investments were significantly lower compared with strong results for the first nine months of 2007, reflecting significant declines in FICC, Principal Investments and Equities. Results in FICC were adversely affected by weakness in the broader credit markets and broad-based declines in asset values. Credit products included very weak results from investments and a loss of approximately $2.1 billion (including hedges) related to non-investment-grade credit origination activities, partially offset by strong franchise trading results. Mortgages included net losses of approximately $1.6 billion on residential mortgage loans and securities and approximately $700 million on commercial mortgage loans and securities. Interest rate products, currencies and commodities generated strong results and net revenues were significantly higher than the same prior year period. During the first nine months of 2008, client activity levels were generally solid, although activity levels declined during our third quarter. The decline in Principal Investments primarily reflected losses from corporate principal investments, as well as lower gains and overrides from real estate principal investments. The decrease in Equities was principally due to significantly lower results in principal strategies. The client franchise businesses produced strong results and net revenues were slightly higher compared with the first nine months of 2007. Commissions were strong and higher compared with the same period last year. During the first nine months of 2008, Equities operated in an environment generally characterized by significantly lower equity prices, particularly in the third quarter, and high levels of volatility. Client activity levels, although generally solid, declined towards the end of our third quarter, reflecting the challenging market environment.

Net revenues in Investment Banking declined significantly compared with strong results for the first nine months of 2007, reflecting significantly lower net revenues in both Financial Advisory and Underwriting. The decrease in Financial Advisory reflected a decline in industry-wide completed mergers and acquisitions. The decrease in Underwriting reflected significantly lower net revenues in debt underwriting, partially offset by higher net revenues in equity underwriting. The decline in debt underwriting was primarily due to a decrease in leveraged finance and, to a lesser extent, mortgage-related activity, reflecting challenging market conditions.

Net revenues in Asset Management and Securities Services increased compared with the first nine months of 2007. Securities Services net revenues were higher, as our prime brokerage business continued to generate strong results. Customer balances were higher compared with the same period last year. Asset Management net revenues also increased, reflecting higher average assets under management and higher incentive fees.

Our business, by its nature, does not produce predictable earnings. Our results in any given period can be materially affected by conditions in global financial markets and economic conditions generally. For a further discussion of the factors that may affect our future operating results, see “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K.

Business Environment

Global economic growth continued to slow during our third quarter of fiscal 2008, with weakness becoming more broad-based across the major economies. In emerging markets, although economic growth generally remained solid, the pace of growth decelerated as a result of a lower contribution from net exports. Financial markets continued to experience elevated levels of volatility due to concerns about the outlook for global growth, inflation and asset writedowns. During our third quarter, global equity markets experienced significant declines, and mortgage and corporate credit spreads widened. After peaking in July, the price of crude oil fell over the remainder of our third quarter. The U.S. dollar appreciated against the Euro, British pound and Japanese yen. Investment banking activity levels were subdued in our third quarter. Although industry-wide announced and completed mergers and acquisitions increased slightly during our third quarter, industry-wide equity and equity-related offerings declined significantly.

In the U.S., real gross domestic product (GDP) growth appeared to soften in our third quarter as the impact of the federal government's stimulus package subsided. Residential investment continued to contract due to ongoing oversupply in the housing market. Surveys of consumer confidence deteriorated during our third quarter while business sentiment remained at low levels. The rate of unemployment continued to increase, reaching its highest level in nearly five years, with private-sector employment contracting each month during our third quarter. However, strong growth in exports, particularly to emerging markets, continued to provide support for economic growth and narrow the current account deficit. While the rate of inflation increased, long-term inflation expectations moderated as oil prices declined and capacity utilization decreased. The U.S. Federal Reserve maintained its federal funds target rate at 2.00% during our third quarter. The 10-year U.S. Treasury note yield ended our third quarter 23 basis points lower at 3.83%. In the equity markets, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite Index decreased during our third quarter by 9%, 8% and 6%, respectively.

In the Eurozone economies, real GDP growth appeared to remain slow in our third quarter, as growth in industrial production, fixed investment and consumer expenditure was weak. Surveys of business and consumer confidence declined during our third quarter and a number of housing markets showed signs of weakness. In response to elevated inflationary pressures, the European Central Bank raised its main refinancing operations rate by 25 basis points to 4.25%. The Euro depreciated by 6% against the U.S. dollar. In the U.K., the pace of real GDP growth appeared to slow. Surveys of consumer confidence worsened during our third quarter over concerns about the impact on economic growth from tighter credit conditions, a softer labor market and weakness in the housing sector. Although inflationary pressures remained elevated, the Bank of England kept its official bank rate at 5.00% during our third quarter. The British pound depreciated by 8% against the U.S. dollar. Equity markets and long-term government bond yields in both the U.K. and continental Europe decreased during our third quarter.

In Japan, real GDP growth appeared to remain slow in our third quarter, as growth in exports, capital expenditure and consumption remained slow. Business confidence remained low and the unemployment rate appeared to increase slightly over the quarter. Measures of inflation increased during our third quarter, with core inflation rising at its fastest pace in more than ten years. The Bank of Japan left its target overnight call rate unchanged at 0.50%, while the yield on 10-year Japanese government bonds decreased during our third quarter. The Nikkei 225 Index ended our third quarter 9% lower. The yen depreciated by 3% against the U.S. dollar.

In China, real GDP growth remained strong during our third quarter, as domestic demand growth was strong and export growth was solid. The rate of consumer inflation decreased during our third quarter. The People's Bank of China maintained its one-year benchmark lending rate at 7.47%, but raised the reserve requirement ratio by 100 basis points. The Chinese yuan continued to appreciate against the U.S. dollar, increasing by 2%. The Shanghai Composite Index declined sharply, ending our third quarter 30% lower. In India, while growth in the agricultural sector and in exports recovered modestly, overall real GDP growth slowed as business investment and industrial production slowed. Despite a tighter monetary stance, inflationary pressures continued to escalate, reflecting the impact of higher food and fuel prices. The Indian rupee depreciated by 4% against the U.S. dollar during our third quarter. Equity markets in Korea, Hong Kong and India also experienced significant declines during our third quarter.

Critical Accounting Policies

Fair Value

The use of fair value to measure financial instruments, with related unrealized gains or losses generally recognized in "Trading and principal investments" in our condensed consolidated statements of earnings, is fundamental to our financial statements and our risk management processes and is our most critical accounting policy. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Instruments that we own (long positions) are marked to bid prices, and instruments that we have sold, but not yet purchased (short positions) are marked to offer prices.

In determining fair value, we separate our "Financial instruments, owned at fair value" and "Financial instruments sold, but not yet purchased, at fair value" into two categories: cash instruments and derivative contracts, as set forth in the following table:

Financial Instruments by Category
(in millions)

	As of August 2008		As of November 2007	
	Financial Instruments Owned, at Fair Value	Financial Instruments Sold, but not Yet Purchased, at Fair Value	Financial Instruments Owned, at Fair Value	Financial Instruments Sold, but not Yet Purchased, at Fair Value
Cash trading instruments	$252,367	$ 80,601	$324,181	$112,018
ICBC	7,137 [1]	—	6,807 [1]	—
SMFG	1,941	1,936 [4]	4,060	3,627 [4]
Other principal investments	17,112 [2]	—	11,933 [2]	—
Principal investments	26,190	1,936	22,800	3,627
Cash instruments	278,557	82,537	346,981	115,645
Exchange-traded	14,209	15,623	13,541	12,280
Over-the-counter	107,354	88,281	92,073	87,098
Derivative contracts	121,563 [3]	103,904 [5]	105,614 [3]	99,378 [5]
Total	$400,120	$186,441	$452,595	$215,023

(1) Includes interests of $4.51 billion and $4.30 billion as of August 2008 and November 2007, respectively, held by investment funds managed by Goldman Sachs. The fair value of our investment in the ordinary shares of Industrial and Commercial Bank of China Limited (ICBC), which trade on The Stock Exchange of Hong Kong, includes the effect of foreign exchange revaluation for which we maintain an economic currency hedge.

(2) The following table sets forth the principal investments (in addition to our investments in ICBC and Sumitomo Mitsui Financial Group, Inc. (SMFG)) included within the Principal Investments component of our Trading and Principal Investments segment:

	As of August 2008			As of November 2007		
	Corporate	Real Estate	Total	Corporate	Real Estate	Total
			(in millions)			
Private	$10,971	$3,843	$14,814	$7,297	$2,361	$ 9,658
Public	2,249	49	2,298	2,208	67	2,275
Total	$13,220	$3,892	$17,112	$9,505	$2,428	$11,933

(3) Net of cash received pursuant to credit support agreements of $98.78 billion and $59.05 billion as of August 2008 and November 2007, respectively.

(4) Represents an economic hedge on the shares of common stock underlying our investment in the convertible preferred stock of SMFG.

(5) Net of cash paid pursuant to credit support agreements of $26.26 billion and $27.76 billion as of August 2008 and November 2007, respectively.

Cash Instruments. Cash instruments include cash trading instruments, public principal investments and private principal investments.

- **Cash Trading Instruments.** Our cash trading instruments are generally valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include most U.S. government and sovereign obligations, active listed equities and certain money market securities.

  The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain money market securities and loan commitments.

  Certain cash trading instruments trade infrequently and therefore have little or no price transparency. Such instruments include private equity and real estate fund investments, certain bank loans and bridge loans (including certain mezzanine financing, leveraged loans arising from capital market transactions and other corporate bank debt), less liquid corporate debt securities and other debt obligations (including less liquid high-yield corporate bonds, distressed debt instruments and collateralized debt obligations (CDOs) backed by corporate obligations), less liquid mortgage whole loans and securities (backed by either commercial or residential real estate), and acquired portfolios of distressed loans. The transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. This valuation is adjusted only when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

  For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

- **Public Principal Investments.** Our public principal investments held within the Principal Investments component of our Trading and Principal Investments segment tend to be large, concentrated holdings resulting from initial public offerings or other corporate transactions, and are valued based on quoted market prices. For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

  Our most significant public principal investment is our investment in the ordinary shares of ICBC. Our investment in ICBC is valued using the quoted market prices adjusted for transfer restrictions. The ordinary shares acquired from ICBC are subject to transfer restrictions that, among other things, prohibit any sale, disposition or other transfer until April 28, 2009. From April 28, 2009 to October 20, 2009, we may transfer up to 50% of the aggregate ordinary shares of ICBC that we owned as of October 20, 2006. We may transfer the remaining shares after October 20, 2009. A portion of our interest is held by investment funds managed by Goldman Sachs.

We also have an investment in the convertible preferred stock of SMFG. This investment is valued using a model that is principally based on SMFG's common stock price. During our second quarter of 2008, we converted one-third of our preferred stock investment into SMFG common stock, and delivered the common stock to close out one-third of our hedge position. As of August 2008, we remained hedged on the common stock underlying our remaining investment in SMFG.

- **Private Principal Investments.** Our private principal investments held within the Principal Investments component of our Trading and Principal Investments segment include investments in private equity, debt and real estate, primarily held through investment funds. By their nature, these investments have little or no price transparency. We value such instruments initially at transaction price and adjust valuations when evidence is available to support such adjustments. Such evidence includes transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

Derivative Contracts. Derivative contracts can be exchange-traded or over-the-counter (OTC). We generally value exchange-traded derivatives within portfolios using models which calibrate to market-clearing levels and eliminate timing differences between the closing price of the exchange-traded derivatives and their underlying instruments.

OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market-clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. We generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Where we do not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception equals the transaction price. Subsequent to initial recognition, we only update valuation inputs when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations, or other empirical market data. In circumstances where we cannot verify the model value to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. See "— Derivatives" below for further information on our OTC derivatives.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Controls Over Valuation of Financial Instruments. A control infrastructure, independent of the trading and investing functions, is fundamental to ensuring that our financial instruments are appropriately valued at market-clearing levels (i.e., exit prices) and that fair value measurements are reliable.

We employ an oversight structure that includes appropriate segregation of duties. Senior management, independent of the trading and investing functions, is responsible for the oversight of control and valuation policies and for reporting the results of these policies to our Audit Committee. We seek to maintain the necessary resources to ensure that control functions are performed to the highest standards. We employ procedures for the approval of new transaction types and markets, price verification, review of daily profit and loss, and review of valuation models by personnel with appropriate technical knowledge of relevant products and markets. These procedures are performed by personnel independent of the trading and investing functions. For financial instruments where prices or valuations that require inputs are less observable, we employ, where possible, procedures that include comparisons with similar observable positions, analysis of actual to projected cash flows, comparisons with subsequent sales and discussions with senior business leaders. See "— Market Risk" and "— Credit Risk" below for a further discussion of how we manage the risks inherent in our trading and principal investing businesses.

Fair Value Hierarchy — Level 3. Statement of Financial Accounting Standards (SFAS) No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Instruments that trade infrequently and therefore have little or no price transparency are classified within level 3 of the fair value hierarchy. We determine which instruments are classified within level 3 based on the results of our price verification process. This process is performed by personnel independent of our trading and investing functions who corroborate valuations to external market data (e.g., quoted market prices, broker or dealer quotations, third-party pricing vendors, recent trading activity and comparative analyses to similar instruments). When broker or dealer quotations or third-party pricing vendors are used for valuation or price verification, greater priority is given to executable quotes. As part of our price verification process, valuations based on quotes are corroborated by comparison both to other quotes and to recent trading activity in the same or similar instruments. The number of quotes obtained varies by instrument and depends on the liquidity of the particular instrument. See Notes 2 and 3 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding SFAS No. 157.

Valuation Methodologies for Level 3 Assets. Instruments classified within level 3 of the fair value hierarchy are initially valued at transaction price, which is considered to be the best initial estimate of fair value. As time passes, transaction price becomes less reliable as an estimate of fair value and accordingly, we use other methodologies to determine fair value, which vary based on the type of instrument, as described below. Regardless of the methodology, valuation inputs and assumptions are only changed when corroborated by substantive evidence. Senior management in control functions, independent of the trading and investing functions, reviews all significant unrealized gains/losses, including the primary drivers of the change in value. Valuations are further corroborated by values realized upon sales of our level 3 assets. An overview of methodologies used to value our level 3 assets subsequent to the transaction date is as follows:

- **Private equity and real estate fund investments.** Recent third-party investments or pending transactions are considered to be the best evidence of fair value. In the absence of such evidence, valuations are based on a combination of third-party independent appraisals, transactions in similar instruments, discounted cash flow techniques and valuation multiples. Evidence that may be used to corroborate a change in fair value include transactions in similar instruments; pending reorganizations (e.g., merger proposals, tender offers or debt restructurings); and significant changes in financial metrics (such as operating results as compared to previous projections, industry multiples for comparable publicly traded investments, credit ratings and balance sheet ratios).

- **Bank loans and bridge loans and Corporate debt securities and other debt obligations.** Valuations are generally based on discounted cash flow techniques, for which the key inputs are the amount and timing of expected future cash flows and the market yield. Distressed instruments are also sensitive to recovery assumptions. Inputs are determined based on relative value analyses, which incorporate comparisons to credit default swaps that reference the same underlying credit risk, other debt instruments for the same issuer for which observable prices or quotes are available.

- **Loans and securities backed by commercial real estate.** Loans and securities backed by commercial real estate are collateralized by specific assets and are generally tranched into varying levels of subordination. Due to the nature of these instruments, valuations vary by instrument and we apply various valuation methodologies. Valuation methodologies include relative value analyses across different tranches, comparisons to transactions in both the underlying collateral and instruments with the same or substantially the same underlying collateral, including market indices, such as the CMBX [(1)], and credit default swaps, as well as discounted cash flow techniques.

- **Loans and securities backed by residential real estate.** Valuations are based on both proprietary and industry recognized models (including Intex and Bloomberg), discounted cash flow techniques and hypothetical securitization analyses. In the recent market environment, the most significant inputs to the valuation of these instruments are delinquency, default and loss expectations, which are driven in part by housing prices. Inputs are determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles, including relevant indices such as the ABX [(1)].

- **Loan portfolios.** Valuations are based on discounted cash flow techniques, for which the key inputs are the amount and timing of expected future cash flows and the market yield. Inputs are determined based on relative value analyses which incorporate comparisons to recent auction data for other similar loan portfolios.

- **Derivative contracts.** Valuation models are calibrated to initial trade price. Subsequent changes in valuations are based on observable inputs to the valuation models (e.g., interest rates, credit spreads, volatilities, etc.). Model inputs are changed only when corroborated by market data. The valuations of less liquid OTC derivatives are typically based on level 1 and/or level 2 inputs that can be observed in the market, as well as unobservable level 3 inputs, such as certain correlations and volatilities.

Total level 3 assets were $67.87 billion, $78.09 billion and $69.15 billion as of August 2008, May 2008 and November 2007, respectively. The decrease in level 3 assets during the three months ended August 2008 was primarily driven by transfers to level 2 of corporate debt securities and other debt obligations, and full and partial sales of bank loans and bridge loans. The transfers to level 2 were due to improved price transparency, largely as a result of partial sales. The decrease also reflected transfers to level 2 of mortgage-related derivative assets, as recent trading activity provided improved transparency for correlation inputs.

The slight decrease in level 3 assets during the nine months ended August 2008 primarily reflected unrealized losses and dispositions of bank loans and bridge loans as well as transfers to level 2 of mortgage-related derivative assets, as recent trading activity provided improved transparency for correlation inputs. These decreases were partially offset by transfers to level 3 of loans and securities backed by commercial real estate, reflecting reduced levels of liquidity, and therefore reduced price transparency, as well as purchases of corporate debt securities and other debt obligations.

---

(1) The CMBX and ABX are indices that track the performance of commercial mortgage bonds and subprime residential mortgage bonds, respectively.

The following table sets forth the fair values of financial assets classified as level 3 within the fair value hierarchy:

Level 3 Financial Assets at Fair Value
(in millions)

Description	As of August 2008	As of May 2008	As of November 2007
Private equity and real estate fund investments [1]	$17,485	$ 16,677	$ 18,006
Bank loans and bridge loans [2]	10,956	13,301	13,334
Corporate debt securities and other debt obligations [3]	7,467	11,846	6,111
Mortgage and other asset-backed loans and securities			
Loans and securities backed by commercial real estate	11,144	10,265	7,410
Loans and securities backed by residential real estate	2,116	2,330	2,484
Loan portfolios [4]	4,955	5,252	6,106
Cash instruments	54,123	59,671	53,451
Derivative contracts	13,745	18,417	15,700
Total level 3 assets at fair value	67,868	78,088	69,151
Level 3 assets for which we do not bear economic exposure [5]	(9,598)	(10,747)	(14,437)
Level 3 assets for which we bear economic exposure	$58,270	$ 67,341	$ 54,714

(1) Includes $2.43 billion, $2.35 billion and $7.06 billion as of August 2008, May 2008 and November 2007, respectively, of assets for which we do not bear economic exposure. Also includes $3.46 billion, $3.09 billion and $2.02 billion as of August 2008, May 2008 and November 2007, respectively, of real estate fund investments.

(2) Includes mezzanine financing, leveraged loans arising from capital market transactions and other corporate bank debt.

(3) Includes $1.14 billion, $1.24 billion and $2.49 billion as of August 2008, May 2008 and November 2007, respectively, of CDOs backed by corporate obligations.

(4) Consists of acquired portfolios of distressed loans and securities, primarily backed by commercial and residential real estate collateral.

(5) We do not bear economic exposure to these level 3 assets as they are financed by nonrecourse debt, attributable to minority investors or attributable to employee interests in certain consolidated funds.

Loans and securities backed by residential real estate. We securitize, underwrite and make markets in various types of residential mortgages, including prime, Alt-A and subprime. At any point in time, we may use cash instruments as well as derivatives to manage our long or short risk position in the residential mortgage market. The following table sets forth the fair value of our long positions in prime, Alt-A and subprime mortgage cash instruments:

Long Positions in Loans and Securities Backed by Residential Real Estate
(in millions)

	As of	
	August 2008	November 2007
Prime [1]	$2,053	$ 7,135
Alt-A	3,675	6,358
Subprime [2]	1,886	2,109
Total [3]	$7,614	$15,602

(1) Excludes U.S. government agency-issued collateralized mortgage obligations of $5.10 billion and $7.24 billion as of August 2008 and November 2007, respectively. Also excludes U.S. government agency-issued mortgage-pass through certificates.

(2) Includes $196 million and $316 million of CDOs backed by subprime mortgages as of August 2008 and November 2007, respectively.

(3) Includes $2.12 billion and $2.48 billion of financial instruments (primarily loans and investment-grade securities, the majority of which were issued during 2006 and 2007) classified as level 3 under the fair value hierarchy as of August 2008 and November 2007, respectively.

Loans and securities backed by commercial real estate. We originate, securitize and syndicate fixed and floating rate commercial mortgages globally. At any point in time, we may use cash instruments as well as derivatives to manage our risk position in the commercial mortgage market. The following table sets forth the fair value of our long positions in loans and securities backed by commercial real estate by geographic region. The decrease in loans and securities backed by commercial real estate from November 2007 to August 2008 was primarily due to dispositions.

Long Positions in Loans and Securities Backed by Commercial Real Estate by Geographic Region
(in millions)

	As of	
	August 2008	November 2007
Americas [1]	$ 9,371	$12,361
EMEA [2]	5,113	6,607
Asia	132	52
Total [3]	$14,616 [4]	$19,020 [5]

(1) Substantially all relates to the U.S.

(2) EMEA (Europe, Middle East and Africa).

(3) Includes $11.14 billion and $7.41 billion of financial instruments classified as level 3 under the fair value hierarchy as of August 2008 and November 2007, respectively.

(4) Includes loans of $11.63 billion and commercial mortgage-backed securities of $2.99 billion as of August 2008, of which $12.91 billion was floating rate and $1.71 billion was fixed rate.

(5) Includes loans of $16.27 billion and commercial mortgage-backed securities of $2.75 billion as of November 2007, of which $16.52 billion was floating rate and $2.50 billion was fixed rate.

Other Financial Assets and Financial Liabilities at Fair Value. In addition to "Financial instruments owned, at fair value" and "Financial instruments sold, but not yet purchased, at fair value," we have elected to account for certain of our other financial assets and financial liabilities at fair value under SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140," or SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," (i.e., the fair value option). The primary reasons for electing the fair value option are mitigating volatility in earnings from using different measurement attributes, simplification and cost-benefit considerations.

Such financial assets and financial liabilities accounted for at fair value include (i) certain unsecured short-term borrowings, consisting of all promissory notes and commercial paper and certain hybrid financial instruments; (ii) certain other secured financings, primarily transfers accounted for as financings rather than sales under SFAS No. 140, debt raised through our William Street program and certain other nonrecourse financings; (iii) certain unsecured long-term borrowings, including prepaid physical commodity transactions; (iv) resale and repurchase agreements; (v) securities borrowed and loaned within Trading and Principal Investments, consisting of our matched book and certain firm financing activities; (vi) corporate loans, loan commitments and certain certificates of deposit issued by Goldman Sachs Bank USA (GS Bank USA) as well as securities held by GS Bank USA (which would otherwise be accounted for as available-for-sale); (vii) receivables from customers and counterparties arising from transfers accounted for as secured loans rather than purchases under SFAS No. 140; (viii) certain insurance and reinsurance contracts; and (ix) in general, investments acquired after the adoption of SFAS No. 159 where we have significant influence over the investee and would otherwise apply the equity method of accounting. In certain cases, we may apply the equity method of accounting to new investments that are strategic in nature or closely related to our principal business activities, where we have a significant degree of involvement in the cash flows or operations of the investee, or where cost-benefit considerations are less significant.

Goodwill and Identifiable Intangible Assets

As a result of our acquisitions, principally SLK LLC (SLK) in 2000, The Ayco Company, L.P. (Ayco) in 2003 and our variable annuity and life insurance business in 2006, we have acquired goodwill and identifiable intangible assets. Goodwill is the cost of acquired companies in excess of the fair value of net assets, including identifiable intangible assets, at the acquisition date.

Goodwill. We test the goodwill in each of our operating segments, which are components one level below our three business segments, for impairment at least annually in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," by comparing the estimated fair value of each operating segment with its estimated net book value. We derive the fair value of each of our operating segments primarily based on price-earnings and price-book multiples. We derive the net book value of our operating segments by estimating the amount of shareholders' equity required to support the activities of each operating segment. Our last annual impairment test was performed during our 2007 fourth quarter and no impairment was identified.

The following table sets forth the carrying value of our goodwill by operating segment:

Goodwill by Operating Segment
(in millions)

	As of	
	August 2008	November 2007
Investment Banking		
Underwriting	$ 125	$ 125
Trading and Principal Investments		
FICC	275	123
Equities [1]	2,389	2,381
Principal Investments	80	11
Asset Management and Securities Services		
Asset Management [2]	567	564
Securities Services	117	117
Total	$3,553	$3,321

[1] Primarily related to SLK.

[2] Primarily related to Ayco.

Identifiable Intangible Assets. We amortize our identifiable intangible assets over their estimated lives in accordance with SFAS No. 142 or, in the case of insurance contracts, in accordance with SFAS No. 60, “Accounting and Reporting by Insurance Enterprises,” and SFAS No. 97, “Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments”. Identifiable intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset’s or asset group’s carrying value may not be fully recoverable in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” or SFAS No. 60 and SFAS No. 97. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized if the sum of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

The following table sets forth the carrying value and range of remaining lives of our identifiable intangible assets by major asset class:

Identifiable Intangible Assets by Asset Class
($ in millions)

	As of August 2008		As of November 2007
	Carrying Value	Range of Estimated Remaining Lives (in years)	Carrying Value
Customer lists [(1)]	$ 713	2 - 17	$ 732
New York Stock Exchange (NYSE) specialist rights	472	13	502
Insurance-related assets [(2)]	321	7	372
Exchange-traded fund (ETF) lead market maker rights	96	19	100
Other [(3)]	78	1 - 17	65
Total	$1,680		$1,771

(1) Primarily includes our clearance and execution and NASDAQ customer lists related to SLK and financial counseling customer lists related to Ayco.

(2) Consists of the value of business acquired (VOBA) and deferred acquisition costs (DAC). VOBA represents the present value of estimated future gross profits of the variable annuity and life insurance business. DAC results from commissions paid by Goldman Sachs to the primary insurer (ceding company) on life and annuity reinsurance agreements as compensation to place the business with us and to cover the ceding company's acquisition expenses. VOBA and DAC are amortized over the estimated life of the underlying contracts based on estimated gross profits, and amortization is adjusted based on actual experience. The seven-year estimated life represents the weighted average remaining amortization period of the underlying contracts (certain of which extend for approximately 30 years).

(3) Primarily includes marketing-related assets and power contracts.

A prolonged period of weakness in global equity markets and the trading of securities in multiple markets and on multiple exchanges could adversely impact our businesses and impair the value of our goodwill and/or identifiable intangible assets. In addition, certain events could indicate a potential impairment of our identifiable intangible assets, including (i) changes in market structure that could adversely affect our specialist businesses (see discussion below), (ii) an adverse action or assessment by a regulator, or (iii) adverse actual experience on the contracts in our variable annuity and life insurance business.

During the fourth quarter of 2007, as a result of continuing weak operating results in our NYSE specialist business, we tested our NYSE specialist rights for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, an impairment loss is recognized if the carrying amount of our NYSE specialist rights exceeds the projected undiscounted cash flows of the business over the estimated remaining life of our NYSE specialist rights. Projected undiscounted cash flows exceeded the carrying amount of our NYSE specialist rights, and accordingly, we did not record an impairment loss.

In June 2008, the NYSE formally filed rule changes with the SEC to redefine the role of specialists and create a new market model for the NYSE. Certain of the rule changes were approved during our third quarter of 2008, and the remainder are expected to be adopted and implemented upon completion of the statutory review and comment periods during our fourth quarter of 2008. These rule changes will further align the NYSE's model with investor requirements for speed and efficiency of execution and will establish specialists as Designated Market Makers (DMMs). DMMs will have an obligation to commit capital but for the first time, DMMs will be able to trade on parity with other market participants. In addition, in 2008, the NYSE introduced a reserve order system that allows for anonymous trade execution and is expected to increase liquidity and market share. The new rules and the launch of the reserve order system are expected to bolster the NYSE's competitive position by simplifying trading and advancing the NYSE's goal of increasing execution speeds.

In projecting the undiscounted cash flows of the business for the purpose of performing our impairment test during the fourth quarter of 2007, we made several important assumptions about the potential beneficial effects of the rule and market structure changes described above. Specifically, we assumed that:

- total equity trading volumes in NYSE-listed companies will continue to grow at a rate consistent with recent historical trends;
- the NYSE will be able to recapture approximately one-half of the market share that it lost in 2007; and
- we will increase our market share of the NYSE specialist business and, as a DMM, the profitability of each share traded.

There can be no assurance that the assumptions, rule or structure changes described above will result in sufficient cash flows to avoid future impairment of our NYSE specialist rights. As of August 2008, the carrying value of our NYSE specialist rights was $472 million. To the extent that there were to be an impairment in the future, it could result in a significant writedown in the carrying value of these specialist rights.

Use of Estimates

The use of generally accepted accounting principles requires management to make certain estimates and assumptions. In addition to the estimates we make in connection with fair value measurements and the accounting for goodwill and identifiable intangible assets, the use of estimates and assumptions is also important in determining provisions for potential losses that may arise from litigation and regulatory proceedings and tax audits.

A substantial portion of our compensation and benefits represents discretionary bonuses, which are determined at year end. We believe the most appropriate way to allocate estimated annual discretionary bonuses among interim periods is in proportion to the net revenues earned in such periods. In addition to the level of net revenues, our overall compensation expense in any given year is also influenced by, among other factors, prevailing labor markets, business mix and the structure of our share-based compensation programs. Our ratio of compensation and benefits to net revenues was 48.0% for the first nine months of 2008, consistent with the same period last year.

We estimate and provide for potential losses that may arise out of litigation and regulatory proceedings to the extent that such losses are probable and can be estimated, in accordance with SFAS No. 5, “Accounting for Contingencies.” We estimate and provide for potential liabilities that may arise out of tax audits to the extent that uncertain tax positions fail to meet the recognition standard of FIN 48, “Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109.” See Note 13 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on FIN 48.

Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different. Our total estimated liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case or proceeding, our experience and the experience of others in similar cases or proceedings, and the opinions and views of legal counsel. Given the inherent difficulty of predicting the outcome of our litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, we cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred. See “— Legal Proceedings” in Part I, Item 3 of the Annual Report on Form 10-K, and in Part II, Item 1 of this Quarterly Report on Form 10-Q for information on our judicial, regulatory and arbitration proceedings.

Results of Operations

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary over the shorter term due to fluctuations in U.S. and global economic and market conditions. See "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for a further discussion of the impact of economic and market conditions on our results of operations.

Financial Overview

The following table sets forth an overview of our financial results:

Financial Overview
($ in millions, except per share amounts)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
Net revenues	$6,043	$12,334	$23,800	$35,246
Pre-tax earnings	960	4,259	5,935	12,549
Net earnings	845	2,854	4,443	8,384
Net earnings applicable to common shareholders	810	2,806	4,328	8,241
Diluted earnings per common share	1.81	6.13	9.62	17.75
Annualized return on average common shareholders' equity [1]	7.7%	31.6%	14.2%	32.0%
Annualized return on average tangible common shareholders' equity [2]	8.8%	36.6%	16.3%	37.5%

(1) Return on average common shareholders' equity (ROE) is computed by dividing net earnings (or annualized net earnings for annualized ROE) applicable to common shareholders by average monthly common shareholders' equity.

(2) Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, excluding power contracts. Identifiable intangible assets associated with power contracts are not deducted from total shareholders' equity because, unlike other intangible assets, less than 50% of these assets are supported by common shareholders' equity.

We believe that return on average tangible common shareholders' equity (ROTE) is meaningful because it measures the performance of businesses consistently, whether they were acquired or developed internally. ROTE is computed by dividing net earnings (or annualized net earnings for annualized ROTE) applicable to common shareholders by average monthly tangible common shareholders' equity.

The following table sets forth the reconciliation of average total shareholders' equity to average tangible common shareholders' equity:

	Average for the			
	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions)			
Total shareholders' equity	$45,170	$38,667	$43,739	$37,384
Preferred stock	(3,100)	(3,100)	(3,100)	(3,100)
Common shareholders' equity	42,070	35,567	40,639	34,284
Goodwill and identifiable intangible assets, excluding power contracts	(5,244)	(4,926)	(5,219)	(4,956)
Tangible common shareholders' equity	$36,826	$30,641	$35,420	$29,328

Net Revenues

Three Months Ended August 2008 versus August 2007. Our net revenues were $6.04 billion for the third quarter of 2008, a decrease of 51% compared with the third quarter of 2007, reflecting very challenging market conditions, characterized by broad-based declines in asset values and a decrease in levels of client activity. Net revenues in Trading and Principal Investments decreased significantly compared with the third quarter of 2007, reflecting significant declines in FICC and Equities compared with particularly strong results in the third quarter of 2007, as well as lower results in Principal Investments. The decrease in FICC primarily reflected very weak results in credit products and mortgages, which were adversely affected by the broad-based declines in asset values. Credit products included very weak results from investments, particularly outside of the U.S., and a loss of approximately $275 million (including hedges) related to non-investment-grade credit origination activities. Mortgages included net losses of approximately $500 million on residential mortgage loans and securities and approximately $325 million on commercial mortgage loans and securities. Commodities produced strong results, which were higher compared with the third quarter of 2007. Net revenues in currencies and interest rate products were also strong, although essentially unchanged from the third quarter of 2007. During the quarter, FICC operated in an environment generally characterized by wider mortgage and corporate credit spreads, volatile markets and lower levels of client activity. The decline in net revenues in Equities reflected very weak results in principal strategies. In addition, net revenues in derivatives were significantly lower than a particularly strong third quarter of 2007. Commissions were strong, but lower, compared with the third quarter of 2007. Our Equities business operated in an environment characterized by a significant decline in global equity prices, deleveraging by clients and generally lower client activity levels towards the end of the quarter. The decrease in Principal Investments primarily reflected net losses from corporate and real estate principal investments, particularly outside of the U.S.

Net revenues in Investment Banking were significantly lower compared with the third quarter of 2007, reflecting a significant decrease in Financial Advisory, as well as lower net revenues in equity underwriting. In Financial Advisory, the decline from a particularly strong third quarter of 2007 primarily reflected a decrease in industry-wide completed mergers and acquisitions. The decrease in equity underwriting primarily reflected a decline in industry-wide initial public offerings.

Net revenues in Asset Management and Securities Services increased slightly compared with the third quarter of 2007. Securities Services net revenues were higher, as our prime brokerage business continued to generate strong results. Customer balances were higher compared with the third quarter of 2007. Asset Management net revenues decreased, reflecting lower management and other fees, as well as lower incentive fees. The decrease in management and other fees primarily reflected the impact of one fewer week in our fiscal third quarter of 2008 compared with the third quarter of 2007.

Nine Months Ended August 2008 versus August 2007. Our net revenues were $23.80 billion for the nine months ended August 2008, a decrease of 32% compared with the same period last year, reflecting significantly less favorable market conditions. Net revenues in Trading and Principal Investments were significantly lower compared with strong results for the first nine months of 2007, reflecting significant declines in FICC, Principal Investments and Equities. Results in FICC were adversely affected by weakness in the broader credit markets and broad-based declines in asset values. Credit products included very weak results from investments and a loss of approximately $2.1 billion (including hedges) related to non-investment-grade credit origination activities, partially offset by strong franchise trading results. Mortgages included net losses of approximately $1.6 billion on residential mortgage loans and securities and approximately $700 million on commercial mortgage loans and securities. Interest rate products, currencies and commodities generated strong results and net revenues were significantly higher than the same prior year period. During the first nine months of 2008, client activity levels were generally solid, although activity levels declined during our third quarter. The decline in Principal Investments primarily reflected losses from corporate principal investments, as well as lower gains and overrides from real estate principal investments. The

decrease in Equities was principally due to significantly lower results in principal strategies. The client franchise businesses produced strong results and net revenues were slightly higher compared with the first nine months of 2007. Commissions were strong and higher compared with the same period last year. During the first nine months of 2008, Equities operated in an environment generally characterized by significantly lower equity prices, particularly in the third quarter, and high levels of volatility. Client activity levels, although generally solid, declined towards the end of our third quarter, reflecting the challenging market environment.

Net revenues in Investment Banking declined significantly compared with strong results for the first nine months of 2007, reflecting significantly lower net revenues in both Financial Advisory and Underwriting. The decrease in Financial Advisory reflected a decline in industry-wide completed mergers and acquisitions. The decrease in Underwriting reflected significantly lower net revenues in debt underwriting, partially offset by higher net revenues in equity underwriting. The decline in debt underwriting was primarily due to a decrease in leveraged finance and, to a lesser extent, mortgage-related activity, reflecting challenging market conditions.

Net revenues in Asset Management and Securities Services increased compared with the first nine months of 2007. Securities Services net revenues were higher, as our prime brokerage business continued to generate strong results. Customer balances were higher compared with the same period last year. Asset Management net revenues also increased, reflecting higher average assets under management and higher incentive fees.

Operating Expenses

Our operating expenses are primarily influenced by compensation, headcount and levels of business activity. A substantial portion of our compensation expense represents discretionary bonuses which are significantly impacted by, among other factors, the level of net revenues, prevailing labor markets, business mix and the structure of our share-based compensation programs. Our ratio of compensation and benefits to net revenues was 48.0% for the first nine months of 2008, consistent with the same period last year.

The following table sets forth our operating expenses and number of employees:

Operating Expenses and Employees
($ in millions)

	Three Months Ended August		Nine Months Ended August	
	2008	**2007**	**2008**	**2007**
Compensation and benefits [1]	$ 2,901	$ 5,920	$11,424	$16,918
Brokerage, clearing, exchange and distribution fees	734	795	2,265	1,984
Market development	119	148	389	424
Communications and technology	192	169	571	481
Depreciation and amortization	251	145	604	417
Amortization of identifiable intangible assets	49	53	170	154
Occupancy	237	218	707	632
Professional fees	168	188	531	510
Other expenses [2]	432	439	1,204	1,177
Total non-compensation expenses	2,182	2,155	6,441	5,779
Total operating expenses	$ 5,083	$ 8,075	$17,865	$22,697
Employees at period end [3]	32,569	29,905		

[1] Compensation and benefits includes $63 million and $40 million for the three months ended August 2008 and August 2007, respectively, and $192 million and $125 million for the nine months ended August 2008 and August 2007, respectively, attributable to consolidated entities held for investment purposes. Consolidated entities held for investment purposes are entities that are held strictly for capital appreciation, have a defined exit strategy and are engaged in activities that are not closely related to our principal businesses.

[2] Beginning in the first quarter of 2008, "Cost of power generation" was reclassified into "Other expenses" in the condensed consolidated statements of earnings. Prior periods have been reclassified to conform to the current presentation.

[3] Excludes 4,909 and 4,904 employees as of August 2008 and August 2007, respectively, of consolidated entities held for investment purposes (see footnote 1 above).

The following table sets forth non-compensation expenses of consolidated entities held for investment purposes and our remaining non-compensation expenses by line item:

Non-Compensation Expenses
(in millions)

	Three Months Ended August		Nine Months Ended August	
	2008	**2007**	**2008**	**2007**
Non-compensation expenses of consolidated investments [1]	$ 194	$ 101	$ 442	$ 289
Non-compensation expenses excluding consolidated investments				
Brokerage, clearing, exchange and distribution fees	734	795	2,265	1,984
Market development	117	146	382	418
Communications and technology	191	168	568	479
Depreciation and amortization	155	128	449	367
Amortization of identifiable intangible assets	47	52	166	150
Occupancy	209	200	637	581
Professional fees	167	188	524	508
Other expenses [2]	368	377	1,008	1,003
Subtotal	1,988	2,054	5,999	5,490
Total non-compensation expenses, as reported	$2,182	$2,155	$6,441	$5,779

(1) Consolidated entities held for investment purposes are entities that are held strictly for capital appreciation, have a defined exit strategy and are engaged in activities that are not closely related to our principal businesses. For example, these investments include consolidated entities that hold real estate assets, such as hotels, but exclude investments in entities that primarily hold financial assets. We believe that it is meaningful to review non-compensation expenses excluding expenses related to these consolidated entities in order to evaluate trends in non-compensation expenses related to our principal business activities. Revenues related to such entities are included in "Trading and principal investments" in the condensed consolidated statements of earnings.

(2) Beginning in the first quarter of 2008, "Cost of power generation" was reclassified into "Other expenses" in the condensed consolidated statements of earnings. Prior periods have been reclassified to conform to the current presentation.

Three Months Ended August 2008 versus August 2007. Operating expenses of $5.08 billion for the third quarter of 2008 decreased 37% compared with the third quarter of 2007. Compensation and benefits expenses of $2.90 billion decreased 51% compared with the third quarter of 2007, commensurate with lower net revenues. Employment levels increased 3% during the third quarter of 2008, primarily reflecting the seasonal timing of school hires.

Non-compensation expenses were $2.18 billion, 1% higher than the third quarter of 2007. Excluding consolidated entities held for investment purposes, non-compensation expenses were 3% lower than the third quarter of 2007, primarily reflecting lower brokerage, clearing, exchange and distribution fees.

Nine Months Ended August 2008 versus August 2007. Operating expenses of $17.87 billion for the first nine months of 2008 decreased 21% compared with the same period last year. Compensation and benefits expenses of $11.42 billion decreased 32% compared with the same period last year, commensurate with lower net revenues. Employment levels increased 7% during the first nine months of 2008, primarily due to the acquisition of Litton Loan Servicing LP and the impact of school hires.

Non-compensation expenses were $6.44 billion, 11% higher than the same period last year. Excluding consolidated entities held for investment purposes, non-compensation expenses were 9% higher than the same period last year. More than one-half of this increase was attributable to higher brokerage, clearing, exchange and distribution fees, which principally reflected higher activity levels in Equities and FICC. The remainder of the increase compared with the same period last year generally reflected the impact of geographic expansion and growth in employment levels.

Provision for Taxes

The effective income tax rate for the first nine months of 2008 was 25.1%, down from 27.7% for the first half of 2008 and down from 34.1% for fiscal year 2007. The decreases in the effective income tax rate were primarily due to changes in geographic earnings mix and an increase in permanent benefits as a percentage of lower earnings.

Segment Operating Results

The following table sets forth the net revenues, operating expenses and pre-tax earnings of our segments:

Segment Operating Results
(in millions)

		Three Months Ended August		Nine Months Ended August	
		2008	2007	2008	2007
Investment Banking	Net revenues	$1,294	$ 2,145	$ 4,151	$ 5,582
	Operating expenses	772	1,291	2,867	3,831
	Pre-tax earnings	$ 522	$ 854	$ 1,284	$ 1,751
Trading and Principal Investments	Net revenues	$2,704	$ 8,229	$13,419	$24,295
	Operating expenses	3,465	5,344	11,169	14,934
	Pre-tax earnings/(loss)	$ (761)	$ 2,885	$ 2,250	$ 9,361
Asset Management and Securities Services	Net revenues	$2,045	$ 1,960	$ 6,230	$ 5,369
	Operating expenses	833	1,405	3,803	3,895
	Pre-tax earnings	$1,212	$ 555	$ 2,427	$ 1,474
Total	Net revenues	$6,043	$12,334	$23,800	$35,246
	Operating expenses [1]	5,083	8,075	17,865	22,697
	Pre-tax earnings	$ 960	$ 4,259	$ 5,935	$12,549

(1) Operating expenses include net provisions for a number of litigation and regulatory proceedings of $13 million and $35 million for the three months ended August 2008 and August 2007, respectively, and $26 million and $37 million for the nine months ended August 2008 and August 2007, respectively, that have not been allocated to our segments.

Net revenues in our segments include allocations of interest income and interest expense to specific securities, commodities and other positions in relation to the cash generated by, or funding requirements of, such underlying positions. See Note 15 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our business segments.

The cost drivers of Goldman Sachs taken as a whole — compensation, headcount and levels of business activity — are broadly similar in each of our business segments. Compensation and benefits expenses within our segments reflect, among other factors, the overall performance of Goldman Sachs as well as the performance of individual business units. Consequently, pre-tax margins in one segment of our business may be significantly affected by the performance of our other business segments. The timing and magnitude of changes in our bonus accruals can have a significant effect on segment results in a given period. A discussion of segment operating results follows.

Investment Banking

Our Investment Banking segment is divided into two components:

- **Financial Advisory.** Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs.
- **Underwriting.** Underwriting includes public offerings and private placements of a wide range of securities and other financial instruments.

The following table sets forth the operating results of our Investment Banking segment:

Investment Banking Operating Results
(in millions)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
Financial Advisory	$ 619	$1,412	$2,082	$2,982
Equity underwriting	292	355	1,080	979
Debt underwriting	383	378	989	1,621
Total Underwriting	675	733	2,069	2,600
Total net revenues	1,294	2,145	4,151	5,582
Operating expenses	772	1,291	2,867	3,831
Pre-tax earnings	$ 522	$ 854	$1,284	$1,751

The following table sets forth our financial advisory and underwriting transaction volumes:

Goldman Sachs Global Investment Banking Volumes [1]
(in billions)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
Announced mergers and acquisitions	$287	$371	$798	$1,182
Completed mergers and acquisitions	264	345	659	921
Equity and equity-related offerings [2]	21	13	47	44
Debt offerings [3]	31	76	154	269

(1) Source: Thomson Reuters. Announced and completed mergers and acquisitions volumes are based on full credit to each of the advisors in a transaction. Equity and equity-related offerings and debt offerings are based on full credit for single book managers and equal credit for joint book managers. Transaction volumes may not be indicative of net revenues in a given period.

(2) Includes Rule 144A and public common stock offerings, convertible offerings and rights offerings.

(3) Includes non-convertible preferred stock, mortgage-backed securities, asset-backed securities and taxable municipal debt. Includes publicly registered and Rule 144A issues.

Three Months Ended August 2008 versus August 2007. Net revenues in Investment Banking of $1.29 billion for the third quarter of 2008 decreased 40% compared with the third quarter of 2007.

Net revenues in Financial Advisory of $619 million decreased 56% compared with a particularly strong third quarter of 2007, primarily reflecting a decrease in industry-wide completed mergers and acquisitions. Net revenues in our Underwriting business of $675 million decreased 8% compared with the third quarter of 2007, due to lower net revenues in equity underwriting, primarily reflecting a decrease in industry-wide initial public offerings. Net revenues in debt underwriting were essentially unchanged from the third quarter of 2007. Our investment banking transaction backlog increased during the quarter. [1]

Operating expenses of $772 million for the third quarter of 2008 decreased 40% compared with the third quarter of 2007, due to decreased compensation and benefits expenses, resulting from lower levels of discretionary compensation. Pre-tax earnings of $522 million in the third quarter of 2008 decreased 39% compared with the third quarter of 2007.

Nine Months Ended August 2008 versus August 2007. Net revenues in Investment Banking of $4.15 billion for the nine months ended August 2008 decreased 26% compared with the same period last year.

Net revenues in Financial Advisory of $2.08 billion decreased 30% compared with the same period last year, reflecting a decrease in industry-wide completed mergers and acquisitions. Net revenues in our Underwriting business of $2.07 billion decreased 20% compared with the same period last year, reflecting significantly lower net revenues in debt underwriting, partially offset by higher net revenues in equity underwriting. The decline in debt underwriting was primarily due to a decrease in leveraged finance and, to a lesser extent, mortgage-related activity, reflecting challenging market conditions.

Operating expenses of $2.87 billion for the first nine months of 2008 decreased 25% compared with the same period last year, due to decreased compensation and benefits expenses, resulting from lower levels of discretionary compensation. Pre-tax earnings of $1.28 billion for the first nine months of 2008 decreased 27% compared with the same period last year.

Trading and Principal Investments

Our Trading and Principal Investments segment is divided into three components:

- **FICC.** We make markets in and trade interest rate and credit products, mortgage-related securities and loan products and other asset-backed instruments, currencies and commodities, structure and enter into a wide variety of derivative transactions, and engage in proprietary trading and investing.
- **Equities.** We make markets in and trade equities and equity-related products, structure and enter into equity derivative transactions and engage in proprietary trading. We generate commissions from executing and clearing client transactions on major stock, options and futures exchanges worldwide through our Equities client franchise and clearing activities. We also engage in specialist and insurance activities.
- **Principal Investments.** We make real estate and corporate principal investments, including our investment in the ordinary shares of ICBC. We generate net revenues from returns on these investments and from the increased share of the income and gains derived from our merchant banking funds when the return on a fund's investments over the life of the fund exceeds certain threshold returns (typically referred to as an override).

---

[1] Our investment banking transaction backlog represents an estimate of our future net revenues from investment banking transactions where we believe that future revenue realization is more likely than not.

Substantially all of our inventory is marked-to-market daily and, therefore, its value and our net revenues are subject to fluctuations based on market movements. In addition, net revenues derived from our principal investments in privately held concerns and in real estate may fluctuate significantly depending on the revaluation of these investments in any given period. We also regularly enter into large transactions as part of our trading businesses. The number and size of such transactions may affect our results of operations in a given period.

Net revenues from Principal Investments do not include management fees generated from our merchant banking funds. These management fees are included in the net revenues of the Asset Management and Securities Services segment.

The following table sets forth the operating results of our Trading and Principal Investments segment:

Trading and Principal Investments Operating Results
(in millions)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
FICC	$ 1,595	$4,889	$ 7,116	$12,861
Equities trading	354	1,799	2,883	5,377
Equities commissions	1,208	1,330	3,680	3,336
Total Equities	1,562	3,129	6,563	8,713
ICBC	106	230	185	332
Gross gains	904	583	1,582	2,659
Gross losses	(1,485)	(696)	(2,097)	(643)
Net other corporate and real estate investments	(581)	(113)	(515)	2,016
Overrides	22	94	70	373
Total Principal Investments	(453)	211	(260)	2,721
Total net revenues	2,704	8,229	13,419	24,295
Operating expenses	3,465	5,344	11,169	14,934
Pre-tax earnings/(loss)	$ (761)	$2,885	$ 2,250	$ 9,361

Three Months Ended August 2008 versus August 2007. Net revenues in Trading and Principal Investments of $2.70 billion for the third quarter of 2008 decreased 67% compared with the third quarter of 2007.

Net revenues in FICC of $1.60 billion decreased 67% compared with a very strong third quarter of 2007, primarily reflecting particularly weak results in credit products and mortgages, which were adversely affected by broad-based declines in asset values. Credit products included very weak results from investments, particularly outside of the U.S., and a loss of approximately $275 million (including hedges) related to non-investment-grade credit origination activities. Mortgages included net losses of approximately $500 million on residential mortgage loans and securities and approximately $325 million on commercial mortgage loans and securities. Commodities produced strong results, which were higher compared with the third quarter of 2007. Net revenues in currencies and interest rate products were also strong, although essentially unchanged from the third quarter of 2007. During the quarter, FICC operated in an environment generally characterized by wider mortgage and corporate credit spreads, volatile markets and lower levels of client activity.

Net revenues in Equities of $1.56 billion decreased 50% compared with a particularly strong third quarter of 2007. During the quarter, Equities operated in a challenging environment characterized by a significant decline in global equity prices, deleveraging by clients and generally lower client activity levels towards the end of the quarter. The decline in net revenues in Equities reflected very weak results in principal strategies. In addition, net revenues in derivatives were significantly lower than a particularly strong third quarter of 2007. Commissions were strong, but lower, compared with the third quarter of 2007.

Principal Investments recorded a net loss of $453 million for the third quarter of 2008. These results included losses from corporate and real estate principal investments, particularly outside of the U.S., partially offset by a $106 million gain related to our investment in the ordinary shares of ICBC.

Operating expenses of $3.47 billion for the third quarter of 2008 decreased 35% compared with the third quarter of 2007, due to decreased compensation and benefits expenses, resulting from lower levels of discretionary compensation. Pre-tax loss was $761 million in the third quarter of 2008 compared with pre-tax earnings of $2.89 billion in the third quarter of 2007.

Nine Months Ended August 2008 versus August 2007. Net revenues in Trading and Principal Investments of $13.42 billion for the first nine months of 2008 decreased 45% compared with the same period last year.

Net revenues in FICC of $7.12 billion decreased 45% compared with the same period last year, as results were adversely affected by weakness in the broader credit markets and broad-based declines in asset values. Credit products included very weak results from investments and a loss of approximately $2.1 billion (including hedges) related to non-investment-grade credit origination activities, partially offset by strong franchise trading results. Mortgages included net losses of approximately $1.6 billion on residential mortgage loans and securities and approximately $700 million on commercial mortgage loans and securities. Interest rate products, currencies and commodities generated strong results and net revenues were significantly higher than the same period last year. During the first nine months of 2008, client activity levels were generally solid, although activity levels declined during our third quarter.

Net revenues in Equities of $6.56 billion decreased 25% compared with the same period last year, principally due to significantly lower results in principal strategies. The client franchise businesses produced strong results and net revenues were slightly higher compared with the first nine months of 2007. Commissions were strong and higher compared with the same period last year. During the first nine months of 2008, Equities operated in an environment generally characterized by significantly lower equity prices, particularly in the third quarter, and high levels of volatility. Client activity levels, although generally solid, declined towards the end of our third quarter, reflecting the challenging market environment.

Principal Investments recorded a net loss of $260 million for the first nine months of 2008. These results included losses from corporate principal investments, partially offset by a $185 million gain related to our investment in the ordinary shares of ICBC.

Operating expenses of $11.17 billion for the first nine months of 2008 decreased 25% compared with the same period last year, due to decreased compensation and benefits expenses, resulting from lower levels of discretionary compensation. This decrease was partially offset by higher non-compensation expenses. More than one-half of the increase in non-compensation expenses, excluding consolidated entities held for investment purposes, was due to higher brokerage, clearing, exchange and distribution fees. Pre-tax earnings of $2.25 billion for the first nine months of 2008 decreased 76% compared with the same period last year.

Asset Management and Securities Services

Our Asset Management and Securities Services segment is divided into two components:

- **Asset Management.** Asset Management provides investment advisory and financial planning services and offers investment products (primarily through separately managed accounts and commingled vehicles, such as mutual funds and private investment funds) across all major asset classes to a diverse group of institutions and individuals worldwide and primarily generates revenues in the form of management and incentive fees.
- **Securities Services.** Securities Services provides prime brokerage services, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and to high-net-worth individuals worldwide, and generates revenues primarily in the form of interest rate spreads or fees.

Assets under management typically generate fees as a percentage of asset value, which is affected by investment performance and by inflows or redemptions. The fees that we charge vary by asset class, as do our related expenses. In certain circumstances, we are also entitled to receive incentive fees based on a percentage of a fund's return or when the return on assets under management exceeds specified benchmark returns or other performance targets. Incentive fees are recognized when the performance period ends and they are no longer subject to adjustment. We have numerous incentive fee arrangements, many of which have annual performance periods that end on December 31. For that reason, incentive fees have been seasonally weighted to our first quarter.

The following table sets forth the operating results of our Asset Management and Securities Services segment:

Asset Management and Securities Services Operating Results
(in millions)

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
Management and other fees	$1,115	$1,152	$3,391	$3,169
Incentive fees	14	46	216	156
Total Asset Management	1,129	1,198	3,607	3,325
Securities Services	916	762	2,623	2,044
Total net revenues	2,045	1,960	6,230	5,369
Operating expenses	833	1,405	3,803	3,895
Pre-tax earnings	$1,212	$ 555	$2,427	$1,474

Assets under management include our mutual funds, alternative investment funds and separately managed accounts for institutional and individual investors. Substantially all assets under management are valued as of calendar month end. Assets under management do not include assets in brokerage accounts that generate commissions, mark-ups and spreads based on transactional activity, or our own investments in funds that we manage.

The following table sets forth our assets under management by asset class:

Assets Under Management by Asset Class
(in billions)

	As of August 31,		As of November 30,	
	2008	2007	2007	2006
Alternative investments [1]	$154	$151	$151	$145
Equity	179	251	255	215
Fixed income	268	230	256	198
Total non-money market assets	601	632	662	558
Money markets	262	164	206	118
Total assets under management	$863	$796	$868	$676

[1] Primarily includes hedge funds, private equity, real estate, currencies, commodities and asset allocation strategies.

The following table sets forth a summary of the changes in our assets under management:

Changes in Assets Under Management
(in billions)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2008	2007	2008	2007
Balance, beginning of period	$895	$758	$868	$676
Net inflows/(outflows)				
Alternative investments	9	7	4	9
Equity	(12)	7	(47)	25
Fixed income	3	5	15	23
Total non-money market net inflows/(outflows)	—	19	(28)	57
Money markets	(7)	31	56	46
Total net inflows/(outflows)	(7)	50	28	103
Net market appreciation/(depreciation)	(25)	(12)	(33)	17
Balance, end of period	$863	$796	$863	$796

Three Months Ended August 2008 versus August 2007. Net revenues in Asset Management and Securities Services of $2.05 billion for the third quarter of 2008 increased 4% compared with the third quarter of 2007.

Asset Management net revenues of $1.13 billion for the third quarter of 2008 decreased 6% compared with the third quarter of 2007, reflecting lower management and other fees as well as lower incentive fees. The decrease in management and other fees primarily reflected the impact of one fewer week in our fiscal third quarter of 2008 compared with the third quarter of 2007. During the quarter, assets under management decreased $32 billion to $863 billion, due to $25 billion of market depreciation, primarily in equity assets, and $7 billion of net outflows. Net outflows reflected outflows in equity and money market assets, partially offset by inflows in alternative investment and fixed income assets.

Securities Services net revenues of $916 million increased 20% compared with the third quarter of 2007. Our prime brokerage business continued to generate strong results and customer balances were higher compared with the third quarter of 2007.

Operating expenses of $833 million for the third quarter of 2008 decreased 41% compared with the third quarter of 2007, primarily due to decreased compensation and benefits expenses, resulting from lower levels of discretionary compensation. Pre-tax earnings were $1.21 billion for the third quarter of 2008 compared with $555 million for the third quarter of 2007.

Nine Months Ended August 2008 versus August 2007. Net revenues in Asset Management and Securities Services of $6.23 billion for the first nine months of 2008 increased 16% compared with the same period last year.

Asset Management net revenues of $3.61 billion increased 8% compared with the same period last year, due to higher management and other fees, reflecting higher average assets under management, as well as higher incentive fees. During the first nine months of 2008, assets under management decreased $5 billion to $863 billion, due to $33 billion of market depreciation, primarily in equity assets, partially offset by $28 billion of net inflows. Net inflows primarily reflected inflows in money market and fixed income assets, partially offset by outflows in equity assets.

Securities Services net revenues of $2.62 billion increased 28% compared with the same period last year. Our prime brokerage business continued to generate strong results and customer balances were higher compared with the first nine months of 2007.

Operating expenses of $3.80 billion for the first nine months of 2008 decreased 2% compared with the same period last year, due to decreased compensation and benefits expenses, resulting from lower levels of discretionary compensation. Pre-tax earnings of $2.43 billion for the first nine months of 2008 increased 65% compared with the same period last year.

Geographic Data

See Note 15 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of our net revenues by geographic region.

Off-Balance-Sheet Arrangements

We have various types of off-balance-sheet arrangements that we enter into in the ordinary course of business. Our involvement in these arrangements can take many different forms, including purchasing or retaining residual and other interests in mortgage-backed and other asset-backed securitization vehicles; holding senior and subordinated debt, interests in limited and general partnerships, and preferred and common stock in other nonconsolidated vehicles; entering into interest rate, foreign currency, equity, commodity and credit derivatives, including total return swaps; entering into operating leases; and providing guarantees, indemnifications, loan commitments, letters of credit and representations and warranties.

We enter into these arrangements for a variety of business purposes, including the securitization of commercial and residential mortgages, home equity and auto loans, government and corporate bonds, and other types of financial assets. Other reasons for entering into these arrangements include underwriting client securitization transactions; providing secondary market liquidity; making investments in performing and nonperforming debt, equity, real estate and other assets; providing investors with credit-linked and asset-repackaged notes; and receiving or providing letters of credit to satisfy margin requirements and to facilitate the clearance and settlement process.

We engage in transactions with variable interest entities (VIEs) and qualifying special-purpose entities (QSPEs). Such vehicles are critical to the functioning of several significant investor markets, including the mortgage-backed and other asset-backed securities markets, since they offer investors access to specific cash flows and risks created through the securitization process. Our financial interests in, and derivative transactions with, such nonconsolidated entities are accounted for at fair value, in the same manner as our other financial instruments, except in cases where we apply the equity method of accounting.

While we are routinely involved with VIEs and QSPEs in connection with our securitization activities, we did not have off-balance-sheet commitments to purchase or finance CDOs held by structured investment vehicles as of August 2008 or November 2007.

In December 2007, the American Securitization Forum (ASF) issued the "Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans" (the "ASF Framework"). The ASF Framework provides guidance for servicers to streamline borrower evaluation procedures and to facilitate the use of foreclosure and loss prevention measures for securitized subprime residential mortgages that meet certain criteria. For certain eligible loans as defined in the ASF Framework, servicers may presume default is reasonably foreseeable and apply a fast-track loan modification plan, under which the loan interest rate will be kept at the introductory rate for a period of five years following the upcoming reset date. Mortgage loan modifications of these eligible loans will not affect our accounting treatment for QSPEs that hold the subprime loans.

The following table sets forth where a discussion of off-balance-sheet arrangements may be found in Part I, Items 1 and 2 of this Quarterly Report on Form 10-Q:

Type of Off-Balance-Sheet Arrangement	Disclosure in Quarterly Report on Form 10-Q
Retained interests or contingent interests in assets transferred by us to nonconsolidated entities	See Note 3 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.
Leases, letters of credit, and loans and other commitments	See "— Contractual Obligations and Commitments" below and Note 6 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.
Guarantees	See Note 6 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.
Other obligations, including contingent obligations, arising out of variable interests we have in nonconsolidated entities	See Note 3 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.
Derivative contracts	See "— Critical Accounting Policies" above and "— Derivatives" below and Notes 3 and 5 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In addition, see Note 2 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of our consolidation policies.

Equity Capital

The level and composition of our equity capital are principally determined by our consolidated regulatory capital requirements but may also be influenced by rating agency guidelines, subsidiary capital requirements, the business environment, conditions in the financial markets and assessments of potential future losses due to extreme and adverse changes in our business and market environments. As of August 2008, our total shareholders' equity was $45.60 billion (consisting of common shareholders' equity of $42.50 billion and preferred stock of $3.10 billion) compared with total shareholders' equity of $42.80 billion as of November 2007 (consisting of common shareholders' equity of $39.70 billion and preferred stock of $3.10 billion). In addition to total shareholders' equity, we consider the $5.00 billion of junior subordinated debt issued to trusts (see discussion below) to be part of our equity capital, as it qualifies as capital for regulatory and certain rating agency purposes.

Consolidated Regulatory Capital Requirements

As of August 2008, Goldman Sachs was regulated by the SEC as a CSE and, as such, was subject to group-wide supervision and examination by the SEC and to minimum capital adequacy standards on a consolidated basis. Tier 1 Capital and Total Allowable Capital are stated as a percentage of Risk-Weighted Assets (RWAs). As a CSE, Goldman Sachs was required to notify the SEC in the event that the Total Capital Ratio fell below 10% or was expected to do so within the next month. As of August 2008, our Total Capital Ratio was 15.2%. Accordingly, Goldman Sachs was in compliance with the CSE capital adequacy standards as of that date. There was no required minimum Tier 1 Ratio. Tier 1 Capital and Total Allowable Capital were calculated in a manner generally consistent with that set out in the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision (Basel II). On September 21, 2008, Group Inc. became a bank holding company regulated by the Federal Reserve Board under the U.S. Bank Holding Company Act of 1956, and became subject to the Federal Reserve's minimum capital standards on a consolidated basis. Under the risk-based capital requirements for bank holding companies, the minimum requirement for the ratio of Total Allowable Capital to Total Risk-Weighted Assets is 8%. See Note 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Consolidated Regulatory Capital Ratios

The following table sets forth additional information on our regulatory capital ratios as of August 2008 and May 2008:

	As of	
	August 2008	May 2008
	($ in millions)	
I. Tier 1 and Total Allowable Capital		
Common shareholders' equity	$ 42,499	$ 41,718
Preferred stock	3,100	3,100
Junior subordinated debt issued to trusts	5,000	5,000
Less: Goodwill	(3,553)	(3,530)
Less: Disallowable intangible assets	(1,381)	(1,460)
Less: Other deductions [1]	(1,537)	(1,348)
Tier 1 Capital	44,128	43,480
Other components of Total Allowable Capital		
Qualifying subordinated debt [2]	14,286	14,589
Less: Other deductions [1]	(832)	(943)
Total Allowable Capital	$ 57,582	$ 57,126
II. Risk-Weighted Assets		
Market risk	$187,147	$206,072
Credit risk	154,518	158,042
Operational risk	37,500	37,500
Total Risk-Weighted Assets	$379,165	$401,614
III. Tier 1 Ratio	11.6%	10.8%
IV. Total Capital Ratio	15.2%	14.2%

(1) Principally included investments in regulated insurance entities and certain financial service entities (50% was deducted from both Tier 1 Capital and Total Allowable Capital).

(2) Substantially all of our existing subordinated debt qualified as Total Allowable Capital for CSE purposes.

Our RWAs were driven by the amount of market risk, credit risk and operational risk associated with our business activities, as calculated by methodologies approved by the SEC, which are generally consistent with those set out in Basel II. The methodologies used to compute RWAs for each of market risk, credit risk and operational risk are closely aligned with our risk management practices. See "— Market Risk" and "— Credit Risk" below for a discussion of how we manage risks in

our trading and principal investing businesses. Further details on the methodologies used to calculate RWAs are set forth below.

Risk-Weighted Assets for Market Risk

For positions captured in VaR, RWAs were calculated using VaR and other model-based measures, including requirements for incremental default risk and other event risks. VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. The SEC approved the use of our VaR model used for internal risk management purposes to calculate RWAs for trading positions. The requirements were calculated consistent with the specific conditions set out in the Basel framework (based on VaR calibrated to a 99% confidence level, over a 10-day holding period, multiplied by a factor prescribed by the SEC). Additional RWAs were calculated with respect to incremental default risk and other event risks, in a manner generally consistent with our internal risk management methodologies.

For positions not included in VaR because VaR is not the most appropriate measure of risk, we calculated RWAs based on alternative methodologies, including sensitivity analyses.

Risk-Weighted Assets for Credit Risk

RWAs for credit risk were calculated for on- and off-balance sheet exposures that were not captured in our market risk RWAs, with the exception of OTC derivatives for which both market risk and credit risk RWAs were calculated. The calculations were consistent with the Advanced Internal Ratings Based (AIRB) approach and the Internal Models Method (IMM) of Basel II, and were based on Exposure at Default (EAD), which is an estimate of the amount that would be owed to us at the time of a default, multiplied by each counterparty's risk weight.

The SEC approved the use of the Basel II AIRB approach. Under this approach, a counterparty's risk weight is generally derived from a combination of the Probability of Default (PD), the Loss Given Default (LGD), and the maturity of the trade or portfolio of trades, where:

- PD is an estimate of the probability that an obligor will default over a one-year horizon. PD is derived from the use of internally determined equivalents of public rating agency ratings.
- LGD is an estimate of the economic loss rate if a default occurs during economic downturn conditions. LGD is determined based on industry data.

For OTC derivatives and funding trades (such as repurchase and reverse repurchase transactions), the SEC approved the use of the Basel II IMM approach, which allows EAD to be calculated using model-based measures to determine potential exposure, consistent with models and methodologies that we use for internal risk management purposes. For commitments, EAD was calculated as a percentage of the outstanding notional balance. For other credit exposures, EAD was generally the carrying value of the exposure.

Risk-Weighted Assets for Operational Risk

RWAs for operational risk were calculated using a risk-based methodology consistent with the qualitative and quantitative criteria for the Advanced Measurement Approach (AMA), as defined in Basel II. The methodology incorporated internal loss events, relevant external loss events, results of scenario analyses and management's assessment of our business environment and internal controls. We estimated capital requirements for both expected and unexpected losses, seeking to capture the major drivers of operational risk over a one-year time horizon, at a 99.9% confidence level. Operational risk capital is allocated among our businesses and is regularly reported to senior management and key risk and oversight committees. Given that the quantification of operational risk is still in the early stages of development, the SEC required Goldman Sachs to apply a floor to the capital requirements for operational risk; the level of the floor was slightly higher than the calculation based on the AMA methodology as of August 2008.

Rating Agency Guidelines

The credit rating agencies assign credit ratings to the obligations of The Goldman Sachs Group, Inc., which directly issues or guarantees substantially all of Goldman Sachs' senior unsecured obligations. The level and composition of our equity capital are among the many factors considered in determining our credit ratings. Each agency has its own definition of eligible capital and methodology for evaluating capital adequacy, and assessments are generally based on a combination of factors rather than a single calculation. See "— Liquidity and Funding Risk — Credit Ratings" below for further information regarding our credit ratings.

Subsidiary Capital Requirements

Many of our subsidiaries are subject to separate regulation and capital requirements in the U.S. and/or elsewhere. Goldman, Sachs & Co. and Goldman Sachs Execution & Clearing, L.P. are registered U.S. broker-dealers and futures commissions merchants, and are subject to regulatory capital requirements, including those imposed by the SEC, the Commodity Futures Trading Commission, the Chicago Board of Trade, the Financial Industry Regulatory Authority, Inc. (FINRA) and the National Futures Association. Goldman Sachs International, our regulated U.K. broker-dealer, is subject to minimum capital requirements imposed by the U.K.'s Financial Services Authority. Goldman Sachs Japan Co., Ltd., our regulated Japanese broker-dealer, is subject to minimum capital requirements imposed by Japan's Financial Services Agency. GS Bank USA is a member of the Federal Deposit Insurance Corporation and is subject to the capital adequacy guidelines imposed by the Federal Reserve Board. It is regulated by the State of Utah Department of Financial Institutions and, as of September 26, 2008, the Federal Reserve Board. See Notes 14 and 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information. Goldman Sachs Bank Europe PLC is subject to minimum capital requirements imposed by the Irish Financial Services Regulatory Authority. Several other subsidiaries of Goldman Sachs are regulated by securities, investment advisory, banking, insurance, and other regulators and authorities around the world. As of August 2008 and November 2007, these subsidiaries were in compliance with their local capital requirements.

As discussed above, many of our subsidiaries are subject to regulatory capital requirements in jurisdictions throughout the world. Subsidiaries not subject to separate regulation may hold capital to satisfy local tax guidelines, rating agency requirements (for entities with assigned credit ratings) or internal policies, including policies concerning the minimum amount of capital a subsidiary should hold based on its underlying level of risk. See "— Liquidity and Funding Risk — Conservative Liability Structure" below for a discussion of our potential inability to access funds from our subsidiaries.

Equity investments in subsidiaries are generally funded with parent company equity capital. As of August 2008, Group Inc.'s equity investment in subsidiaries was $39.53 billion compared with its total shareholders' equity of $45.60 billion.

Our capital invested in non-U.S. subsidiaries is generally exposed to foreign exchange risk, substantially all of which is managed through a combination of derivative contracts and non-U.S. denominated debt. In addition, we generally manage the non-trading exposure to foreign exchange risk that arises from transactions denominated in currencies other than the transacting entity's functional currency.

See Notes 14 and 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our regulated subsidiaries.

Equity Capital Management

Our objective is to maintain a sufficient level and optimal composition of equity capital. We manage our capital through repurchases of our common stock and issuances of common and preferred stock, junior subordinated debt issued to trusts and other subordinated debt. We manage

our capital requirements principally by setting limits on balance sheet assets and/or limits on risk, in each case at both the consolidated and business unit levels. We attribute capital usage to each of our business units based upon our regulatory capital framework and manage the levels of usage based upon the balance sheet and risk limits established.

Share Repurchase Program. We use our share repurchase program to help maintain the appropriate level of common equity and to substantially offset increases in share count over time resulting from employee share-based compensation. The repurchase program is effected primarily through regular open-market purchases, the amounts and timing of which are determined primarily by our current and projected capital positions (i.e., comparisons of our desired level of capital to our actual level of capital) but which may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock.

The following table sets forth the level of share repurchases for the three and nine months ended August 2008 and August 2007:

	Three Months Ended August		Nine Months Ended August	
	2008	2007	2008	2007
	(in millions, except per share amounts)			
Number of shares repurchased	1.50	11.16	10.52	29.58
Total cost	$ 271	$ 2,449	$ 2,035	$ 6,272
Average cost per share	$180.07	$219.35	$193.41	$212.03

As of August 2008, we were authorized to repurchase up to 60.9 million additional shares of common stock pursuant to our repurchase program. See "Unregistered Sales of Equity Securities and Use of Proceeds" in Part II, Item 2 of this Quarterly Report on Form 10-Q for additional information on our repurchase program.

Preferred Stock. As of August 2008, Goldman Sachs had 124,000 shares of perpetual non-cumulative preferred stock issued and outstanding in four series as set forth in the following table:

Preferred Stock by Series

Series	Shares Issued	Shares Authorized	Dividend Rate	Earliest Redemption Date	Redemption Value (in millions)
A	30,000	50,000	3 month LIBOR + 0.75%, with floor of 3.75% per annum	April 25, 2010	$ 750
B	32,000	50,000	6.20% per annum	October 31, 2010	800
C	8,000	25,000	3 month LIBOR + 0.75%, with floor of 4.00% per annum	October 31, 2010	200
D	54,000	60,000	3 month LIBOR + 0.67%, with floor of 4.00% per annum	May 24, 2011	1,350
	124,000	185,000			$3,100

Each share of preferred stock issued and outstanding has a par value of $0.01, has a liquidation preference of $25,000, is represented by 1,000 depositary shares and is redeemable at our option at a redemption price equal to $25,000 plus declared and unpaid dividends. Dividends on each series of preferred stock, if declared, are payable quarterly in arrears. Our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, our common stock is subject to certain restrictions in the event that we fail to pay or set aside full dividends on our preferred stock for the latest completed dividend period. All series of preferred stock are pari passu and have a preference over our common stock upon liquidation. Though we are not required to replace any redeemed, defeased or purchased outstanding preferred stock with other capital, it is our current intention to redeem, defease or purchase any such preferred stock only with the proceeds of replacement capital securities, raised within 180 days prior to the applicable redemption, defeasance or purchase date, that have terms and conditions that are at least as equity-like at the time of replacement, as determined by a nationally

recognized rating agency in connection with such replacement, as the preferred stock being redeemed, defeased or purchased; provided, however, that none of the foregoing shall apply to any transactions by any subsidiary in connection with any market-making or other secondary market activities.

Subsequent to August 2008, we issued preferred and common stock and warrants to purchase common stock. See Note 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Junior Subordinated Debt Issued to Trusts in Connection with Normal Automatic Preferred Enhanced Capital Securities. In 2007, we issued $1.75 billion of fixed rate junior subordinated debt to Goldman Sachs Capital II and $500 million of floating rate junior subordinated debt to Goldman Sachs Capital III, Delaware statutory trusts that, in turn, issued $2.25 billion of guaranteed perpetual Automatic Preferred Enhanced Capital Securities (APEX) to third parties and a de minimis amount of common securities to Goldman Sachs. The junior subordinated debt is included in "Unsecured long-term borrowings" in the condensed consolidated statements of financial condition. In connection with the APEX issuance, we entered into stock purchase contracts with Goldman Sachs Capital II and III under which we will be obligated to sell and these entities will be obligated to purchase $2.25 billion of perpetual non-cumulative preferred stock that we will issue in the future. Goldman Sachs Capital II and III are required to remarket the junior subordinated debt in order to fund their purchase of the preferred stock, but in the event that a remarketing is unsuccessful, they will relinquish the subordinated debt to us in exchange for the preferred stock. Because of certain characteristics of the junior subordinated debt (and the associated APEX), including its long-term nature, the future issuance of perpetual non-cumulative preferred stock under the stock purchase contracts, our ability to defer payments due on the debt and the subordinated nature of the debt in our capital structure, it qualified as Tier 1 and Total Allowable Capital for CSE purposes and is included as part of our equity capital.

Junior Subordinated Debt Issued to a Trust in Connection with Trust Preferred Securities. We issued $2.84 billion of junior subordinated debentures in 2004 to Goldman Sachs Capital I, a Delaware statutory trust that, in turn, issued $2.75 billion of guaranteed preferred beneficial interests to third parties and $85 million of common beneficial interests to Goldman Sachs. The junior subordinated debentures are included in "Unsecured long-term borrowings" in the condensed consolidated statements of financial condition. Because of certain characteristics of the junior subordinated debt (and the associated trust preferred securities), including its long-term nature, our ability to defer coupon interest for up to ten consecutive semi-annual periods and the subordinated nature of the debt in our capital structure, it qualified as Tier 1 and Total Allowable Capital for CSE purposes and is included as part of our equity capital.

Subordinated Debt. In addition to junior subordinated debt issued to trusts, we had other outstanding subordinated debt of $14.80 billion as of August 2008. Although not part of our shareholders' equity, substantially all of our subordinated debt qualified as Total Allowable Capital for CSE purposes.

Other Capital Ratios and Metrics

The following table sets forth information on our assets, shareholders' equity, leverage ratios and book value per common share:

	As of	
	August 2008	November 2007
	($ in millions, except per share amounts)	
Total assets	$1,081,773	$1,119,796
Adjusted assets [1]	621,574	747,300
Total shareholders' equity	45,599	42,800
Tangible equity capital [2]	45,384	42,728
Leverage ratio [3]	23.7x	26.2x
Adjusted leverage ratio [4]	13.7x	17.5x
Debt to equity ratio [5]	3.9x	3.8x
Common shareholders' equity	$ 42,499	$ 39,700
Tangible common shareholders' equity [6]	37,284	34,628
Book value per common share [7]	$ 99.30	$ 90.43
Tangible book value per common share [8]	87.11	78.88

[1] Adjusted assets excludes (i) low-risk collateralized assets generally associated with our matched book and securities lending businesses, (ii) cash and securities we segregate for regulatory and other purposes and (iii) goodwill and identifiable intangible assets, excluding power contracts. We do not deduct identifiable intangible assets associated with power contracts from total assets in order to be consistent with the calculation of tangible equity capital and the adjusted leverage ratio (see footnote 2 below).

The following table sets forth the reconciliation of total assets to adjusted assets:

		As of	
		August 2008	November 2007
		(in millions)	
Total assets		$1,081,773	$1,119,796
Deduct:	Securities borrowed	(302,676)	(277,413)
	Financial instruments purchased under agreements to resell, at fair value	(135,415)	(85,717)
Add:	Financial instruments sold, but not yet purchased, at fair value	186,441	215,023
	Less derivative liabilities	(103,904)	(99,378)
	Subtotal	82,537	115,645
Deduct:	Cash and securities segregated for regulatory and other purposes	(99,430)	(119,939)
	Goodwill and identifiable intangible assets, excluding power contracts	(5,215)	(5,072)
Adjusted assets		$ 621,574	$ 747,300

[2] Tangible equity capital equals total shareholders' equity and junior subordinated debt issued to trusts less goodwill and identifiable intangible assets, excluding power contracts. We do not deduct identifiable intangible assets associated with power contracts from total shareholders' equity because, unlike other intangible assets, less than 50% of these assets are supported by common shareholders' equity. We consider junior subordinated debt issued to trusts to be a component of our tangible equity capital base due to certain characteristics of the debt, including its long-term nature, our ability to defer payments due on the debt and the subordinated nature of the debt in our capital structure.

The following table sets forth the reconciliation of total shareholders' equity to tangible equity capital:

	As of	
	August 2008	November 2007
	(in millions)	
Total shareholders' equity	$45,599	$42,800
Add: Junior subordinated debt issued to trusts	5,000	5,000
Deduct: Goodwill and identifiable intangible assets, excluding power contracts	(5,215)	(5,072)
Tangible equity capital	$45,384	$42,728

[3] The leverage ratio equals total assets divided by total shareholders' equity.

[4] The adjusted leverage ratio equals adjusted assets divided by tangible equity capital. We believe that the adjusted leverage ratio is a more meaningful measure of our capital adequacy than the leverage ratio because it excludes certain low-risk collateralized assets that are generally supported with little or no capital and reflects the tangible equity capital deployed in our businesses.

[5] The debt to equity ratio equals unsecured long-term borrowings divided by total shareholders' equity.

[6] Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, excluding power contracts. We do not deduct identifiable intangible assets associated with power contracts from total shareholders' equity because, unlike other intangible assets, less than 50% of these assets are supported by common shareholders' equity.

The following table sets forth the reconciliation of total shareholders' equity to tangible common shareholders' equity:

	As of	
	August 2008	November 2007
	(in millions)	
Total shareholders' equity	$45,599	$42,800
Deduct: Preferred stock	(3,100)	(3,100)
Common shareholders' equity	42,499	39,700
Deduct: Goodwill and identifiable intangible assets, excluding power contracts	(5,215)	(5,072)
Tangible common shareholders' equity	$37,284	$34,628

[7] Book value per common share is based on common shares outstanding, including restricted stock units granted to employees with no future service requirements, of 428.0 million and 439.0 million as of August 2008 and November 2007, respectively.

[8] Tangible book value per common share is computed by dividing tangible common shareholders' equity by the number of common shares outstanding, including restricted stock units granted to employees with no future service requirements.

Contractual Obligations and Commitments

Goldman Sachs has contractual obligations to make future payments related to our unsecured long-term borrowings, secured long-term financings, long-term noncancelable lease agreements and purchase obligations and has commitments under a variety of commercial arrangements.

The following table sets forth our contractual obligations by fiscal maturity date as of August 2008:

Contractual Obligations
(in millions)

	Remainder of 2008	2009-2010	2011-2012	2013-Thereafter	Total
Unsecured long-term borrowings [1][2][3]	$ —	$20,859	$29,230	$126,278	$176,367
Secured long-term financings [1][2][4]	—	2,706	10,124	12,779	25,609
Contractual interest payments [5]	—	18,620	15,390	53,859	87,869
Insurance liabilities [6]	255	965	842	5,988	8,050
Minimum rental payments	115	910	596	2,017	3,638
Purchase obligations	1,193	1,180	24	30	2,427

(1) Obligations maturing within one year of our financial statement date or redeemable within one year of our financial statement date at the option of the holder are excluded from this table and are treated as short-term obligations. See Note 3 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our secured financings.

(2) Obligations that are repayable prior to maturity at the option of Goldman Sachs are reflected at their contractual maturity dates. Obligations that are redeemable prior to maturity at the option of the holder are reflected at the dates such options become exercisable.

(3) Includes $21.49 billion accounted for at fair value under SFAS No. 155 or SFAS No. 159, primarily consisting of hybrid financial instruments and prepaid physical commodity transactions.

(4) These obligations are reported within "Other secured financings" in the condensed consolidated statements of financial condition and include $10.83 billion accounted for at fair value under SFAS No. 159.

(5) Represents estimated future interest payments related to unsecured long-term borrowings and secured long-term financings based on applicable interest rates as of August 2008. Includes stated coupons, if any, on structured notes.

(6) Represents estimated undiscounted payments related to future benefits and unpaid claims arising from policies associated with our insurance activities, excluding separate accounts and recoveries under reinsurance contracts.

As of August 2008, our unsecured long-term borrowings were $176.37 billion, with maturities extending to 2043, and consisted principally of senior borrowings. See Note 5 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our unsecured long-term borrowings.

As of August 2008, our future minimum rental payments, net of minimum sublease rentals, under noncancelable leases were $3.64 billion. These lease commitments, principally for office space, expire on various dates through 2069. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. See Note 6 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our leases.

Our occupancy expenses include costs associated with office space held in excess of our current requirements. This excess space, the cost of which is charged to earnings as incurred, is being held for potential growth or to replace currently occupied space that we may exit in the future. We regularly evaluate our current and future space capacity in relation to current and projected staffing levels. We may incur exit costs in the future to the extent we (i) reduce our space capacity or (ii) commit to, or occupy, new properties in the locations in which we operate and, consequently, dispose of existing space that had been held for potential growth. These exit costs may be material to our results of operations in a given period.

As of August 2008, included in purchase obligations was $768 million related to our offer to repurchase auction rate securities, a $760 million commitment to purchase mortgage loan and servicing assets and $480 million of construction-related obligations. Our construction-related obligations include commitments of $337 million related to our new world headquarters in New York City, which is expected to cost between $2.3 billion and $2.5 billion. We have partially financed this construction project with $1.65 billion of tax-exempt Liberty Bonds.

Due to the uncertainty of the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the above contractual obligations table. See Note 13 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on FIN 48.

The following table sets forth our commitments as of August 2008:

Commitments
(in millions)

	Commitment Amount by Fiscal Period of Expiration				
	Remainder of 2008	2009-2010	2011-2012	2013-Thereafter	Total
Commitments to extend credit					
Commercial lending:					
Investment-grade	$ 1,112	$ 6,811	$ 3,214	$ 2,914	$ 14,051
Non-investment-grade	395	2,700	4,594	5,834	13,523
William Street program	1,097	4,461	16,237	2,661	24,456
Warehouse financing	859	1,914	—	—	2,773
Total commitments to extend credit [1]	3,463	15,886	24,045	11,409	54,803
Forward starting resale and securities borrowing agreements	35,906	5,131	—	—	41,037
Forward starting repurchase and securities lending agreements	7,015	6,824	—	—	13,839
Commitments under letters of credit issued by banks to counterparties	6,629	2,814	221	11	9,675
Investment commitments	2,287	10,491	359	848	13,985
Total	$55,300	$41,146	$24,625	$12,268	$133,339

[1] Commitments to extend credit are net of amounts syndicated to third parties.

Our commitments to extend credit are agreements to lend to counterparties that have fixed termination dates and are contingent on the satisfaction of all conditions to borrowing set forth in the contract. In connection with our lending activities, we had outstanding commitments to extend credit of $54.80 billion as of August 2008. Since these commitments may expire unused or be reduced or cancelled at the counterparty's request, the total commitment amount does not necessarily reflect the actual future cash flow requirements. Our commercial lending commitments are generally extended in connection with contingent acquisition financing and other types of corporate lending as well as commercial real estate financing. We may seek to reduce our credit risk on these commitments by syndicating all or substantial portions of commitments to other investors in the future. In addition, commitments that are extended for contingent acquisition financing are often intended to be short term in nature, as borrowers often seek to replace them with other funding sources.

Included within non-investment-grade commitments as of August 2008 was $2.91 billion of exposure to leveraged lending capital market transactions, $293 million related to commercial real estate transactions and $10.32 billion arising from other unfunded credit facilities. Including funded loans, our total exposure to leveraged lending capital market transactions was $9.54 billion as of August 2008.

The following table sets forth our exposure to leveraged lending capital market transactions by geographic region:

Leveraged Lending Capital Market Exposure by Geographic Region
(in millions)

	As of August 2008		
	Funded	**Unfunded**	**Total**
Americas [1]	$3,283	$2,436	$5,719
EMEA [2]	2,817	397	3,214
Asia	533	78	611
Total	$6,633	$2,911	$9,544

[1] Substantially all relates to the U.S.

[2] EMEA (Europe, Middle East and Africa).

Substantially all of the commitments provided under the William Street credit extension program are to investment-grade corporate borrowers. Commitments under the program are extended by William Street Commitment Corporation (Commitment Corp.), a consolidated wholly owned subsidiary of Group Inc. whose assets and liabilities are legally separated from other assets and liabilities of Goldman Sachs, William Street Credit Corporation, GS Bank USA, Goldman Sachs Credit Partners L.P. or other consolidated wholly owned subsidiaries of Group Inc. The commitments extended by Commitment Corp. are supported, in part, by funding raised by William Street Funding Corporation (Funding Corp.), another consolidated wholly owned subsidiary of Group Inc. whose assets and liabilities are also legally separated from other assets and liabilities of Goldman Sachs. With respect to most of the William Street commitments, SMFG provides us with credit loss protection that is generally limited to 95% of the first loss we realize on approved loan commitments, up to a maximum of $1.00 billion. In addition, subject to the satisfaction of certain conditions, upon our request, SMFG will provide protection for 70% of the second loss on such commitments, up to a maximum of $1.13 billion. We also use other financial instruments to mitigate credit risks related to certain William Street commitments not covered by SMFG.

Our commitments to extend credit also include financing for the warehousing of financial assets. These arrangements are secured by the warehoused assets, primarily consisting of corporate bank loans and commercial mortgages as of August 2008.

See Note 6 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our commitments, contingencies and guarantees.

Market Risk

The potential for changes in the market value of our trading and investing positions is referred to as market risk. Such positions result from market-making, proprietary trading, underwriting, specialist and investing activities. Substantially all of our inventory positions are marked-to-market on a daily basis and changes are recorded in net revenues.

Categories of market risk include exposures to interest rates, equity prices, currency rates and commodity prices. A description of each market risk category is set forth below:

- Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads.
- Equity price risks result from exposures to changes in prices and volatilities of individual equities, equity baskets and equity indices.
- Currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates.
- Commodity price risks result from exposures to changes in spot prices, forward prices and volatilities of commodities, such as electricity, natural gas, crude oil, petroleum products, and precious and base metals.

We seek to manage these risks by diversifying exposures, controlling position sizes and establishing economic hedges in related securities or derivatives. For example, we may hedge a portfolio of common stocks by taking an offsetting position in a related equity-index futures contract. The ability to manage an exposure may, however, be limited by adverse changes in the liquidity of the security or the related hedge instrument and in the correlation of price movements between the security and related hedge instrument.

In addition to applying business judgment, senior management uses a number of quantitative tools to manage our exposure to market risk for “Financial instruments owned, at fair value” and “Financial instruments sold, but not yet purchased, at fair value” in the condensed consolidated statements of financial condition. These tools include:

- risk limits based on a summary measure of market risk exposure referred to as VaR;
- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets; and
- inventory position limits for selected business units.

VaR

VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level.

For the VaR numbers reported below, a one-day time horizon and a 95% confidence level were used. This means that there is a 1 in 20 chance that daily trading net revenues will fall below the expected daily trading net revenues by an amount at least as large as the reported VaR. Thus, shortfalls from expected trading net revenues on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by significant amounts. Shortfalls can also accumulate over a longer time horizon such as a number of consecutive trading days.

The modeling of the risk characteristics of our trading positions involves a number of assumptions and approximations. While we believe that these assumptions and approximations are reasonable, there is no standard methodology for estimating VaR, and different assumptions and/or approximations could produce materially different VaR estimates.

We use historical data to estimate our VaR and, to better reflect current asset volatilities, we generally weight historical data to give greater importance to more recent observations. Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions could produce a materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.

The following tables set forth the daily VaR:

Average Daily VaR [1]
(in millions)

Risk Categories	Average for the Three Months Ended August 2008	Three Months Ended August 2007	Nine Months Ended August 2008	Nine Months Ended August 2007
Interest rates	$ 141	$ 96	$ 130	$ 78
Equity prices	67	97	78	98
Currency rates	25	23	29	20
Commodity prices	51	24	45	26
Diversification effect [2]	(103)	(101)	(108)	(89)
Total	$ 181	$ 139	$ 174	$133

(1) Certain portfolios and individual positions are not included in VaR, where VaR is not the most appropriate measure of risk (e.g., due to transfer restrictions and/or illiquidity). See "— Other Market Risk Measures" below.

(2) Equals the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

Our average daily VaR increased to $181 million for the third quarter of 2008 from $139 million for the third quarter of 2007, principally due to increases in the interest rate and commodity price categories, partially offset by a decrease in the equity price category. The increase in interest rates was primarily due to higher levels of volatility and wider spreads, partially offset by position reductions, and the increase in commodity prices was primarily due to higher levels of volatility. The decrease in equity prices was principally due to position reductions.

VaR excludes the impact of changes in counterparty and our own credit spreads on derivatives as well as changes in our own credit spreads on unsecured borrowings for which the fair value option was elected. The estimated sensitivity of our net revenues to a one basis point increase in credit spreads (counterparty and our own) on derivatives was $4 million as of August 2008. In addition, the estimated sensitivity of our net revenues to a one basis point increase in our own credit spreads on unsecured borrowings for which the fair value option was elected was $2 million (including hedges) as of August 2008.

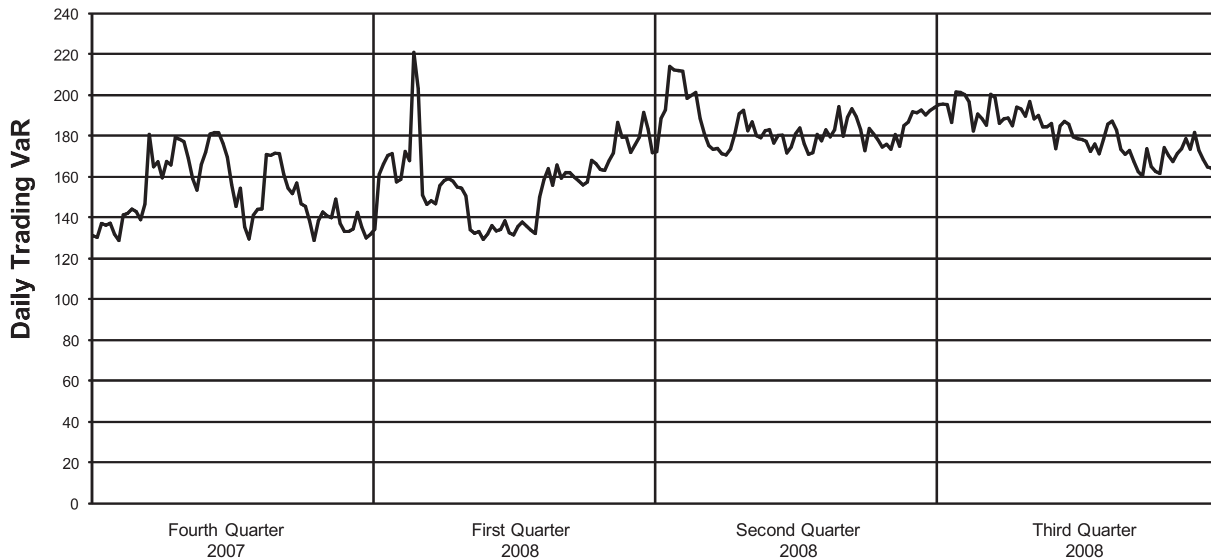
Daily VaR
(in millions)

Risk Categories	As of August 2008	As of May 2008	Three Months Ended August 2008 High	Three Months Ended August 2008 Low
Interest rates	$133	$ 149	$152	$129
Equity prices	59	86	84	50
Currency rates	21	26	32	19
Commodity prices	45	54	68	38
Diversification effect [1]	(99)	(121)		
Total	$159	$ 194	$201	$159

(1) Equals the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.

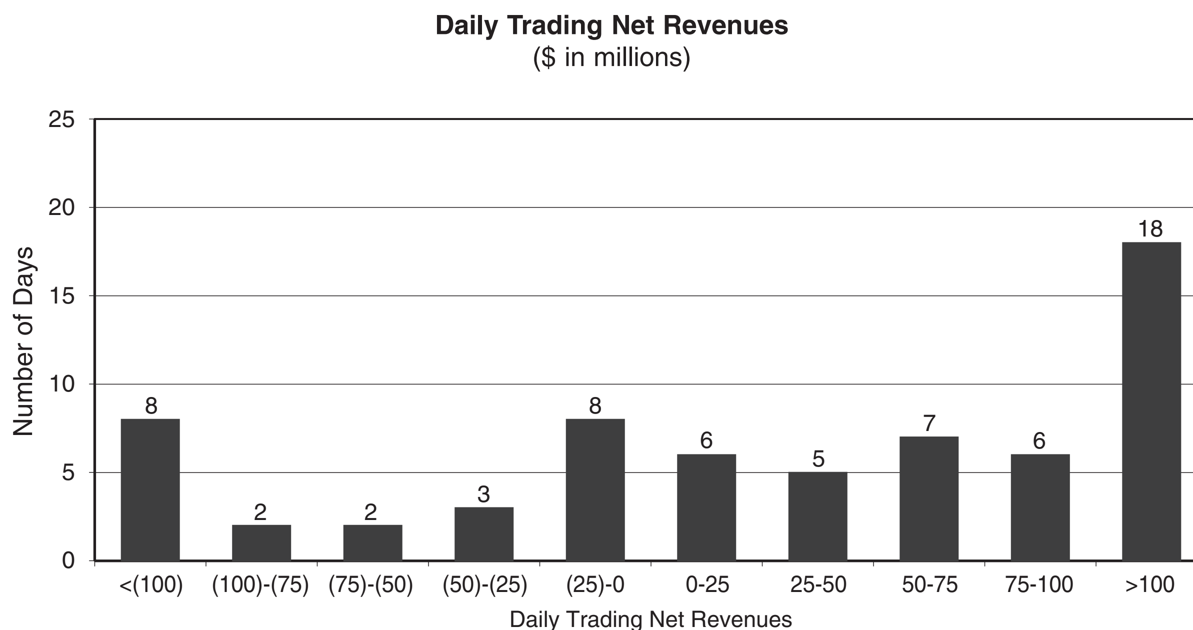
Our daily VaR decreased to $159 million as of August 2008 from $194 million as of May 2008. The decrease was due to lower exposures across all risk categories, partially offset by higher market volatility and wider spreads.

Daily VaR
($ in millions)



Trading Net Revenues Distribution

The following chart sets forth the frequency distribution of our daily trading net revenues for substantially all inventory positions included in VaR for the quarter ended August 2008:



As part of our overall risk control process, daily trading net revenues are compared with VaR calculated as of the end of the prior business day. Trading losses incurred on a single day exceeded our 95% one-day VaR on two occasions during the third quarter of 2008.

Other Market Risk Measures

Certain portfolios and individual positions are not included in VaR, where VaR is not the most appropriate measure of risk (e.g., due to transfer restrictions and/or illiquidity). The market risk related to our investment in the ordinary shares of ICBC, excluding interests held by investment funds managed by Goldman Sachs, is measured by estimating the potential reduction in net revenues associated with a 10% decline in the ICBC ordinary share price. The market risk related to the remaining positions is measured by estimating the potential reduction in net revenues associated with a 10% decline in asset values.

The sensitivity analyses for equity and debt positions in our trading portfolio and equity, debt (primarily mezzanine instruments) and real estate positions in our non-trading portfolio are measured by the impact of a decline in the asset values (including the impact of leverage in the underlying investments for real estate positions in our non-trading portfolio) of such positions. The fair value of the underlying positions may be impacted by factors such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

The following table sets forth market risk for positions not included in VaR. These measures do not reflect diversification benefits across asset categories and, given the differing likelihood of the potential declines in asset categories, these measures have not been aggregated:

Asset Categories	10% Sensitivity Measure	10% Sensitivity Amount as of August 2008	10% Sensitivity Amount as of May 2008
		(in millions)	
Trading Risk [1]			
Equity	Underlying asset value	$1,060	$1,102
Debt	Underlying asset value	1,013	1,147
Non-trading Risk			
ICBC	ICBC ordinary share price	262	262
Other Equity	Underlying asset value	1,253	1,224
Debt	Underlying asset value	745	637
Real Estate [2]	Underlying asset value	1,399	1,369

(1) In addition to the positions in these portfolios, which are accounted for at fair value, we make investments accounted for under the equity method and we also make direct investments in real estate, both of which are included in "Other assets" in the condensed consolidated statements of financial condition. Direct investments in real estate are accounted for at cost less accumulated depreciation. See Note 10 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information on "Other assets."

(2) Relates to interests in our real estate investment funds.

The decrease in our 10% sensitivity measures as of August 2008 from May 2008 for equity and debt positions in our trading portfolio was primarily due to a decrease in the fair value of the portfolio. The increase in our 10% sensitivity measure as of August 2008 from May 2008 for debt positions in our non-trading portfolio was primarily due to new investments.

In addition, as of August 2008, we held approximately $15.58 billion of financial instruments in our bank and insurance subsidiaries, primarily consisting of $5.53 billion of money market instruments, $3.42 billion of mortgage and other asset-backed loans and securities, $3.34 billion of U.S. government, federal agency and sovereign obligations, $2.62 billion of corporate debt securities and other debt obligations, and $537 million of bank loans. In addition, as of August 2008, in GS Bank USA we had $2.87 billion of outstanding lending commitments outside of the William Street credit extension program. As of May 2008, we held approximately $13.96 billion of financial instruments in our bank and insurance subsidiaries, consisting of $4.34 billion of money market instruments, $4.00 billion of mortgage and other asset-backed loans and securities, $2.72 billion of U.S. government, federal agency and sovereign obligations, and $2.90 billion of corporate debt securities and other debt obligations. In addition, as of May 2008, in GS Bank USA we had $3.60 billion of outstanding lending commitments outside of the William Street credit extension program.

Credit Risk

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations to us, or upon a deterioration in the credit quality of third parties whose securities or other instruments, including OTC derivatives, we hold. Our exposure to credit risk principally arises through our trading, investing and financing activities. To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. In addition, we attempt to further reduce credit risk with certain counterparties by (i) entering into agreements that enable us to obtain collateral from a counterparty on an upfront or contingent basis, (ii) seeking third-party guarantees of the counterparty's obligations, and/or (iii) transferring our credit risk to third parties using credit derivatives and/or other structures and techniques.

To measure and manage our credit exposures, we use a variety of tools, including credit limits referenced to both current exposure and potential exposure. Potential exposure is generally based on projected worst-case market movements over the life of a transaction. In addition, as part of our market risk management process, for positions measured by changes in credit spreads, we use VaR and other sensitivity measures. To supplement our primary credit exposure measures, we also use scenario analyses, such as credit spread widening scenarios, stress tests and other quantitative tools.

Our global credit management systems monitor credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. These systems also provide management, including the Firmwide Risk and Credit Policy Committees, with information regarding credit risk by product, industry sector, country and region.

While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and other institutional clients, resulting in significant credit concentration with respect to this industry. In the ordinary course of business, we may also be subject to a concentration of credit risk to a particular counterparty, borrower or issuer.

As of August 2008 and November 2007, we held $58.36 billion (5% of total assets) and $45.75 billion (4% of total assets), respectively, of U.S. government and federal agency obligations included in “Financial instruments owned, at fair value” and “Cash and securities segregated for regulatory and other purposes” in the condensed consolidated statements of financial condition. As of August 2008 and November 2007, we held $29.22 billion (3% of total assets) and $31.65 billion (3% of total assets), respectively, of other sovereign obligations, principally consisting of securities issued by the governments of Japan and the United Kingdom. In addition, as of August 2008 and November 2007, $163.65 billion and $144.92 billion of our financial instruments purchased under agreements to resell and securities borrowed (including those in “Cash and securities segregated for regulatory and other purposes”), respectively, were collateralized by U.S. government and federal agency obligations. As of August 2008 and November 2007, $54.73 billion and $41.26 billion of our financial instruments purchased under agreements to resell and securities borrowed, respectively, were collateralized by other sovereign obligations. As of August 2008 and November 2007, we did not have credit exposure to any other counterparty that exceeded 2% of our total assets. However, over the past several years, the amount and duration of our credit exposures have been increasing, due to, among other factors, the growth of our lending and OTC derivative activities and market evolution toward longer-dated transactions. A further discussion of our derivative activities follows below.

Derivatives

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts, that derive their value from underlying assets, indices, reference rates or a combination of these factors. Derivative instruments may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange.

Substantially all of our derivative transactions are entered into to facilitate client transactions, to take proprietary positions or as a means of risk management. In addition to derivative transactions entered into for trading purposes, we enter into derivative contracts to manage currency exposure on our net investment in non-U.S. operations and to manage the interest rate and currency exposure on our long-term borrowings and certain short-term borrowings.

Derivatives are used in many of our businesses, and we believe that the associated market risk can only be understood relative to all of the underlying assets or risks being hedged, or as part of a broader trading strategy. Accordingly, the market risk of derivative positions is managed together with our nonderivative positions.

The fair value of our derivative contracts is reflected net of cash paid or received pursuant to credit support agreements and is reported on a net-by-counterparty basis in our condensed consolidated statements of financial condition when we believe a legal right of setoff exists under an enforceable netting agreement. For an OTC derivative, our credit exposure is directly with our counterparty and continues until the maturity or termination of such contract.

The following tables set forth the fair values of our OTC derivative assets and liabilities by product and by remaining contractual maturity:

OTC Derivatives
(in millions)

Assets	As of August 2008					
Contract Type	0 - 6 Months	6 - 12 Months	1 - 5 Years	5 - 10 Years	10 Years or Greater	Total
Interest rates [1]	$ 9,954	$ 9,652	$55,821	$35,236	$41,507	$152,170
Currencies	17,313	5,312	10,389	5,259	2,916	41,189
Commodities	9,252	4,247	19,320	1,329	1,943	36,091
Equities	7,274	5,584	2,510	4,237	710	20,315
Netting across contract types [2]	(1,764)	(1,154)	(4,546)	(2,013)	(809)	(10,286)
Subtotal	$42,029	$23,641	$83,494	$44,048	$46,267	$239,479
Cross maturity netting [3]						(33,347)
Cash collateral netting [4]						(98,778)
Total						$107,354

Liabilities						
Contract Type	0 - 6 Months	6 - 12 Months	1 - 5 Years	5 - 10 Years	10 Years or Greater	Total
Interest rates [1]	$10,402	$ 3,791	$23,949	$12,688	$20,415	$ 71,245
Currencies	16,420	3,822	9,178	2,750	1,205	33,375
Commodities	10,230	5,456	15,397	2,974	776	34,833
Equities	6,520	5,017	4,637	2,301	248	18,723
Netting across contract types [2]	(1,764)	(1,154)	(4,546)	(2,013)	(809)	(10,286)
Subtotal	$41,808	$16,932	$48,615	$18,700	$21,835	$147,890
Cross maturity netting [3]						(33,347)
Cash collateral netting [4]						(26,262)
Total						$ 88,281

(1) Includes credit derivatives.

(2) Represents the netting of receivable balances with payable balances for the same counterparty across contract types within a maturity category, pursuant to credit support agreements.

(3) Represents the netting of receivable balances with payable balances for the same counterparty across maturity categories, pursuant to credit support agreements.

(4) Represents the netting of cash collateral received and posted on a counterparty basis pursuant to credit support agreements.

OTC Derivatives
(in millions)

Assets	As of November 2007					
Contract Type	**0 - 6 Months**	**6 - 12 Months**	**1 - 5 Years**	**5 - 10 Years**	**10 Years or Greater**	**Total**
Interest rates [1]	$10,382	$10,242	$23,000	$22,520	$47,591	$113,735
Currencies	16,994	4,797	9,275	5,106	2,127	38,299
Commodities	4,712	2,321	12,064	1,766	899	21,762
Equities	11,213	4,702	5,312	4,273	1,603	27,103
Netting across contract types [2]	(1,501)	(960)	(4,694)	(1,975)	(1,106)	(10,236)
Subtotal	$41,800	$21,102	$44,957	$31,690	$51,114	$190,663
Cross maturity netting [3]						(39,540)
Cash collateral netting [4]						(59,050)
Total						$ 92,073

Liabilities						
Contract Type	**0 - 6 Months**	**6 - 12 Months**	**1 - 5 Years**	**5 - 10 Years**	**10 Years or Greater**	**Total**
Interest rates [1]	$11,362	$ 6,710	$21,673	$13,743	$25,404	$ 78,892
Currencies	14,205	3,559	9,815	1,446	1,772	30,797
Commodities	5,883	3,638	9,690	2,757	506	22,474
Equities	11,174	8,357	7,723	3,833	1,382	32,469
Netting across contract types [2]	(1,501)	(960)	(4,694)	(1,975)	(1,106)	(10,236)
Subtotal	$41,123	$21,304	$44,207	$19,804	$27,958	$154,396
Cross maturity netting [3]						(39,540)
Cash collateral netting [4]						(27,758)
Total						$ 87,098

(1) Includes credit derivatives.

(2) Represents the netting of receivable balances with payable balances for the same counterparty across contract types within a maturity category, pursuant to credit support agreements.

(3) Represents the netting of receivable balances with payable balances for the same counterparty across maturity categories, pursuant to credit support agreements.

(4) Represents the netting of cash collateral received and posted on a counterparty basis pursuant to credit support agreements.

We enter into certain OTC option transactions that provide us or our counterparties with the right to extend the maturity of the underlying contract. The fair value of these option contracts is not material to the aggregate fair value of our OTC derivative portfolio. In the tables above, for option contracts that require settlement by delivery of an underlying derivative instrument, the remaining contractual maturity is generally classified based upon the maturity date of the underlying derivative instrument. In those instances where the underlying instrument does not have a maturity date or either counterparty has the right to settle in cash, the remaining contractual maturity is generally based upon the option expiration date.

The following tables set forth the distribution, by credit rating, of our exposure with respect to OTC derivatives by remaining contractual maturity, both before and after consideration of the effect of collateral and netting agreements. The categories shown reflect our internally determined public rating agency equivalents:

OTC Derivative Credit Exposure
(in millions)

	As of August 2008								
Credit Rating Equivalent	**0 - 6 Months**	**6 - 12 Months**	**1 - 5 Years**	**5 - 10 Years**	**10 Years or Greater**	**Total**	**Netting [1]**	**Exposure**	**Exposure Net of Collateral**
AAA/Aaa	$ 2,815	$ 1,541	$ 5,992	$ 2,517	$ 2,582	$ 15,447	$ (4,092)	$ 11,355	$ 8,541
AA/Aa2	12,911	9,896	33,067	20,568	19,482	95,924	(65,310)	30,614	27,561
A/A2	11,852	6,006	21,998	10,943	13,932	64,731	(35,583)	29,148	21,791
BBB/Baa2	7,186	2,403	12,049	5,437	8,089	35,164	(20,272)	14,892	10,355
BB/Ba2 or lower	6,311	3,187	9,433	4,231	2,039	25,201	(6,730)	18,471	10,514
Unrated	954	608	955	352	143	3,012	(138)	2,874	1,653
Total	$42,029	$23,641	$83,494	$44,048	$46,267	$239,479	$(132,125)	$107,354	$80,415

	As of November 2007								
Credit Rating Equivalent	**0 - 6 Months**	**6 - 12 Months**	**1 - 5 Years**	**5 - 10 Years**	**10 Years or Greater**	**Total**	**Netting [1]**	**Exposure**	**Exposure Net of Collateral**
AAA/Aaa	$ 4,013	$ 2,037	$ 3,354	$ 2,893	$ 7,875	$ 20,172	$ (3,489)	$ 16,683	$14,596
AA/Aa2	14,696	7,583	14,339	13,184	22,708	72,510	(43,948)	28,562	24,419
A/A2	11,589	4,670	13,380	10,012	15,133	54,784	(34,042)	20,742	16,189
BBB/Baa2	3,231	1,056	5,774	1,707	2,777	14,545	(4,649)	9,896	6,558
BB/Ba2 or lower	4,969	2,348	5,676	3,347	2,541	18,881	(5,185)	13,696	7,478
Unrated	3,302	3,408	2,434	547	80	9,771	(7,277)	2,494	1,169
Total	$41,800	$21,102	$44,957	$31,690	$51,114	$190,663	$ (98,590)	$ 92,073	$70,409

[1] Represents the netting of receivable balances with payable balances for the same counterparty across maturity categories and the netting of cash collateral received, pursuant to credit support agreements. Receivable and payable balances with the same counterparty in the same maturity category are netted within such maturity category, where appropriate.

Derivative transactions may also involve legal risks including the risk that they are not authorized or appropriate for a counterparty, that documentation has not been properly executed or that executed agreements may not be enforceable against the counterparty. We attempt to minimize these risks by obtaining advice of counsel on the enforceability of agreements as well as on the authority of a counterparty to effect the derivative transaction. In addition, certain derivative transactions (e.g., credit derivative contracts) involve the risk that we may have difficulty obtaining, or be unable to obtain, the underlying security or obligation in order to satisfy any physical settlement requirement.

Liquidity and Funding Risk

Liquidity is of critical importance to companies in the financial services sector. Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances. Accordingly, Goldman Sachs has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both Goldman Sachs-specific and broader industry or market liquidity events. Our principal objective is to be able to fund Goldman Sachs and to enable our core businesses to continue to generate revenues, even under adverse circumstances.

We have implemented a number of policies according to the following liquidity risk management framework:

- Excess Liquidity — We maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment, including financing obligations.
- Asset-Liability Management — We seek to maintain secured and unsecured funding sources that are sufficiently long-term in order to withstand a prolonged or severe liquidity-stressed environment without having to rely on asset sales.
- Conservative Liability Structure — We seek to access funding across a diverse range of markets, products and counterparties, emphasize less credit-sensitive sources of funding and conservatively manage the distribution of funding across our entity structure.
- Crisis Planning — We base our liquidity and funding management on stress-scenario planning and maintain a crisis plan detailing our response to a liquidity-threatening event.

Excess Liquidity

Our most important liquidity policy is to pre-fund what we estimate will be our likely cash needs during a liquidity crisis and hold such excess liquidity in the form of unencumbered, highly liquid securities that may be sold or pledged to provide same-day liquidity. This “Global Core Excess” is intended to allow us to meet immediate obligations without needing to sell other assets or depend on additional funding from credit-sensitive markets. We believe that this pool of excess liquidity provides us with a resilient source of funds and gives us significant flexibility in managing through a difficult funding environment. Our Global Core Excess reflects the following principles:

- The first days or weeks of a liquidity crisis are the most critical to a company’s survival.
- Focus must be maintained on all potential cash and collateral outflows, not just disruptions to financing flows. Goldman Sachs’ businesses are diverse, and its cash needs are driven by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment.
- During a liquidity crisis, credit-sensitive funding, including unsecured debt and some types of secured financing agreements, may be unavailable, and the terms or availability of other types of secured financing may change.
- As a result of our policy to pre-fund liquidity that we estimate may be needed in a crisis, we hold more unencumbered securities and have larger unsecured debt balances than our businesses would otherwise require. We believe that our liquidity is stronger with greater balances of highly liquid unencumbered securities, even though it increases our unsecured liabilities.

The size of our Global Core Excess is based on an internal liquidity model together with a qualitative assessment of the condition of the financial markets and of Goldman Sachs. Our liquidity model identifies and estimates cash and collateral outflows over a short-term horizon in a liquidity crisis, including, but not limited to:

- upcoming maturities of unsecured debt and letters of credit;
- potential buybacks of a portion of our outstanding negotiable unsecured debt;
- adverse changes in the terms or availability of secured funding;
- derivatives and other margin and collateral outflows, including those due to market moves;
- potential cash outflows associated with our prime brokerage business;
- additional collateral that could be called in the event of a two-notch downgrade in our credit ratings;
- draws on our unfunded commitments not supported by William Street Funding Corporation [1]; and
- upcoming cash outflows, such as tax and other large payments.

The following table sets forth the average loan value (the estimated amount of cash that would be advanced by counterparties against these securities) of our Global Core Excess:

	Three Months Ended August 2008	Year Ended November 2007
	(in millions)	
U.S. dollar-denominated	$ 90,468	$48,635
Non-U.S. dollar-denominated	11,864	11,928
Total Global Core Excess	$102,332	$60,563

The U.S. dollar-denominated excess is comprised of only unencumbered U.S. government securities, U.S. agency securities and highly liquid U.S. agency mortgage-backed securities, all of which are Federal Reserve repo-eligible, as well as overnight cash deposits. Our non-U.S. dollar-denominated excess is comprised of only unencumbered French, German, United Kingdom and Japanese government bonds and euro, British pound and Japanese yen overnight cash deposits. We strictly limit our Global Core Excess to this narrowly defined list of securities and cash because we believe they are highly liquid, even in a difficult funding environment. We do not believe other potential sources of excess liquidity, such as lower-quality unencumbered securities or committed credit facilities, are as reliable in a liquidity crisis.

The majority of our Global Core Excess is structured such that it is available to meet the liquidity requirements of our parent company, Group Inc., and all of its subsidiaries. The remainder is held in our principal non-U.S. operating entities, primarily to better match the currency and timing requirements for those entities' potential liquidity obligations.

In addition to our Global Core Excess, we have a significant amount of other unencumbered securities as a result of our business activities. These assets, which are located in the U. S., Europe and Asia, include other government bonds, high-grade money market securities, corporate bonds and marginable equities. We do not include these securities in our Global Core Excess.

[1] The Global Core Excess excludes liquid assets of $4.90 billion held separately by William Street Funding Corporation. See "— Contractual Obligations and Commitments" above for a further discussion of the William Street credit extension program.

We maintain our Global Core Excess and other unencumbered assets in an amount that, if pledged or sold, would provide the funds necessary to replace at least 110% of our unsecured obligations that are scheduled to mature (or where holders have the option to redeem) within the next 12 months. We assume conservative loan values that are based on stress-scenario borrowing capacity and we regularly review these assumptions asset class by asset class. The estimated aggregate loan value of our Global Core Excess and our other unencumbered assets averaged $181.60 billion and $156.74 billion for the three months ended August 2008 and year ended November 2007, respectively.

Asset-Liability Management

We seek to maintain a highly liquid balance sheet and substantially all of our inventory is marked-to-market daily. We utilize aged inventory limits for certain financial instruments as a disincentive to our businesses to hold inventory over longer periods of time. We believe that these limits provide a complementary mechanism for ensuring appropriate balance sheet liquidity in addition to our standard position limits. Although our balance sheet fluctuates due to seasonal activity, market conventions and periodic market opportunities in certain of our businesses, our total assets and adjusted assets at financial statement dates are not materially different from those occurring within our reporting periods.

We seek to manage the maturity profile of our secured and unsecured funding base such that we should be able to liquidate our assets prior to our liabilities coming due, even in times of prolonged or severe liquidity stress. We do not rely on immediate sales of assets (other than our Global Core Excess) to maintain liquidity in a distressed environment, although we recognize orderly asset sales may be prudent and necessary in a persistent liquidity crisis.

In order to avoid reliance on asset sales, our goal is to ensure that we have sufficient total capital (unsecured long-term borrowings plus total shareholders' equity) to fund our balance sheet for at least one year. The target amount of our total capital is based on an internal liquidity model, which incorporates, among other things, the following long-term financing requirements:

- the portion of financial instruments owned that we believe could not be funded on a secured basis in periods of market stress, assuming conservative loan values;
- goodwill and identifiable intangible assets, property, leasehold improvements and equipment, and other illiquid assets;
- derivative and other margin and collateral requirements;
- anticipated draws on our unfunded loan commitments; and
- capital or other forms of financing in our regulated subsidiaries that are in excess of their long-term financing requirements. See "— Conservative Liability Structure" below for a further discussion of how we fund our subsidiaries.

Certain financial instruments may be more difficult to fund on a secured basis during times of market stress. Accordingly, we generally hold higher levels of total capital for these assets than more liquid types of financial instruments. The following table sets forth our aggregate holdings in these categories of financial instruments:

	As of	
	August 2008	November 2007
	(in millions)	
Mortgage and other asset-backed loans and securities	$29,540	$46,436 [6]
Bank loans and bridge loans [1]	29,045	49,154
Emerging market debt securities	2,264	3,343
High-yield and other debt obligations	13,031	12,807
Private equity and real estate fund investments [2]	20,636	16,244
Emerging market equity securities	4,448	8,014
ICBC ordinary shares [3]	7,137	6,807
SMFG convertible preferred stock [4]	1,941	4,060
Other restricted public equity securities	1,464	3,455
Other investments in funds [5]	3,241	3,437

(1) Includes funded commitments and inventory held in connection with our origination and secondary trading activities.

(2) Includes interests in our merchant banking funds. Such amounts exclude assets related to consolidated investment funds of $2.63 billion and $8.13 billion as of August 2008 and November 2007, respectively, for which Goldman Sachs does not bear economic exposure.

(3) Includes interests of $4.51 billion and $4.30 billion as of August 2008 and November 2007, respectively, held by investment funds managed by Goldman Sachs.

(4) During our second quarter of 2008, we converted one-third of our preferred stock investment into SMFG common stock, and delivered the common stock to close out one-third of our hedge position.

(5) Includes interests in other investment funds that we manage.

(6) Excludes $7.64 billion as of November 2007 of mortgage whole loans that were transferred to securitization vehicles where such transfers were accounted for as secured financings rather than sales under SFAS No. 140. We distributed to investors the securities that were issued by the securitization vehicles and therefore did not bear economic exposure to the underlying mortgage whole loans.

A large portion of these assets are funded through secured funding markets or nonrecourse financing. We focus on demonstrating a consistent ability to fund these assets on a secured basis for extended periods of time to reduce refinancing risk and to help ensure that they have an established amount of loan value in order that they can be funded in periods of market stress.

See Note 3 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding the financial instruments we hold.

Conservative Liability Structure

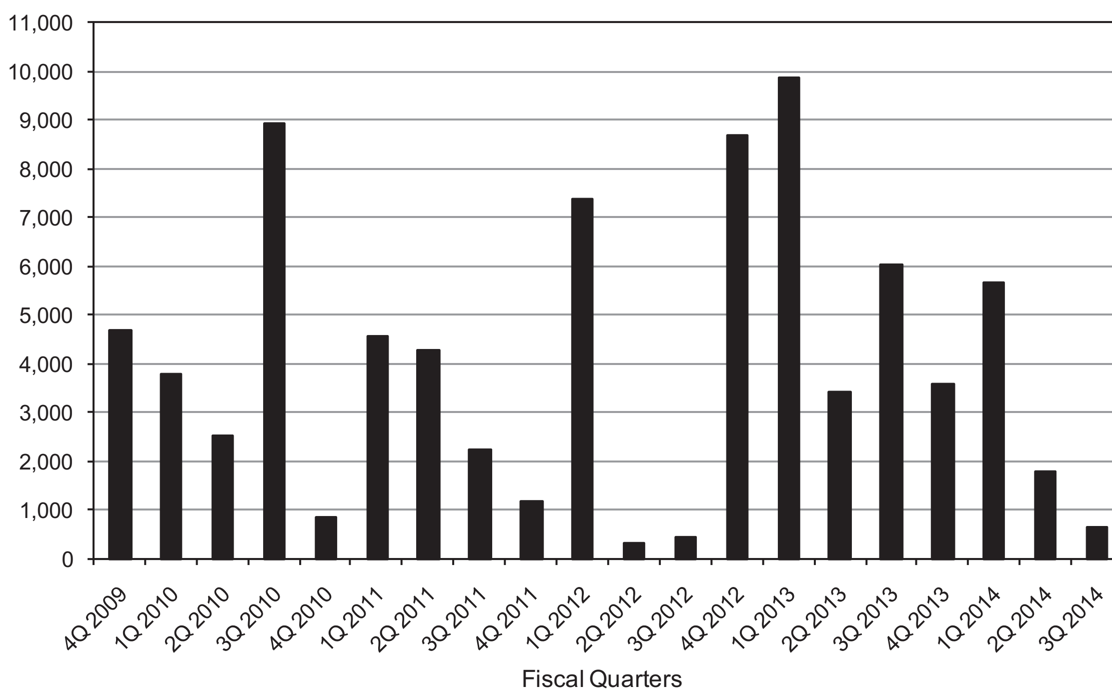
We seek to structure our liabilities conservatively to reduce refinancing risk and the risk that we may be required to redeem or repurchase certain of our borrowings prior to their contractual maturity.

We fund a substantial portion of our inventory on a secured basis, which we believe provides Goldman Sachs with a more stable source of liquidity than unsecured financing, as it is less sensitive to changes in our credit due to the underlying collateral. We recognize that the terms or availability of secured funding, particularly overnight funding, can deteriorate in a difficult environment. To help mitigate this risk, we raise the majority of our funding for durations longer than overnight. We seek longer durations for secured funding collateralized by lower-quality assets, as we believe these funding transactions may pose greater refinancing risk. The weighted average life of our secured funding, excluding funding collateralized by highly liquid securities, such as U.S., French, German, United Kingdom and Japanese government bonds, and U.S. agency securities, exceeded 100 days as of August 2008.

Our liquidity also depends to an important degree on the stability of our short-term unsecured financing base. Accordingly, we prefer the use of promissory notes (in which Goldman Sachs does not make a market) over commercial paper, which we may repurchase prior to maturity through the ordinary course of business as a market maker. As of August 2008 and November 2007, our unsecured short-term borrowings, including the current portion of unsecured long-term borrowings, were $64.65 billion and $71.56 billion, respectively. See Note 4 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding our unsecured short-term borrowings.

We issue long-term borrowings as a source of total capital in order to meet our long-term financing requirements. The following table sets forth our quarterly unsecured long-term borrowings maturity profile through the third quarter of 2014:

Unsecured Long-Term Borrowings Maturity Profile
($ in millions)



The weighted average maturity of our unsecured long-term borrowings as of August 2008 was approximately eight years. To mitigate refinancing risk, we seek to limit the principal amount of debt maturing on any one day or during any week or year. We swap a substantial portion of our long-term borrowings into U.S. dollar obligations with short-term floating interest rates in order to minimize our exposure to interest rates and foreign exchange movements.

We issue substantially all of our unsecured debt without provisions that would, based solely upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price, trigger a requirement for an early payment, collateral support, change in terms, acceleration of maturity or the creation of an additional financial obligation.

We seek to maintain broad and diversified funding sources globally for both secured and unsecured funding. We make extensive use of the repurchase agreement and securities lending markets, as well as other secured funding markets. In addition, we issue debt through syndicated U.S. registered offerings, U.S. registered and 144A medium-term note programs, offshore medium-term note offerings and other bond offerings, U.S. and non-U.S. commercial paper and promissory note issuances, and other methods. We also arrange for letters of credit to be issued on our behalf.

We benefit from distributing our debt issuances through our own sales force to a large, diverse global creditor base and we believe that our relationships with our creditors are critical to our liquidity. Our creditors include banks, governments, securities lenders, pension funds, insurance companies and mutual funds. We access funding in a variety of markets in the Americas, Europe and Asia. We have imposed various internal guidelines on creditor concentration, including the amount of our commercial paper that can be owned and letters of credit that can be issued by any single creditor or group of creditors.

Over the last several months, U.S. regulatory agencies including primarily the Federal Reserve Board, the Federal Reserve Bank of New York and the U.S. Department of the Treasury have taken a number of steps to enhance the liquidity support available to financial services companies such as Group Inc., Goldman, Sachs & Co. and Goldman Sachs International. These steps have included (i) expanding the types and quality of assets that can be used as collateral for borrowings by primary dealers from the Federal Reserve Bank of New York under the primary dealer credit facility ("PDCF"), (ii) extending the term for which the Federal Reserve will lend Treasury securities to primary dealers under its term securities lending facility, (iii) adopting temporary exceptions to the Federal Reserve Act limitations on transactions between insured depository institutions, such as our subsidiary GS Bank USA, and their affiliates to permit them to provide liquidity to their affiliates for assets typically funded in the tri-party repo market, and (iv) authorizing the Federal Reserve Bank of New York to extend credit to the U.S.- and London-based broker-dealer subsidiaries of Group Inc. and those of two other institutions against all types of collateral that may be pledged at the PDCF. On September 21, 2008, Group Inc. became a bank holding company regulated by the Federal Reserve Board under the U.S. Bank Holding Company Act of 1956. GS Bank USA, a wholly owned industrial bank, became a member of the Federal Reserve System on September 26, 2008 and is now regulated by the Federal Reserve Board and by the State of Utah Department of Financial Institutions. See Note 16 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

See "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for a discussion of factors that could impair our ability to access the capital markets.

Subsidiary Funding Policies. Substantially all of our unsecured funding is raised by our parent company, Group Inc. The parent company then lends the necessary funds to its subsidiaries, some of which are regulated, to meet their asset financing and capital requirements. In addition, the parent company provides its regulated subsidiaries with the necessary capital to meet their regulatory requirements. The benefits of this approach to subsidiary funding include enhanced control and greater flexibility to meet the funding requirements of our subsidiaries.

Our intercompany funding policies are predicated on an assumption that, unless legally provided for, funds or securities are not freely available from a subsidiary to its parent company or other subsidiaries. In particular, many of our subsidiaries are subject to laws that authorize regulatory bodies to block or limit the flow of funds from those subsidiaries to Group Inc. Regulatory action of that kind could impede access to funds that Group Inc. needs to make payments on obligations, including debt obligations. As such, we assume that capital or other financing provided to our regulated subsidiaries is not available to our parent company or other subsidiaries. In addition, we assume that the Global Core Excess held in our principal non-U.S. operating entities may not be

available to our parent company or other subsidiaries and therefore may only be available to meet the potential liquidity requirements of those entities.

We also manage our liquidity risk by requiring senior and subordinated intercompany loans to have maturities equal to or shorter than the maturities of the aggregate borrowings of the parent company. This policy ensures that the subsidiaries' obligations to the parent company will generally mature in advance of the parent company's third-party borrowings. In addition, many of our subsidiaries and affiliates maintain unencumbered assets to cover their intercompany borrowings (other than subordinated debt) in order to mitigate parent company liquidity risk.

Group Inc. has provided substantial amounts of equity and subordinated indebtedness, directly or indirectly, to its regulated subsidiaries; for example, as of August 2008, Group Inc. had $25.23 billion of such equity and subordinated indebtedness invested in Goldman, Sachs & Co., its principal U.S. registered broker-dealer; $23.43 billion invested in Goldman Sachs International, a regulated U.K. broker-dealer; $2.27 billion invested in Goldman Sachs Execution & Clearing, L.P., a U.S. registered broker-dealer; and $3.43 billion invested in Goldman Sachs Japan Co., Ltd., a regulated Japanese broker-dealer. Group Inc. also had $67.81 billion of unsubordinated loans to these entities as of August 2008, as well as significant amounts of capital invested in and loans to its other regulated subsidiaries.

Crisis Planning

In order to be prepared for a liquidity event, or a period of market stress, we base our liquidity risk management framework and our resulting funding and liquidity policies on conservative stress-scenario assumptions. Our planning incorporates several market-based and operational stress scenarios. We also periodically conduct liquidity crisis drills to test our lines of communication and backup funding procedures.

In addition, we maintain a liquidity crisis plan that specifies an approach for analyzing and responding to a liquidity-threatening event. The plan provides the framework to estimate the likely impact of a liquidity event on Goldman Sachs based on some of the risks identified above and outlines which and to what extent liquidity maintenance activities should be implemented based on the severity of the event. It also lists the crisis management team and internal and external parties to be contacted to ensure effective distribution of information.

Credit Ratings

We rely upon the short-term and long-term debt capital markets to fund a significant portion of our day-to-day operations. The cost and availability of debt financing is influenced by our credit ratings. Credit ratings are important when we are competing in certain markets and when we seek to engage in longer-term transactions, including OTC derivatives. We believe our credit ratings are primarily based on the credit rating agencies' assessment of our liquidity, market, credit and operational risk management practices, the level and variability of our earnings, our capital base, our franchise, reputation and management, our corporate governance and the external operating environment. See "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for a discussion of the risks associated with a reduction in our credit ratings.

The following table sets forth our unsecured credit ratings as of August 2008:

	Short-Term Debt	Long-Term Debt	Subordinated Debt	Preferred Stock
Dominion Bond Rating Service Limited (DBRS)	R-1 (middle)	AA (low)	A (high)	A
Fitch, Inc.	F1+	AA–	A+	A+
Moody's Investors Service	P-1	Aa3	A1	A2
Standard & Poor's	A-1+	AA–	A+	A
Rating and Investment Information, Inc.	a-1+	AA	Not Applicable	Not Applicable

On June 2, 2008, Standard & Poor's affirmed Group Inc.'s credit ratings and retained its outlook of "negative." On September 17, 2008, DBRS affirmed Group Inc.'s credit ratings but revised its outlook from "stable" to "negative."

As of August 2008, collateral or termination payments pursuant to bilateral agreements with certain counterparties of approximately $669 million would have been required in the event of a one-notch reduction in our long-term credit ratings. In evaluating our liquidity requirements, we consider additional collateral or termination payments that would be required in the event of a two-notch downgrade in our long-term credit ratings, as well as collateral that has not been called by counterparties, but is available to them.

Cash Flows

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets and, consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the excess liquidity and asset-liability management policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends and strategic initiatives in our business.

Nine Months Ended August 2008. Our cash and cash equivalents increased by $278 million to $12.16 billion at the end of the third quarter of 2008. We raised $14.89 billion in net cash from financing activities, primarily in bank deposits and unsecured borrowings. We used net cash of $14.61 billion in our operating and investing activities, primarily to capitalize on trading and investing opportunities for our clients and ourselves.

Nine Months Ended August 2007. Our cash and cash equivalents increased by $6.36 billion to $12.66 billion at the end of the third quarter of 2007. We raised $70.67 billion in net cash from financing activities, primarily in unsecured borrowings, partially offset by common stock repurchases. We used net cash of $64.31 billion in our operating and investing activities, primarily to capitalize on trading and investing opportunities for our clients and ourselves.

Recent Accounting Developments

EITF Issue No. 06-11. In June 2007, the Emerging Issues Task Force (EITF) reached consensus on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF Issue No. 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock units, which are expected to vest, be recorded as an increase to additional paid-in capital. We currently account for this tax benefit as a reduction to income tax expense. EITF Issue No. 06-11 is to be applied prospectively for tax benefits on dividends declared in fiscal years beginning after December 15, 2007, and we expect to adopt the provisions of EITF Issue No. 06-11 beginning in the first quarter of 2009. We do not expect the adoption of EITF Issue No. 06-11 to have a material effect on our financial condition, results of operations or cash flows.

FASB Staff Position FAS No. 140-3. In February 2008, the FASB issued FASB Staff Position (FSP) FAS No. 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions." FSP FAS No. 140-3 requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met, including that the transferred asset must be readily obtainable in the marketplace. FSP FAS No. 140-3 is effective for fiscal years beginning after November 15, 2008, and will be applied to new transactions entered into after the date of adoption. Early adoption is prohibited. We are currently evaluating the impact of adopting FSP No. 140-3 on our financial condition and cash flows. Adoption of FSP No. 140-3 will have no effect on our results of operations.

SFAS No. 161. In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, and is effective for financial statements issued for reporting periods beginning after November 15, 2008, with early application encouraged. Since SFAS No. 161 requires only additional disclosures concerning derivatives and hedging activities, adoption of SFAS No. 161 will not affect our financial condition, results of operations or cash flows.

FASB Staff Position EITF No. 03-6-1. In June 2008, the FASB issued FSP EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, "Earnings per Share." The FSP requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. The FSP is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. We do not expect adoption of FSP EITF No. 03-6-1 to have a material effect on our results of operations or earnings per share.

FASB Staff Position FAS No. 133-1 and FIN 45-4. In September 2008, the FASB issued FSP FAS No. 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161." FSP FAS No. 133-1 and FIN 45-4 requires enhanced disclosures about credit derivatives and guarantees and amends FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" to exclude derivative instruments accounted for at fair value under SFAS No. 133. The FSP is effective for financial statements issued for reporting periods ending after November 15, 2008. Since FSP FAS No. 133-1 and FIN 45-4 only requires additional disclosures concerning credit derivatives and guarantees, adoption of FSP FAS No. 133-1 and FIN 45-4 will not affect our financial condition, results of operations or cash flows.

Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995

We have included or incorporated by reference in this Quarterly Report on Form 10-Q, and from time to time our management may make, statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. It is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. For a discussion of some of the risks and important factors that could affect our future results and financial condition, see "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for the fiscal year ended November 30, 2007 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Annual Report on Form 10-K for the fiscal year ended November 30, 2007.

Statements about our investment banking transaction backlog also may constitute forward-looking statements. Such statements are subject to the risk that the terms of these transactions may be modified or that they may not be completed at all; therefore, the net revenues, if any, that we actually earn from these transactions may differ, possibly materially, from those currently expected. Important factors that could result in a modification of the terms of a transaction or a transaction not being completed include, in the case of underwriting transactions, a decline in general economic conditions, outbreak of hostilities, volatility in the securities markets generally or an adverse development with respect to the issuer of the securities and, in the case of financial advisory transactions, a decline in the securities markets, an inability to obtain adequate financing, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. For a discussion of other important factors that could adversely affect our investment banking transactions, see "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for the fiscal year ended November 30, 2007 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Annual Report on Form 10-K for the fiscal year ended November 30, 2007.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk" in Part I, Item 2 above.

Item 4: Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by Goldman Sachs' management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

The following supplements and amends our discussion set forth under Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended November 30, 2007, as updated by our Quarterly Reports on Form 10-Q for the quarters ended February 29, 2008 and May 30, 2008.

IPO Process Matters

In the actions asserting violations of, and seeking short-swing profit recovery under, Section 16 of the Securities Exchange Act of 1934, defendants moved to dismiss the various complaints on July 25, 2008.

Research Independence Matters

In the class action relating to coverage of Exodus Communications, Inc., on July 7, 2008, plaintiffs appealed from the federal district court's order dismissing the complaint.

In the lawsuit alleging that The Goldman Sachs Group, Inc., Goldman, Sachs & Co. and Henry M. Paulson, Jr. violated the federal securities laws in connection with the firm's research activities, the district court granted plaintiff's motion for class certification by a decision dated September 15, 2008. On September 26, 2008, the Goldman Sachs defendants filed a petition in the U.S. Court of Appeals for the Second Circuit seeking review of the district court's class certification order.

Treasury Proceeding

By a decision dated July 30, 2008, the federal district court granted Goldman, Sachs & Co.'s motion for summary judgment insofar as the remaining claims relate to trading of treasury bonds, but denied the motion without prejudice to the extent the claims relate to trading of treasury futures. By a decision dated August 22, 2008, the court denied plaintiff's motion for class certification.

Mortgage-Related Matters

In the action brought by the City of Cleveland, the federal district court denied the City's motion to remand by an order dated August 8, 2008.

Auction Products Matters

On August 21, 2008, Goldman, Sachs & Co. entered into a settlement in principle with the Office of Attorney General of the State of New York and the Illinois Securities Department (on behalf of the North American Securities Administrators Association) regarding auction rate securities. Under the agreement, Goldman Sachs agreed, among other things, (i) to offer to repurchase at par the outstanding auction rate securities that its private wealth management clients purchased through the firm prior to February 11, 2008, with the exception of those auction rate securities where auctions are clearing, (ii) to continue to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors, and (iii) to pay a $22.5 million fine. The settlement, which is subject to definitive documentation and approval by the various states, does not resolve any potential regulatory action by the Securities and Exchange Commission.

On August 28, 2008, a putative shareholder derivative action was filed in the U.S. District Court for the Southern District of New York naming as defendants The Goldman Sachs Group, Inc., its board of directors, and certain senior officers. The complaint alleges generally that the board breached its fiduciary duties and committed mismanagement in connection with its oversight of

auction rate securities marketing and trading operations, that certain individual defendants engaged in insider selling by selling shares of The Goldman Sachs Group, Inc., and that the firm's public filings were false and misleading in violation of the federal securities laws by failing to accurately disclose the alleged practices involving auction rate securities. The complaint seeks damages, injunctive and declaratory relief, restitution, and an order requiring the firm to adopt corporate reforms.

On September 4, 2008, The Goldman Sachs Group, Inc. was named as a defendant, together with numerous other financial services firms, in two complaints filed in the U.S. District Court for the Southern District of New York alleging that the defendants engaged in a conspiracy to manipulate the auction securities market in violation of federal antitrust laws. The actions were filed, respectively, on behalf of putative classes of issuers of and investors in auction rate securities and seek, among other things, treble damages.

On September 26, 2008, the parties to the putative securities class action brought on behalf of Goldman Sachs customers who purchased auction rate securities, alleging violation of the federal securities laws, stipulated to dismiss the action with prejudice, and the stipulation was approved by the district court on September 30, 2008.

Private Equity-Sponsored Acquisitions Litigation

On August 27, 2008, plaintiffs filed a third amended complaint, and on the same date, defendants moved to dismiss the third amended complaint.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth the information with respect to purchases made by or on behalf of The Goldman Sachs Group, Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of our common stock during the three months ended August 29, 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs [2]
Month #1 (May 31, 2008 to June 27, 2008)	1,200,000	$181.30	1,200,000	61,164,103
Month #2 (June 28, 2008 to July 25, 2008)	304,900	$175.33	304,900	60,859,203
Month #3 (July 26, 2008 to August 29, 2008)	—	$ 0.00	—	60,859,203
Total [1]	1,504,900		1,504,900	

(1) Goldman Sachs generally does not repurchase shares of its common stock as part of the repurchase program during self-imposed "black-out" periods, which run from the last two weeks of a fiscal quarter through and including the date of the earnings release for such quarter.

(2) On March 21, 2000, we announced that our board of directors had approved a repurchase program, pursuant to which up to 15 million shares of our common stock may be repurchased. This repurchase program was increased by an aggregate of 280 million shares by resolutions of our board of directors adopted on June 18, 2001, March 18, 2002, November 20, 2002, January 30, 2004, January 25, 2005, September 16, 2005, September 11, 2006 and December 17, 2007. We use our share repurchase program to help maintain the appropriate level of common equity and to substantially offset increases in share count over time resulting from employee share-based compensation. The repurchase program is effected primarily through regular open-market purchases, the amounts and timing of which are determined primarily by our current and projected capital positions (i.e., comparisons of our desired level of capital to our actual level of capital) but which may also be influenced by general market conditions and the prevailing price and trading volumes of our common stock. The total remaining authorization under the repurchase program was 60,859,203 shares as of September 26, 2008; the repurchase program has no set expiration or termination date.

Item 6: Exhibits

Exhibits:

3.1 and 4.1	Certificate of Designations of The Goldman Sachs Group, Inc. relating to the 10% Cumulative Perpetual Preferred Stock, Series G (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed October 2, 2008).
4.2	Form of warrant to purchase shares of common stock, issued on October 1, 2008.
10.1	Securities Purchase Agreement, dated September 29, 2008, between The Goldman Sachs Group, Inc. and Berkshire Hathaway Inc.
10.2	General Guarantee Agreement, dated September 21, 2008, made by The Goldman Sachs Group, Inc. relating to the obligations of Goldman Sachs Bank USA.
10.3	Form of Letter Agreement between The Goldman Sachs Group, Inc. and each of Lloyd C. Blankfein, Gary D. Cohn, Jon Winkelried and David A. Viniar (incorporated by reference to Exhibit O to Amendment No. 70 to Schedule 13D, filed October 1, 2008, relating to the Registrant's common stock).
12.1	Statement re: Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
15.1	Letter re: Unaudited Interim Financial Information.
31.1	Rule 13a-14(a) Certifications.
32.1	Section 1350 Certifications.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GOLDMAN SACHS GROUP, INC.

By: /s/ David A. Viniar

Name: David A. Viniar
Title: Chief Financial Officer

By: /s/ Sarah E. Smith

Name: Sarah E. Smith
Title: Principal Accounting Officer

Date: October 7, 2008

```
<DOCUMENT>
<TYPE>        EX-4.2
<FILENAME>    y71546exv4w2.htm
<DESCRIPTION> EX-4.2: FORM OF WARRANT TO PURCHASE SHARES OF COMMON STOCK
<TEXT>
```

Exhibit 4.2

[FORM OF WARRANT TO PURCHASE COMMON STOCK]

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT, DATED AS OF SEPTEMBER 29, 2008, BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.

WARRANT No. _______

to purchase

____

Shares of Common Stock

THE GOLDMAN SACHS GROUP, INC.
a Delaware Corporation

Issue Date: October 1, 2008

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

"*Affiliate*" has the meaning ascribed to it in the Purchase Agreement.

"*Appraisal Procedure*" means a procedure whereby two independent appraisers, one chosen by the Corporation and one by the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders), shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within 15 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers or, if such two first appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in appraisal of the subject matter to be appraised. The decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be

appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive upon the Corporation and the Warrantholder; otherwise, the average of all three determinations shall be binding upon the Corporation and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne equally by the Corporation and the Warrantholder.

"*Beneficially Own*" or "*Beneficial Owner*" has the meaning ascribed to it in the Purchase Agreement.

"*Board of Directors*" means the board of directors of the Corporation, including any duly authorized committee thereof.

"*Business Combination*" means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Corporation's stockholders.

"*business day*" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

"*Capital Stock*" means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

"*Common Stock*" means the Corporation's voting Common Stock, $0.01 par value per share.

"*Corporation*" means The Goldman Sachs Group, Inc., a Delaware corporation.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Exercise Price*" means $115.

"*Expiration Time*" has the meaning set forth in Section 3.

"*Fair Market Value*" means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board of Directors, acting in good faith. If the Warrantholder objects in writing to the Board of Director's calculation of fair market value within 10 days of receipt of written notice thereof and the Warrantholder and the Corporation are unable to agree

on fair market value during the 10-day period following the delivery of the Warrantholder's objection, the Appraisal Procedure may be invoked by either party to determine Fair Market Value by delivering written notification thereof not later than the 30th day after delivery of the Warrantholder's objection.

"*Governmental Entities*" has the meaning ascribed to it in the Purchase Agreement.

"*Market Price*" means, with respect to the Common Stock, on any given day, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, of the shares of the Common Stock on the New York Stock Exchange on such day. If the Common Stock is not traded on the New York Stock Exchange on any date of determination, the Market Price of the Common Stock on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or if the Common Stock is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the Market Price of the Common Stock on that date shall mean the Fair Market Value per share as determined by the Board of Directors in reliance on an opinion of a nationally recognized independent investment banking firm retained by the Corporation for this purpose and certified in a resolution sent to the Warrantholder. For the purposes of determining the Market Price of the Common Stock on the "trading day" preceding, on or following the occurrence of an event, (i) that trading day shall be deemed to commence immediately after the regular scheduled closing time of trading on the New York Stock Exchange or, if trading is closed at an earlier time, such earlier time and (ii) that trading day shall end at the next regular scheduled closing time, or if trading is closed at an earlier time, such earlier time (for the avoidance of doubt, and as an example, if the Market Price is to be determined as of the last trading day preceding a specified event and the closing time of trading on a particular day is 4:00 p.m. and the specified event occurs at 5:00 p.m. on that day, the Market Price would be determined by reference to such 4:00 p.m. closing price).

"*Ordinary Cash Dividends*" means a regular quarterly cash dividend on shares of Common Stock out of surplus or net profits legally available therefor (determined in accordance with generally accepted accounting principles in effect from time to time), *provided* that Ordinary Cash Dividends shall not include any cash dividends paid subsequent to August 29, 2008 to the extent the aggregate dividend paid on all Common Stock in any quarter, when declared, exceeds the greater of (i) the aggregate dividend that would be paid on all Common Stock in that quarter at a rate of $0.35 per share (such amount per share increased by 10% on August 31, 2009 and each subsequent August 31) or (ii) (x) 80% of accumulated earnings since August 29, 2008 (determined in accordance with generally accepted accounting principles in effect from time to time) less (y) the amount of aggregate dividends on

Common Stock and on all preferred stock of the Corporation that is classified as equity under such generally accepted accounting principles paid since August 29, 2008.

"*Person*" has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

"*Per Share Fair Market Value*" has the meaning set forth in Section 13(C).

"*Pro Rata Repurchases*" means any purchase of shares of Common Stock by the Corporation or any Affiliate thereof pursuant to (A) any tender offer or exchange offer subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder or (B) any other offer available to substantially all holders of Common Stock, in the case of both (A) or (B), whether for cash, shares of Capital Stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other Person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, effected while this Warrant is outstanding. The "*Effective Date*" of a Pro Rata Repurchase shall mean the date of acceptance of shares for purchase or exchange by the Corporation under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Purchase that is not a tender or exchange offer.

"*Purchase Agreement*" means the Securities Purchase Agreement, dated as of September 29, 2008, as amended from time to time, between the Corporation and Berkshire Hathaway Inc., including all schedules and exhibits thereto.

"*Regulatory Approvals*" with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Common Stock and to own such Common Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Shares*" has the meaning set forth in Section 2.

"*Warrantholder*" has the meaning set forth in Section 2.

"*Warrant*" means this Warrant, issued pursuant to the Purchase Agreement.

2. Number of Shares; Exercise Price. This certifies that, for value received, ___or its permitted assigns (the "*Warrantholder*") is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Corporation, in whole or in part, after the receipt of all applicable Regulatory Approvals, up to an aggregate of ___fully paid and nonassessable shares of Common Stock, at a purchase price per share of Common Stock equal to the Exercise Price, *provided, however,* if the Warrantholder provides a certificate in a form satisfactory to the Corporation representing that Warrantholder is acquiring such shares of Common Stock in reliance upon the exemption provided in Section 802.9 or Section 802.64 of the rules promulgated under the HSR Act, the Warrantholder may exercise such Warrants without filing any notification and report forms under the HSR Act. The number of shares of Common Stock (the "*Shares*") and the Exercise Price are subject to adjustment as provided herein, and all references to "Common Stock," "Shares" and "Exercise Price" herein shall be deemed to include any such adjustment or series of adjustments.

3. Exercise of Warrant; Term. Subject to Section 2, to the extent permitted by applicable laws and regulations, the right to purchase the Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Corporation on the date hereof, but in no event later than 5:00 p.m., New York City time, October 1, 2013 (the "*Expiration Time*"), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Corporation located at 85 Broad Street, New York, NY 10004 (or such other office or agency of the Corporation in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Corporation), and (B) payment of the Exercise Price for the Shares thereby purchased at the election of the Warrantholder by tendering in cash, by certified or cashier's check payable to the order of the Corporation, or by wire transfer of immediately available funds to an account designated by the Corporation.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Corporation within a reasonable time, and in any event not exceeding three business days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Issuance of Shares; Authorization; Listing. Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three business days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Corporation hereby represents and warrants that any Shares issued

upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, except as otherwise provided herein, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Corporation agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Corporation in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Corporation may then be closed or certificates representing such Shares may not be actually delivered on such date. The Corporation will at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock issuable upon exercise of this Warrant. The Corporation will (A) procure, at its sole expense, the listing of the Shares issuable upon exercise of this Warrant, subject to issuance or notice of issuance, on all principal stock exchanges on which the Common Stock is then listed or traded and (B) maintain such listings of such Shares at all times after issuance. The Corporation will use reasonable best efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded. The Corporation and the Warrantholder will reasonably cooperate to take such other actions as are necessary to obtain (i) any Regulatory Approvals applicable to Warrantholder's exercise of its rights hereunder, including with respect to the issuance of the Shares and (ii) any regulatory approvals applicable to the Corporation solely as a result of the issuance of the Shares. Before taking any action which would cause an adjustment pursuant to Section 13 to reduce the Exercise Price below the then par value (if any) of the Common Stock, the Corporation shall take any and all corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at the Exercise Price as so adjusted.

5. No Fractional Shares or Scrip. No fractional Shares or scrip representing fractional Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Common Stock on the last trading day preceding the date of exercise less the Exercise Price for such fractional share.

6. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Corporation prior to the date of exercise hereof. The Corporation will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

7. Charges, Taxes and Expenses. Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in

respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Corporation.

8. Transfer/Assignment.

(A) Subject to compliance with clauses (B) and (C) of this Section 8, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Corporation by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Corporation, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Corporation described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Corporation.

(B) Notwithstanding the foregoing, this Warrant and any rights hereunder, and any Shares issued upon exercise of this Warrant, shall be subject to the applicable restrictions as set forth in Section 4.3 of the Purchase Agreement.

(C) If and for so long as required by the Purchase Agreement, this Warrant Certificate shall contain a legend as set forth in Section 4.5 of the Purchase Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Corporation, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Corporation shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Corporation, and the Corporation shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Corporation of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Corporation, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Corporation shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding day that is a business day.

12. Rule 144 Information. The Corporation covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC thereunder (or, if the Corporation is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144 or Regulation S under the Securities Act), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, in each case to the extent required from time to time to enable such holder to, if permitted by the terms of this Warrant and the Purchase Agreement, sell this Warrant without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 or Regulation S under the Securities Act, as such rules may be amended from time to time, or (B) any successor rule or regulation hereafter adopted by the SEC. Upon the written request of any Warrantholder, the Corporation will deliver to such Warrantholder a written statement that it has complied with such requirements.

13. Adjustments and Other Rights. The Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; *provided*, that if more than one subsection of this Section 13 is applicable to a single event, the subsection shall be applied that produces the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 13 so as to result in duplication:

(A) Stock Splits, Subdivisions, Reclassifications or Combinations. If the Corporation shall (i) declare and pay a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, the number of Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive in respect of the shares of Common Stock subject to this Warrant after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, subdivision, combination or reclassification giving rise to this adjustment by (y) the new number of Shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.

(B) Certain Issuances of Common Shares or Convertible Securities. If the Corporation shall issue shares of Common Stock (or rights or warrants or other

securities exercisable or convertible into or exchangeable (collectively, a "*conversion*") for shares of Common Stock) (collectively, "*convertible securities*") (other than in Permitted Transactions or a transaction to which subsection (A) of this Section 13 is applicable) without consideration or at a consideration per share (or having a conversion price per share) that is less than 95% of the Market Price on the last trading day preceding the date of the agreement on pricing such shares (or such convertible securities) then, in such event:

(A) the number of Shares issuable upon the exercise of this Warrant immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) (the "*Initial Number*") shall be increased to the number obtained by multiplying the Initial Number by a fraction (A) the numerator of which shall be the sum of (x) the number of shares of Common Stock of the Corporation outstanding on such date and (y) the number of additional shares of Common Stock issued (or into which convertible securities may be exercised or convert) and (B) the denominator of which shall be the sum of (I) the number of shares of Common Stock outstanding on such date and (II) the number of shares of Common Stock which the aggregate consideration receivable by the Corporation for the total number of shares of Common Stock so issued (or into which convertible securities may be exercised or convert) would purchase at the Market Price on the last trading day preceding the date of the agreement on pricing such shares (or such convertible securities); and

(B) the Exercise Price payable upon exercise of the Warrant shall be adjusted by multiplying such Exercise Price in effect immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) by a fraction, the numerator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant prior to such date and the denominator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant immediately after the adjustment described in clause (A) above.

For purposes of the foregoing, the aggregate consideration receivable by the Corporation in connection with the issuance of such shares of Common Stock or convertible securities shall be deemed to be equal to the sum of the net offering price (after deduction of any related expenses payable to third parties) of all such securities plus the minimum aggregate amount, if any, payable upon exercise or conversion of any such convertible securities into shares of Common Stock; and "*Permitted Transactions*" shall include issuances (i) as consideration for or to fund the acquisition of businesses and/or related assets, (ii) in connection with employee benefit plans and compensation related arrangements approved by the Board of Directors and (iii) in connection with a broadly marketed offering and sale of Common Stock or convertible securities for cash conducted by the Corporation or its affiliates on a basis consistent with the practice of the Corporation's investment banking affiliates for capital raising transactions by financial institutions. Any adjustment

made pursuant to this Section 13(B) shall become effective immediately upon the date of such issuance

(C) Other Distributions. In case the Corporation shall fix a record date for the making of a distribution to all holders of shares of its Common Stock of securities, evidences of indebtedness, assets, cash, rights or warrants (excluding Ordinary Cash Dividends, dividends of its Common Stock and other dividends or distributions referred to in Section 13(A)), in each such case, the Exercise Price in effect prior to such record date shall be reduced immediately thereafter to the price determined by multiplying the Exercise Price in effect immediately prior to the reduction by the quotient of (x) the Market Price of the Common Stock on the last trading day preceding the first date on which the Common Stock trades regular way on the New York Stock Exchange without the right to receive such distribution, minus the amount of cash or the Fair Market Value of the securities, evidences of indebtedness, assets, rights or warrants to be so distributed in respect of one share of Common Stock (the "*Per Share Fair Market Value*") divided by (y) such Market Price on such date specified in clause (x); such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of Shares issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the distribution giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the case of adjustment for a cash dividend that is, or is coincident with, a regular quarterly dividend, the Per Share Fair Market Value would be reduced by the per share amount of the portion of the cash dividend that would constitute an Ordinary Cash Dividend. In the event that such distribution is not so made, the Exercise Price and the number of Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board of Directors determines not to distribute such shares, evidences of indebtedness, assets, rights, cash or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

(D) Certain Repurchases of Common Stock. In case the Corporation effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be adjusted to the price determined by multiplying the Exercise Price in effect immediately prior to the effective date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Market Price of a share of Common Stock on the trading day immediately preceding the first public announcement by the Corporation or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Market Price per share of Common Stock on the trading day immediately preceding the first public announcement by the Corporation or any of its Affiliates of the intent to effect

such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence.

(E) Business Combinations. In case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(A)), the Warrantholder's right to receive Shares upon exercise of this Warrant shall be converted into the right to exercise this Warrant to acquire the number of shares of stock or other securities or property (including cash) which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled to receive upon consummation of such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to the Warrantholder's right to exercise this Warrant in exchange for any shares of stock or other securities or property pursuant to this paragraph. In determining the kind and amount of stock, securities or the property receivable upon exercise of this Warrant following the consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the Warrantholder shall have the right to make a similar election (including, without limitation, being subject to similar proration constraints) upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder will receive upon exercise of this Warrant.

(F) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than $0.01 or one-tenth (1/10th) of a share of Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.01 or 1/10th of a share of Common Stock, or more.

(G) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 13 shall require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (i) issuing to the Warrantholder of this Warrant exercised after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such

exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; *provided*, *however*, that the Corporation upon request shall deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(H) Statement Regarding Adjustments. Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in Section 13, the Corporation shall forthwith file at the principal office of the Corporation a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Corporation shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Corporation's records.

(I) Notice of Adjustment Event. In the event that the Corporation shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Corporation shall give notice to the Warrantholder, in the manner set forth in Section 13(G), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(J) Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the Corporation shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange or stockholder approvals or exemptions, in order that the Corporation may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.

(K) Adjustment Rules. Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise

Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

14. Governing Law. **This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees (a) to submit to the non-exclusive personal jurisdiction of the State or Federal courts in the Borough of Manhattan, The City of New York, (b) that non-exclusive jurisdiction and venue shall lie in the State or Federal courts in the State of New York, and (c) that notice may be served upon such party at the address and in the manner set forth for such party in Section 3 hereof. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any legal action or proceeding relating to the Transaction Documents or the transactions contemplated hereby or thereby.**

15. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Corporation.

16. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Corporation and the Warrantholder.

17. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

If to the Corporation, to:

The Goldman Sachs Group, Inc.
85 Broad Street
New York, NY 10004
Attention: General Counsel
Telephone: (212) 902-1000
Fax: (212) 902-3876

with a copy to (which copy alone shall not constitute notice):

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attn: John P. Mead

Telephone: (212) 558-4000
Fax: (212) 558-3588

18. Entire Agreement. This Warrant and the forms attached hereto, and the Purchase Agreement (and the other documents referenced in Section 5.7 of the Purchase Agreement), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Form of Notice of Exercise]

Date: _________

TO: The Goldman Sachs Group, Inc.

RE: Election to Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name set forth below.

Number of Shares of Common Stock: ____________________

Aggregate Exercise Price: ___________________________]

Holder: ____

By: ____

Name: ____

Title: ____

IN WITNESS WHEREOF, the Corporation has caused this Warrant to be duly executed by a duly authorized officer.

Dated: October 1, 2008

THE GOLDMAN SACHS GROUP, INC.

By: ________________________________
Name:
Title:

Attest:

By: ________________________________
Name:
Title:

[Signature Page to Warrant]

<DOCUMENT>
<TYPE> EX-10.1
<FILENAME> y71546exv10w1.htm
<DESCRIPTION> EX-10.1: SECURITIES PURCHASE AGREEMENT
<TEXT>

Exhibit 10.1

SECURITIES PURCHASE AGREEMENT

Dated September 29, 2008

between

THE GOLDMAN SACHS GROUP, INC.

and

BERKSHIRE HATHAWAY INC.

TABLE OF CONTENTS

		Page
Recitals		1

Article I

Purchase; Closing

1.1	Purchase	1
1.2	Closing	1
1.3	Interpretation	3

Article II

Representations and Warranties

2.1	Disclosure	3
2.2	Representations and Warranties of the Company	4
2.3	Representations and Warranties of the Investor	8

Article III

Covenants

3.1	Commercially Reasonable Efforts	9
3.2	Expenses	10
3.3	Sufficiency of Authorized Voting Common Stock	10
3.4	Certain Notifications Until Closing	10

Article IV

Additional Agreements

4.1	Bank Holding Company Act	10
4.2	Ownership	11
4.3	Transfer Restrictions	12
4.4	Purchase for Investment	13
4.5	Legend	14
4.6	Information Rights	14
4.7	Spin-off Transactions	15

Article V

Miscellaneous

5.1	Termination	16
5.2	Amendment	17
5.3	Waiver of Conditions	17
5.4	Counterparts and Facsimile	17
5.5	Governing Law; Submission to Jurisdiction, Etc.	17
5.6	Notices	17
5.7	Entire Agreement, Etc.	18
5.8	Definitions of “subsidiary” and “Affiliate”	18
5.9	Assignment	19
5.10	Severability	19
5.11	No Third Party Beneficiaries	19

LIST OF ANNEXES

ANNEX A:	**FORM OF CERTIFICATE OF DESIGNATIONS**
ANNEX B:	**FORM OF WARRANT**
ANNEX C:	**FORM OF REGISTRATION RIGHTS AGREEMENT**

INDEX OF DEFINED TERMS

Term	Location of Definition
Affiliate	5.8(b)
Agreement	Preamble
Bankruptcy Exceptions	2.2(e)(i)
Beneficial Ownership; Beneficial Owner; Beneficially Own	2.3(c)
BHCA	4.1
BHCA Registration	4.1
business day	1.3
Common Stock Capitalization Date	2.2(b)
Certificate of Designations	1.2(e)(ii)
Closing	1.2(a)
Closing Date	1.2(a)
Commission	2.1(b)
Common Stock	Recital A
Company	Preamble
Exchange Act	2.1(b)
GAAP	2.1(a)
Governmental Entities	1.2(c)
Hedging Transaction	4.3(d)
IFRS	2.1(a)
Investor	Preamble
Investor Material Adverse Effect	2.3(b)(ii)
Material Adverse Effect	2.1(a)
Nonvoting Common Stock	Recital A
NYSE	3.3
Permitted Transferee	4.3(c)
Preferred Shares	Recital B
Preferred Stock	Recital A
Previously Disclosed	2.1(b)
Purchase	1.1
Purchased Securities	Recital B
QIBs	4.1
Registration Rights Agreement	1.2(e)(v)
RSUs	2.2(b)
SEC Reports	2.1(b)
Securities Act	2.2(a)
Significant Subsidiary; Significant Subsidiaries	2.2(a)
subsidiary	5.8(a)
Transaction Documents	2.1(b)
Transfer	4.3(a)
Voting Cap	4.2
Voting Common Stock	Recital A
Warrant	Recital B
Warrant Shares	2.2(d)

Securities Purchase Agreement, dated September 29, 2008 (this *"Agreement"*), between The Goldman Sachs Group, Inc., a Delaware corporation (the "*Company*"), and Berkshire Hathaway Inc., a Delaware corporation (the "*Investor*").

Recitals:

A. The Company. As of the date hereof, the Company has 4,000,000,000 authorized shares of Common Stock, $0.01 par value per share (*"Voting Common Stock"*), 200,000,000 authorized shares of Nonvoting Common Stock, $0.01 par value per share (the "*Nonvoting Common Stock*" and, together with the Voting Common Stock, the "*Common Stock*"), and 150,000,000 authorized shares of Preferred Stock, $0.01 par value per share ("*Preferred Stock*").

B. The Issuance. The Company intends to issue in a private placement 50,000 shares of its 10% Cumulative Perpetual Preferred Stock, Series G (the "*Preferred Shares*") and a warrant to purchase 43,478,260 shares of its Voting Common Stock (the "*Warrant*" and, together with the Preferred Shares, the "*Purchased Securities*") and the Investor intends to purchase from the Company the Purchased Securities.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

Article I

Purchase; Closing

1.1 Purchase. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to sell to the Investor, and the Investor agrees to purchase from the Company, at the Closing (as hereinafter defined), the Purchased Securities for an aggregate purchase price of $5,000,000,000 (the *"Purchase"*).

1.2 Closing.

(a) On the terms and subject to the conditions set forth in this Agreement, the closing of the Purchase (the *"Closing"*) will take place at the offices of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004, at 9:00 a.m., New York time, on October 1, 2008 or as soon as practicable thereafter, or at such other place, time and date as shall be agreed between the Company and the Investor. The time and date on which the Closing occurs is referred to in this Agreement as the *"Closing Date"*.

(b) Subject to the fulfillment or waiver of the conditions to the Closing in this Section 1.2, at the Closing, the Company will deliver the Preferred Shares and the Warrant, in each case as evidenced by one or more certificates dated the Closing Date and bearing appropriate legends as hereinafter provided for,

in exchange for payment in full of the aggregate purchase price therefor by wire transfer of immediately available United States funds to a bank account that has been designated by the Company at least two (2) business days prior to the Closing Date.

(c) The respective obligations of each of the Investor and the Company to consummate the Purchase are subject to the fulfillment (or waiver by the Investor and the Company, as applicable) prior to the Closing of the condition that (i) any approvals or authorizations of all United States and other governmental or regulatory authorities (collectively, "*Governmental Entities*"), the absence of which would reasonably be expected to make the Purchase unlawful, shall have been obtained or made in form and substance reasonably satisfactory to each party and shall be in full force and effect and all waiting periods required by United States and other applicable law shall have expired and (ii) no provision of any applicable United States or other law and no judgment, injunction, order or decree of any Governmental Entity shall prohibit the purchase and sale of the Purchased Securities.

(d) The obligation of the Company to consummate the Closing is also subject to the fulfillment (or waiver by the Company) at or prior to the Closing of each of the following conditions:

(i) (A) the representations and warranties of the Investor set forth in this Agreement shall be true and correct as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct as of such date), except to the extent that the failure of such representations and warranties to be so true and correct, individually or in the aggregate, does not have and would not be reasonably likely to have an Investor Material Adverse Effect and (B) the Investor shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing.

(e) The obligation of the Investor to consummate the Closing is also subject to the fulfillment (or waiver by the Investor) at or prior to the Closing of each of the following conditions:

(i) (A) the representations and warranties of the Company set forth in (x) Section 2.2(g) of this Agreement shall be true and correct in all respects as though made on and as of the Closing Date and (y) Section 2.2 (other than Section 2.2(g)) shall be true and correct as though made on and as of the Closing Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct as of such date), except to the extent that the failure of such representations and warranties referred to in this Section 1.2(i)(y) to be so true and correct, individually or in the aggregate, does not have and would not be reasonably likely to have a Material Adverse Effect and (B) the Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing;

(ii) the Company shall have duly adopted and filed with the Secretary of State of the State of Delaware the Certificate of Designations in substantially the form attached hereto as Annex A (the "*Certificate of Designations*") and such filing shall have been accepted;

(iii) the Company shall have delivered the Preferred Shares to Investor or its designee(s);

(iv) the Company shall have duly executed and delivered the Warrant in substantially the form attached hereto as Annex B to the Investor or its designee(s); and

(v) the Company shall have duly executed and delivered to the Investor or its designee(s) a Registration Rights Agreement (the "*Registration Rights Agreement*") in substantially the form of Annex C.

1.3 Interpretation. When a reference is made in this Agreement to "Recitals," "Articles," "Sections" or "Annexes," such reference shall be to a Recital, Article or Section of, or Annex to, this Agreement unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to "herein", "hereof", "hereunder" and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to "$" or "dollars" mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to a "*business day*" shall mean a business day in the City of New York.

Article II

REPRESENTATIONS AND WARRANTIES

2.1 Disclosure.

(a) "*Material Adverse Effect*" means a material adverse effect on (i) the business, results of operation or financial condition of the Company and its consolidated subsidiaries taken as a whole; *provided*, *however*, that Material Adverse Effect shall not be deemed to include the effects of (A) any facts, circumstances, events, changes or occurrences generally affecting businesses, industries and markets in which the Company operates (including, without limitation, changes generally in prevailing interest rates, credit availability and

liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign markets), companies engaged in such businesses, industries or markets or the economy, including effects on such businesses, industries, markets or economy resulting from any regulatory or political conditions or developments, or any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, (B) a change to International Financial Reporting Standards ("*IFRS*") and/or changes or proposed changes in generally accepted accounting principles in the United States (*"GAAP"*), IFRS or regulatory accounting requirements applicable to broker-dealer or depository institutions and their holding companies generally (or authoritative interpretations thereof), (C) changes or proposed changes in securities, banking and other laws of general applicability or related policies or interpretations of Governmental Entities (in the case of each of clause (A), (B) and (C), other than facts, circumstances, events, changes, effects or occurrences that arise after the date of this Agreement but before the Closing to the extent that such facts, circumstances, events, changes, effects or occurrences have a materially disproportionate adverse effect on the Company and its consolidated subsidiaries relative to comparable U.S. banking or financial services organizations), or (D) changes in the market price or trading volume of the Voting Common Stock or any other equity, equity-related or debt securities of the Company (it being understood and agreed that the exception set forth in this clause (D) does not apply to the underlying reason giving rise to or contributing to any such change); or (ii) the ability of the Company timely to consummate the Purchase and the other transactions contemplated by the Transaction Documents.

(b) "*Previously Disclosed*" means information set forth or incorporated in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2007 or its other reports and forms filed with the Securities and Exchange Commission (the "*Commission*") under Sections 13(a), 14(a) or 15(d) of the Securities Exchange Act of 1934 (the *"Exchange Act"*) on or after December 1, 2007 (the "*SEC Reports*") and that are filed prior to the execution and delivery of this Agreement.

Each party acknowledges that it is not relying upon any representation or warranty not set forth in the Transaction Documents. The Investor acknowledges that it has had an opportunity to conduct such review and analysis of the business, assets, condition, operations and prospects of the Company and its subsidiaries, including an opportunity to ask such questions of management (for which it has received such answers) and to review such information maintained by the Company, in each case as the Investor considers sufficient for the purpose of making the Purchase. The Investor further acknowledges that it has had such an opportunity to consult with its own counsel, financial and tax advisers and other professional advisers as it believes is sufficient for purposes of the Purchase. For purposes of this Agreement, the term *"Transaction Documents*" refers collectively to this Agreement, the Warrant and the Registration Rights Agreement, in each case, as amended, modified or supplemented from time to time in accordance with their respective terms.

2.2 Representations and Warranties of the Company. Except as Previously Disclosed, the Company represents and warrants to the Investor that as of the date hereof and as of the Closing Date (or such other date specified herein):

(a) Organization, Authority and Significant Subsidiaries. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business in all material respects as currently conducted, and, except as has not had or would not be reasonably likely to have a Material Adverse Effect, has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business so as to require such qualification; each subsidiary of the Company that is a "significant subsidiary" within the meaning of Rule 1-02(w) of Regulation S-X under the Securities Act of 1933, as amended (the "*Securities Act*") (individually a "*Significant Subsidiary*" and collectively the "*Significant Subsidiaries*") has been duly organized and is validly existing in good standing under the laws of its jurisdiction of organization.

(b) Capitalization. The authorized capital stock of the Company consists of 4,000,000,000 shares of Voting Common Stock of which, as of August 29, 2008 (the "*Common Stock Capitalization Date*"), 632,949,974 shares were issued and 394,533,477 shares were outstanding, and 200,000,000 shares of Nonvoting Common Stock, of which no shares were issued or outstanding as of the Capitalization Date, and 150,000,000 shares of Preferred Stock, of which, as of the date hereof, (1) 50,000 shares are designated as "Floating Rate Non-Cumulative Preferred Stock, Series A", 30,000 shares of which were issued and outstanding, (2) 50,000 shares are designated as "6.20% Fixed Rate Non-Cumulative Preferred Stock, Series B", 32,000 shares of which were issued and outstanding, (3) 25,000 shares are designated as "Floating Rate Non-Cumulative Preferred Stock, Series C", 8,000 shares of which were issued and outstanding, (4) 60,000 shares are designated as "Floating Rate Non-Cumulative Preferred Stock, Series D", 54,000 shares of which were issued and outstanding, (5) 17,500.1 shares are designated as "Non-Cumulative Preferred Stock, Series E", no shares of which were issued and outstanding, (6) 5,000.1 shares are designated as "Non-Cumulative Preferred Stock, Series F", no shares of which were issued and outstanding. As of the Common Stock Capitalization Date, the Company held 238,416,497 shares of Voting Common Stock in its treasury. As of the Common Stock Capitalization Date, the Company had 54,721,122 Restricted Stock Units ("*RSUs*") outstanding, of which 33,573,599 RSUs were vested and 21,147,523 were unvested and 35,252,482 stock options outstanding, of which 26,142,271 were exercisable and 9,110,211 were non-exercisable. The outstanding shares of Common Stock have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). Except as set forth above, or in the Company's Shareholder Protection Rights Plan, dated as of April 5, 1999, and in connection with the Warrant, as of the date of this Agreement, there are no shares of Common Stock reserved for issuance, the Company does not have outstanding any securities providing the holder the right to acquire Common Stock, and the Company does not have any commitment to authorize, issue or sell any Common Stock. The foregoing does not reflect the issuance and sale of approximately 46,747,968 shares of Common Stock (the "*Offering Shares*") in the offering scheduled to close on September 29, 2008 (the "*September Offering*"). The Offering Shares are duly authorized and, when issued in accordance with the terms of the purchase agreement for the September Offering, will be validly issued, fully paid and

nonassessable, and not subject to any preemptive rights. Since the Common Stock Capitalization Date, the Company has not issued any shares of Voting Common Stock or Nonvoting Common Stock, other than shares issued in the September Offering and shares issued upon the exercise of stock options or delivered under RSUs.

(c) Preferred Shares. The Preferred Shares have been duly and validly authorized, and, when issued and delivered pursuant to this Agreement, such Preferred Shares will be duly and validly issued and fully paid and non-assessable.

(d) The Warrant and Warrant Shares. The Warrant has been duly authorized and, when executed and delivered as contemplated hereby, will constitute a valid and legally binding obligation of the Company in accordance with its terms, and the shares of Voting Common Stock issuable upon exercise of the Warrant (the "*Warrant Shares*") have been duly authorized and reserved for issuance upon exercise of the Warrant and when so issued will be validly issued, fully paid and non-assessable.

(e) Authorization, Enforceability.

(i) The Company has the corporate power and authority to execute and deliver this Agreement and the other Transaction Documents and to carry out its obligations hereunder and thereunder (which includes the issuance of the Preferred Shares, Warrant and Warrant Shares). The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company. This Agreement and the other Transaction Documents are or will be valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity (*"Bankruptcy Exceptions"*).

(ii) The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby and compliance by the Company with any of the provisions hereof and thereof, will not (i) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any Significant Subsidiary under any of the terms, conditions or provisions of (A) its restated certificate of incorporation or amended and restated by-laws

or (B) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any Significant Subsidiary is a party or by which it or any Significant Subsidiary may be bound, or to which the Company or any Significant Subsidiary or any of the properties or assets of the Company or any Significant Subsidiary may be subject, or (ii) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Company or any Significant Subsidiary or any of their respective properties or assets except, in the case of clauses (i)(B) and (ii), for those occurrences that, individually or in the aggregate, have not had and would not be reasonably likely to have a Material Adverse Effect.

(iii) Other than the filing of the Certificate of Designations with the Secretary of State of the State of Delaware, any current report on Form 8-K required to be filed with the SEC and such as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by the Company in connection with the consummation by the Company of the Purchase except for any such notices, filings, exemptions reviews, authorizations, consents and approvals the failure of which to make or obtain would not be reasonably likely to have a Material Adverse Effect.

(f) Company Financial Statements.

(i) The consolidated financial statements of the Company and its consolidated subsidiaries included or incorporated by reference in the SEC Reports filed prior to the Closing, present fairly in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated therein and the consolidated results of their operations for the periods specified therein; and except as stated therein, such financial statements were prepared in conformity with GAAP applied on a consistent basis (except as may be noted therein).

(ii) PricewaterhouseCoopers LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Exchange Act and the rules and regulations of the Commission and the Public Company Accounting Oversight Board.

(g) No Material Adverse Effect. Since May 30, 2008, no fact, circumstance, event, change, occurrence, condition or development has occurred that, individually or in the aggregate, has had or would be reasonably likely to have a Material Adverse Effect.

(h) Reports.

(i) Since November 30, 2007, the Company has complied in all material respects with the filing requirements of Sections 13(a), 14(a) and 15(d) of the Exchange Act.

(ii) The SEC Reports filed by the Company prior to the Closing, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents, when they became effective or were filed with the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

2.3 Representations and Warranties of the Investor. The Investor, hereby represents and warrants to the Company that as of the date hereof and the Closing Date:

(a) Status. The Investor has been duly organized and is validly existing as a corporation under the laws of Delaware.

(b) Authorization, Enforceability.

(i) The Investor has the power and authority, corporate or otherwise, to execute and deliver this Agreement and the Registration Rights Agreement and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by the Investor of this Agreement and the Registration Rights Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Investor, and no further approval or authorization is required on the part of the Investor or any other party for such authorization to be effective. This Agreement and the Registration Rights Agreement are or will be valid and binding obligations of the Investor enforceable against the Investor in accordance with their respective terms, except as the same may be limited by Bankruptcy Exceptions.

(ii) The execution, delivery and performance by the Investor of this Agreement and the Registration Rights Agreement and the consummation of the transactions contemplated hereby and thereby and compliance by the Investor with any of the provisions hereof and thereof, will not (i) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of such Investor under any of the terms, conditions or provisions of (A) its organizational documents or (B) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Investor is a party or by which it may be bound, or to which the Investor or any of the properties or assets of the Investor may be subject, or (ii) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Investor or any of its properties or assets except, in the case of clauses (i)(B) and (ii), for those occurrences that, individually or in

the aggregate, have not had and would not be reasonably likely to have an Investor Material Adverse Effect. *"Investor Material Adverse Effect"* means a material adverse effect on the ability of the Investor to consummate the Purchase and the other transactions contemplated by this Agreement.

(iii) Other than such as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by the Investor in connection with the consummation by the Investor of the Purchase except for any such notices, filings, exemptions, reviews, authorizations, consent and approvals the failure of which to make or obtain would not be reasonably likely to have an Investor Material Adverse Effect.

(c) Ownership. The Investor is not the Beneficial Owner of (i) any Common Stock or (ii) any securities or other instruments representing the right to acquire Common Stock, other than an aggregate amount of Common Stock with respect to clauses (i) and (ii) not exceeding 100,000 shares (without giving effect to the Purchase). The Investor does not have a formal or informal agreement, arrangement or understanding with any person (other than the Company) to acquire, dispose of or vote any securities of the Company. "*Beneficial Ownership*" shall be determined in accordance with Rules 13d-3 and 13d-5 under the Exchange Act, including the provision that any member of a "group" shall be deemed to have Beneficial Ownership of all securities Beneficially Owned by other members of the group, and except that the exclusion in Rule 13d-3(d)(1)(i) for rights to acquire securities that are not exercisable "within 60 days" shall not apply. "*Beneficial Owner*" and "*Beneficially Own*" shall have conforming definitions. Unless specified otherwise, all percentage calculations of Beneficial Ownership will be calculated by including securities that the person (including any group of which such person is a member), but not any other person, has the right to acquire in both the numerator and the denominator.

To the extent the Investor transfers its rights to one or more of its Permitted Transferees at or prior to Closing, the representations and warranties in Sections 2.3(a) and (b) shall be deemed to also be made by the Investor in respect of each such Permitted Transferee and the representation and warranty in Section 2.3(c) shall be deemed to be made in respect of the Investor and such Permitted Transferees collectively.

Article III

COVENANTS

3.1 Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Purchase as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other party to that end.

3.2 Expenses. Unless otherwise provided in any Transaction Document executed by the Company and the Investor, each of the parties hereto will bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated under the Transaction Documents, including fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

3.3 Sufficiency of Authorized Voting Common Stock. During the period from the Closing Date until the date on which the Warrant has been fully exercised, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of shares of authorized and unissued Warrant Shares to effectuate such exercise. Nothing in this Section 3.3 shall preclude the Company from satisfying its obligations in respect of the exercise of the Warrant by delivery of shares of Voting Common Stock which are held in the treasury of the Company. As soon as practicable following the Closing, the Company shall, at its expense, cause the Warrant Shares to be listed on the New York Stock Exchange (*"NYSE"*) at the time they become freely transferable in the public market under the Securities Act, subject to official notice of issuance, and shall maintain such listing on the NYSE for so long as any Voting Common Stock is listed on the NYSE.

3.4 Certain Notifications Until Closing. From the date of this Agreement until the Closing, each party shall promptly notify the other party of (i) any fact, event or circumstance of which it is aware and which would be reasonably likely to cause any representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect or to cause any covenant or agreement of such party contained in this Agreement not to be complied with or satisfied in any material respect and (ii) except as Previously Disclosed, any fact, circumstance, event, change, occurrence, condition or development of which it is aware and which, individually or in the aggregate, has had or would be reasonably likely to have a Material Adverse Effect or an Investor Material Adverse Effect, as the case may be; *provided*, *however*, that delivery of any notice pursuant to this Section 3.4 shall not limit or affect any rights of or remedies available to the other party.

Article IV

ADDITIONAL AGREEMENTS

4.1 Bank Holding Company Act. The Investor agrees that it will at all times remain in compliance with the U.S. Bank Holding Company Act of 1956 (the "*BHCA*") as the BHCA may apply to the Investor. It is the intention of the Company and the Investor that the Investor's investment in the Company on the terms and conditions set forth in this Agreement, the other Transaction Documents and the Certificate of Designations will not cause the Investor to become, or be required to register as, a bank holding company under the BHCA ("*BHCA Registration*"). The Company and the Investor agree that the Company shall provide the Investor with such information as shall be reasonably requested to assist the Investor in ordering its affairs such that it does not become subject to BHCA Registration. In addition, if, solely as a result of any change in law or

regulation, Investor's ownership of the Purchased Securities (and excluding any other activities of the Investor or interests of the Investor in the Company or other persons) would cause the Investor to become subject to BHCA Registration, the Company will, at the request of the Investor, reasonably cooperate with the Investor in any restructuring of the Investor's ownership of the Purchased Securities such that the Investor would not become subject to BHCA Registration, including, notwithstanding the limitations in Sections 4.3(a) and (e), if the Investor is otherwise unable to reasonably restructure its affairs such that it would not be subject to BHCA Registration (including, without limitation, disposing of securities other than the Purchased Securities), permitting the Investor and its Permitted Transferees to transfer, in a transaction that is not required to be registered under the Securities Act, a portion of the Purchased Securities to not more than an aggregate of fifteen transferees that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("*QIBs*") but only to the extent any such transfer or transfers would result in the Investor not being subject to BHCA Registration, *provided* that (i) each such transferee agrees to be bound by Sections 4.3(a) through 4.3(f) hereof, (except that Section 4.3(b) shall not apply in respect of Preferred Securities and Section 4.3(e) shall not apply in respect of Warrants) and (ii) in the case of transfers of the Warrant, the transfer complies with clause (iii) of Section 4.3(b), and the Company will, if requested by the Investor, agree to allow transferees of the Warrant (but not subsequent transferees) to become parties to the Registration Rights Agreement on substantially the same terms as a Permitted Transferee would be permitted to become a party (including, at the election of the Investor, reasonably cooperating with the Investor to assist the Investor in assigning one of its demand rights under the Registration Rights Agreement to such transferees of the Warrant), and *provided further* that under no circumstances shall the Company be required to change or limit its business, subject itself to additional or different regulation or otherwise take any action (other than permitting the transfer of Purchased Securities as described above) that would be adverse to the business, affairs, financial condition or prospects of the Company.

4.2 Ownership.

The Investor agrees that it will not, and it will not permit any Permitted Transferee to, directly or indirectly, including through any subsidiary of the Investor, a Permitted Transferee or other third party, purchase or otherwise acquire Beneficial Ownership of any Common Stock or securities convertible into or exchangeable for Common Stock (whether or not issued by the Company) that would result in the Investor (together with all Permitted Transferees to which a Transfer has been made): (i) Beneficially Owning more than 14.9% of the outstanding Voting Common Stock (the "*Voting Cap*"); *provided, however*, that if the Investor exceeds the Voting Cap solely because (i) the Company engages in repurchases of its securities or takes other actions to reduce the number of outstanding shares of Common Stock or (ii) due to adjustments in the number of shares issuable upon exercise of the Warrant in accordance with the terms of the Warrant or (iii) a combination of (i) and (ii), then the Investor will not be deemed to be in violation of the Voting Cap if the Investor disposes of sufficient securities so as to cause the Investor to no longer exceed the Voting Cap promptly upon receipt of written notification from the Company that Investor has exceeded the Voting Cap for any such reason and, notwithstanding the limitations in Sections 4.3(a) and (e), the Company hereby agrees to permit the Investor and its Permitted Transferees to

transfer, in a transaction not required to be registered under the Securities Act, a portion of the Warrants to not more than an aggregate of fifteen transferees that are QIBs but only to the extent any such transfer or transfers would result in the Investor not being in violation of the Voting Cap, *provided* that (i) each such transferee agrees to be bound by Section 4.3(a) through 4.3(f) hereof (except Section 4.3(e) shall not apply) and (ii) the transfer complies with clause (iii) of Section 4.3(b), and the Company will, if requested by the Investor, agree to allow the transferees (but not subsequent transferees) to become parties to the Registration Rights Agreement on substantially the same terms as a Permitted Transferee would be permitted to become a party (including, at the election of the Investor, reasonably cooperating with the Investor to assist the Investor in assigning one of its demand rights under the Registration Rights Agreement to such transferees of the Warrant).

4.3 Transfer Restrictions.

(a) Prior to the five year anniversary of the Closing Date, without the prior written consent of the Company, the Investor and its Permitted Transferees shall not (i) except as provided in Sections 4.1 and 4.2, directly or indirectly transfer, sell, assign, pledge, convey, hypothecate or otherwise encumber or dispose of any of the Purchased Securities, or (ii) lend, hypothecate or permit any custodian to lend or hypothecate any of the Purchased Securities or any Common Stock. Each transaction referenced in clauses (i) and (ii) is herein called a "*Transfer*". Exercises of the Warrant for Warrant Shares in accordance with the terms of the Warrant shall not be deemed Transfers.

(b) The Investor and the Permitted Transferees (individually or collectively) may not Transfer any Warrant Shares other than (i) in a transaction that has been specifically approved by the Company in writing, (ii) in a public offering registered with the Commission or in a sale under Rule 144 under the Securities Act, where the Company has been offered the opportunity to designate a sole underwriter, broker or market maker, or (iii) in a private transaction or series of related transactions, and, in the case of (ii) or (iii), to the knowledge of the Investor or Permitted Transferee, no purchaser or group of related purchasers acquires Voting Common Stock in such transaction or series of transactions that represents more than 3.5% of the Company's outstanding Voting Common Stock, and in any case consistent with applicable laws and regulations, including precedent of the Board of Governors of the Federal Reserve System.

(c) Notwithstanding the foregoing, Section 4.3(a) and (b) shall not prevent the Investor and the Permitted Transferees from Transferring any or all of the Purchased Securities or Warrant Shares, at any time, to any direct or indirect subsidiary of the Investor where the Investor beneficially owns at least 80% of the equity interests (measured by both voting rights and value) of such subsidiary (each, a "*Permitted Transferee*"), but only if the Permitted Transferee agrees in writing for the benefit of the Company to be bound by the terms of this Agreement (including these transfer restrictions); *provided* that if the Investor ceases to beneficially own at least 80% of the equity interests (measured by both voting rights and value) of such Permitted Transferee, such Permitted Transferee shall be required to transfer such Purchased Securities or Warrant Shares to the Investor or a Permitted Transferee (or in the case of the Warrant Shares, in accordance with

Section 4.3(b)) immediately; *provided further* that no such Transfer shall relieve the Investor of its obligations under this Agreement. The Investor shall cause each Permitted Transferee to comply with this Agreement as applicable to it.

(d) Without the prior written consent of the Company, the Investor and its Permitted Transferees may not engage in any Hedging Transaction with respect to any of the Purchased Securities or Warrant Shares. "*Hedging Transaction*" means any short sale (whether or not against the box) or any purchase, sale or grant of any right (including any put or call option, swap or other derivative transaction whether settled in cash or securities) to obtain a "short" or "put equivalent position" with respect to the Common Stock.

(e) On and after the five year anniversary of the Closing Date, the Investor and its Permitted Transferees may Transfer the Preferred Securities to any other person, *provided* that (i) the amount transferred to the transferee is at least equal to the lesser of (x) an amount of Preferred Securities having an aggregate liquidation value of at least $1,000,000,000 or (y) an amount of Preferred Securities equal to all of the Preferred Securities then owned by Investor together with its Permitted Transferees, (ii) the transfer and resulting ownership are consistent with law and regulation, including applicable precedent of the Board of Governors of the Federal Reserve System and (iii) the transferee agrees, on terms and in a form reasonably satisfactory to the Company, that its transfers, if any, will be subject to this Section 4.3(e), *provided further,* that in the case of transferees from the Investor or a Permitted Transferee, whether pursuant to Section 4.1, Section 4.2 or this Section 4.3(e), and any subsequent transferees the minimum transfer amount in clause (i) above shall be the lesser of (x) an amount of Preferred Securities having an aggregate liquidation value of at least $500,000,000 and (y) the aggregate amount of Preferred Securities held by such transferee.

(f) The Purchased Securities are, and the Warrant Shares will be when issued, restricted securities under the Securities Act and may not be offered or sold except pursuant to an effective registration statement or an available exemption from registration under the Securities Act. Accordingly, the Investor shall not, directly or through others, offer or sell any Purchased Securities or any Warrant Shares except pursuant to a registration statement or pursuant to Rule 144 or another exemption from registration under the Securities Act, if available. Prior to any Transfer of Purchased Securities or Warrant Shares other than pursuant to an effective registration statement, the Investor shall notify the Company of such Transfer and the Company may require the Investor to provide, prior to such Transfer, such evidence that the Transfer will comply with the Securities Act (including written representations and an opinion of counsel) as the Company may reasonably request. The Company may impose stop-transfer instructions with respect to any securities that are to be transferred in contravention of this Agreement.

4.4 Purchase for Investment. The Investor acknowledges that the Purchased Securities and the Warrant Shares have not been registered under the Securities Act or under any state securities laws. The Investor (i) is acquiring the Purchased Securities pursuant to an exemption from registration under the

Securities Act solely for investment with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws, (ii) will not sell or otherwise dispose of any of the Purchased Securities or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws, (iii) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Purchase and of making an informed investment decision, and has conducted a review of the business and affairs of the Company that it considers sufficient and reasonable for purposes of making the Purchase, (iv) is able to bear the economic risk of the Purchase and at the present time is able to afford a complete loss of such investment and (iv) is an "accredited investor" (as that term is defined by Rule 501 under the Securities Act).

4.5 Legend. The Investor agrees that all certificates or other instruments representing Purchased Securities and the Warrant Shares will bear a legend substantially to the following effect:

> "THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A SECURITIES PURCHASE AGREEMENT, DATED SEPTEMBER 29, 2008, BETWEEN THE ISSUER OF THESE SECURITIES AND THE INVESTOR REFERRED TO THEREIN, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID."

In the event that (i) any Purchased Securities or Warrant Shares become registered under the Securities Act or (ii) Warrant Shares are eligible to be transferred without restriction in accordance with Rule 144 under the Securities Act, the Company shall (subject to the receipt of any evidence required under Section 4.3(e)) issue new certificates or other instruments representing such Purchased Securities or Warrant Shares, which shall not contain such portion of the above legend that is no longer applicable; *provided* that the Investor surrenders to the Company the previously issued certificates or other instruments.

4.6 Information Rights. At the request of the Investor, from time to time upon reasonable notice, the Company shall make the Chief Financial Officer of the Company available to meet with the Investor for the purpose of discussing with the Investor the financial condition, business and results of operations of the Company. This right is non-transferable and terminates on the

date that the Investor and its Permitted Transferees no longer collectively hold Preferred Stock with an aggregate liquidation value of at least $1,000,000,000.

4.7 Spin-off Transactions. In the event that the Company decides to distribute the common equity securities of an entity ("Spinco") that owns one or more of its businesses to the Company's common stockholders by means of a pro rata distribution of the common equity securities of Spinco, the Company shall, subject to receipt of any necessary regulatory approvals (including the Board of Governors of the Federal Reserve System), exchange a number of shares of Spinco Preferred equal to the product of (i) the Spin-off Value Percentage and (ii) the number of Preferred Shares owned by the Investor and its Permitted Transferees at the time of the exchange, for an equal number of Preferred Shares. The Company shall not complete the pro rata distribution unless it effects the exchange described in this Section 4.7. When issued, the Spinco Preferred shall entitle the holder thereof to the payment of the accrued and unpaid dividends on the exchanged Preferred Shares (whether or not declared) to the date of the spin-off. The exchange shall be conducted with the Investor and its Permitted Transferees on a pro rata basis and the redemption shall be mandatory on the Investor and its Permitted Transferees. This Section 4.7 shall not apply if immediately prior to the spin-off, the Investor and its Permitted Transferees in the aggregate own less than 10,000 Preferred Shares. Following the exchange contemplated by this Section 4.7, the rights and obligations in this Agreement shall apply to the Spinco Preferred mutadis mutandis.

The exchange contemplated by this Section 4.7 shall be subject to the approval of the Board of Governors of the Federal Reserve System.

"*Spin-off Value Percentage*" means the decimal equivalent of a fraction, the numerator of which is the fair market value of Spinco and the denominator of which is the sum of the fair market value of the Company and the fair market value of Spinco. The fair market value for this purpose shall be based upon the expected public trading price of the Spinco common equity securities on a fully distributed basis and the expected public trading price of the Company's Voting Common Stock following the distribution of the Spinco common equity securities, and determined as though neither the Preferred Shares nor the Spinco Preferred were outstanding. In determining fair market values, any equity interest in Spinco retained by the Company will be disregarded in determining the fair market value of the Company. The fair market value of Spinco will be determined on a fully distributed (100% of the common equity) basis. The Company will provide to the Investor the Company's estimate of the Spin-off Value Percentage (together with appropriate supporting material). If the Investor does not agree with the Company's estimate, it may object in writing within 10 days of receipt of the Company's estimate. In the event of such an objection, the chief executive officers of the Investor and the Company shall promptly meet to resolve the objection and to agree upon the Spin-off Value Percentage. If the chief executive officers are unable to agree on the Spin-off Value Percentage during the 10-day period following the delivery of the Investor's objection, the Appraisal Procedure may be invoked by either party to determine the Spin-off Value Percentage by delivery of a written notification thereof not later than the 30th day after delivery of the Investor's objection.

"*Spinco Preferred*" shall mean a series of preferred stock of Spinco which has rights, preferences (including a liquidation preference of $100,000 per share), voting powers and limitations and restrictions that are substantially the same as the rights, preferences, voting powers and limitations and restrictions of the Preferred Shares, except that the issuers are not the same. Spinco will not have any authorized preferred stock that is senior to the Spinco Preferred.

"*Appraisal Procedure*" means a procedure whereby two independent appraisers, one chosen by the Company and one by the Investor, shall mutually agree upon the Spin-off Value Percentage. Each party shall deliver a notice to the other appointing its appraiser within 10 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the Spin-off Value Percentage, a third independent appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers or, if such two first appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in appraisal of the subject matter to be appraised. The decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive upon the Company and the Investor; otherwise, the average of all three determinations shall be binding upon the Corporation and the Investor. The costs of conducting any Appraisal Procedure shall be borne equally by the Company and the Investor.

Article V

Miscellaneous

5.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Investor or the Company if the Closing shall not have occurred by the 30th calendar day following the date of this Agreement; *provided, however,* that in the event the Closing has not occurred by such 30th calendar day, the parties will consult in good faith to determine whether to extend the term of this Agreement, it being understood that the parties shall be required to consult only until the fifth day after such 30th calendar day and not be under any obligation to extend the term of this Agreement; *provided*, *further*, that the right to terminate this Agreement under this Section 5.1(a) shall not be available to any party whose breach of any representation or warranty or failure to perform any obligation under this Agreement shall have caused or resulted in the failure of the Closing to occur on or prior to such date; or

(b) by either the Investor or the Company in the event that any Governmental Entity shall have issued an order, decree or ruling or taken any other

action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

(c) by the mutual written consent of the Investor and the Company.

In the event of termination of this Agreement as provided in this Section 5.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto, except that nothing herein shall relieve either party from liability for any breach of this Agreement.

5.2 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed by an officer of a duly authorized representative of each party.

5.3 Waiver of Conditions. The conditions to each party's obligation to consummate the Purchase are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.4 Counterparts and Facsimile. For the convenience of the parties hereto, this Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement. Executed signature pages to this Agreement may be delivered by facsimile and such facsimiles will be deemed as sufficient as if actual signature pages had been delivered.

5.5 **Governing Law; Submission to Jurisdiction, Etc. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees (a) to submit to the non-exclusive personal jurisdiction of the State or Federal courts in the Borough of Manhattan, The City of New York, (b) that non-exclusive jurisdiction and venue shall lie in the State or Federal courts in the State of New York, and (c) that notice may be served upon such party at the address and in the manner set forth for such party in Section 5.6. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any legal action or proceeding relating to the Transaction Documents or the transactions contemplated hereby or thereby.**

5.6 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(A) If to the Investor:

Berkshire Hathaway Inc.
1440 Kiewit Plaza
Omaha, Nebraska 68131

Attention: Marc D. Hamburg
Facsimile: (402) 346-3375

with a copy to:

Munger, Tolles & Olson LLP
355 S. Grand Avenue, 35th Floor
Los Angeles, California 90071

Attention: Robert E. Denham
Facsimile: (213) 687-3702

(B) If to the Company:

The Goldman Sachs Group, Inc.
85 Broad Street
New York, New York 10004
Attention: General Counsel
Facsimile: 212-902-3876

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: John Mead
Facsimile: (212) 558-3588

5.7 Entire Agreement, Etc. This Agreement (including the Annexes hereto) and the other Transaction Documents constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof.

5.8 Definitions of "subsidiary" and "Affiliate". (a) When a reference is made in this Agreement to a subsidiary of a person, the term "*subsidiary*" means those entities of which such person owns or controls more than 50% of the outstanding equity securities either directly or through an unbroken chain of entities as to each of which more than 50% of the outstanding equity securities is owned directly or indirectly by its parent.

(b) The term "*Affiliate*" means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, "control" when used with respect to any person, means the possession, directly or indirectly, of the power to

cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

5.9 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other parties, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (i) an assignment, in the case of a merger or consolidation where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such merger or consolidation or the purchaser in such sale or (ii) an assignment by Investor, upon one business day's notice to the Company, of any or all of its rights hereunder (including under any other Transaction Document) to one or more Permitted Transferees prior to the Closing subject to the requirements and conditions set forth in Section 4.3(c) for a transfer of Purchased Securities and applicable requirements and conditions in the other Transaction Documents. The actions of Investor and/or any Permitted Transferee shall be aggregated for purposes of all thresholds and limitations herein and in the Registration Rights Agreement to the extent (i) Investor transfers any or all of its rights hereunder to any Permitted Transferee prior to the Closing and/or (ii) Investor or any Permitted Transferee transfers any Purchased Securities to any Permitted Transferee following the Closing.

5.10 Severability. If any provision of this Agreement or a Transaction Document, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.11 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and the Investor (and any subsidiary of the Investor or Permitted Transferee to which an assignment is made in accordance with this Agreement), any benefits, rights, or remedies.

* * *

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first herein above written.

THE GOLDMAN SACHS GROUP, INC.

By: /s/ Gregory K. Palm
Name: Gregory K. Palm
Title: Executive Vice President and General Counsel

BERKSHIRE HATHAWAY INC.

By: /s/ Marc D. Hamburg
Name: Marc D. Hamburg
Title: Senior Vice President

<DOCUMENT>
<TYPE>   EX-10.2
<FILENAME>   y71546exv10w2.htm
<DESCRIPTION> EX-10.2: GENERAL GUARANTEE AGREEMENT
<TEXT>

Exhibit 10.2

[Letterhead of The Goldman Sachs Group, Inc.]

GENERAL GUARANTEE AGREEMENT

This General Guarantee Agreement, dated September 21, 2008 (the "Guarantee"), is made by The Goldman Sachs Group, Inc. (the "Guarantor"), a corporation duly organized under the laws of the State of Delaware, in favor of each person (each, a "Party") to whom Goldman Sachs Bank USA, a Utah Corporation and a subsidiary of the Guarantor (the "Company"), may owe any Obligations (as defined below) from time to time.

1. *Guarantee*. For value received, the Guarantor hereby unconditionally and, subject to the provisions of paragraphs number six and seven, irrevocably guarantees to each Party, the complete payment when due, whether by acceleration or otherwise, of all payment obligations, whether now in existence or hereafter arising (other than non-recourse payment obligations) of the Company, including, without limitation, all payment obligations (other than non-recourse payment obligations) in connection with any deposit, loan, letter of credit or similar borrowing or lending obligation or arising under any swap, futures, option, forward or other derivative instrument (the "Obligations"). This Guarantee is one of payment and not of collection.

2. *Waiver of Notice, etc.* Except as may be required by the contract, agreement or instrument creating the Obligations, the Guarantor hereby waives notice of acceptance of this Guarantee and notice of the Obligations, and waives proof of reliance, diligence, presentment, demand for payment, protest, notice of dishonor or non-payment of the Obligations, suit, and the taking of any other action by any Party against, and any other notice to, the Company, the Guarantor or others.

3. *Nature of Guarantee*. This Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of any Obligation or right of offset with respect thereto at any time and from time to time held by any Party or (b) any other circumstance whatsoever (with or without notice to or knowledge of the Company or the Guarantor) which might constitute an equitable or legal discharge of the Company for the Obligations, or of the Guarantor under this Guarantee, in bankruptcy or in any other instance; *provided, however*, that under no circumstances will the Guarantor be liable to any Party hereunder for any amount in excess of the amount which the Company actually owes to such Party and that the Guarantor may assert any defense to payment available to the Company, other than those arising in a bankruptcy or insolvency proceeding.

A Party may at any time and from time to time without notice to or consent of the Guarantor and without impairing or releasing the obligations of the Guarantor hereunder: (1) agree with the Company to make any change in the terms of the Obligations; (2) take or fail to take any action of any kind in respect of any security for any obligation or liability of the Company to such Party, (3) exercise or refrain from exercising any rights against the Company or others in respect of the Obligations; or (4) compromise or subordinate the Obligations. Any other suretyship defenses are hereby waived by the Guarantor.

4. *Reinstatement*. The Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations, or interest thereon is rescinded or must otherwise be restored or returned by such Party upon the bankruptcy, insolvency, dissolution or reorganization of the Company.

5. *Subrogation*. The Guarantor will not exercise any rights which it may acquire hereunder by way of subrogation, as a result of a payment hereunder, until all due and unpaid Obligations to such Party shall have been paid in full. Any amount paid to the Guarantor in violation of the preceding sentence shall be held by Guarantor for the benefit of such Party and shall forthwith be paid to such Party to be credited and applied to the due and unpaid Obligations. Subject to the foregoing, upon payment of all such due and unpaid Obligations, the Guarantor shall be subrogated to the rights of such Party against the Company with respect to such Obligations, and such Party agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

6. *Amendment and Termination*. This guarantee may be amended or terminated, as to one Party, all Parties or a group of specified Parties and as to one Obligation, all Obligations or specified Obligations, at any time by (i) issuance by the Guarantor of a press release reported by the Dow Jones News Service, the Associated Press or a comparable national news service, or (ii) written notice signed by the Guarantor, with such amendment or termination effective with respect to a Party on the opening of business on the fifth New York business day after earlier of the issuance of such press release or the receipt of such written notice, as applicable; *provided, however*, that no such amendment or termination may adversely affect the rights of any Party relating to any Obligations incurred prior to the effectiveness of such amendment or termination; *provided further*, that any such amendment or termination may become effective as to one Party whether or not it becomes effective with respect to another Party.

7. *Assignment*. The Guarantor may not assign its rights nor delegate its obligations under this Guarantee with respect to a Party, in whole or in part, without prior written consent of such Party, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation, trust or other organization in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise. Upon any such delegation and assumption of obligations, the Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

8. *Governing Law and Jurisdiction*. **THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW. GUARANTOR AGREES TO THE EXCLUSIVE JURISDICTION OF COURTS LOCATED IN THE STATE OF NEW YORK, UNITED STATES OF AMERICA, OVER ANY DISPUTES ARISING UNDER OR RELATING TO THIS GUARANTEE.**

IN WITNESS WHEREOF, the Guarantor has duly executed this Guarantee as of the day and year first above written.

THE GOLDMAN SACHS GROUP, INC.

By: /s/ Elizabeth E. Beshel
Name: Elizabeth E. Beshel
Title: Treasurer

<DOCUMENT>
<TYPE>   EX-12.1
<FILENAME>   y71546exv12w1.htm
<DESCRIPTION> EX-12.1: STATEMENT RE: COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND RA
<TEXT>

EXHIBIT 12.1

THE GOLDMAN SACHS GROUP, INC. and SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	Nine Months Ended August	Year Ended November			
	2008	2007	2006	2005	2004
	($ in millions)				
Net earnings	$ 4,443	$11,599	$ 9,537	$ 5,626	$ 4,553
Add:					
Provision for taxes	1,492	6,005	5,023	2,647	2,123
Portion of rents representative of an interest factor	109	137	135	119	118
Interest expense on all indebtedness	26,097	41,981	31,688	18,153	8,888
Pre-tax earnings, as adjusted	$32,141	$59,722	$46,383	$26,545	$15,682
Fixed charges [1]:					
Portion of rents representative of an interest factor	$ 109	$ 137	$ 135	$ 119	$ 118
Interest expense on all indebtedness	26,170	42,051	31,755	18,161	8,893
Fixed charges	$26,279	$42,188	$31,890	$18,280	$ 9,011
Preferred stock dividend requirements	154	291	212	25	—
Total combined fixed charges and preferred stock dividends	$26,433	$42,479	$32,102	$18,305	$ 9,011
Ratio of earnings to fixed charges	1.22x	1.42x	1.45x	1.45x	1.74x
Ratio of earnings to combined fixed charges and preferred stock dividends	1.22x	1.41x	1.44x	1.45x	—

[1] Fixed charges include capitalized interest of $73 million, $70 million, $67 million, $8 million and $5 million as of August 2008, November 2007, November 2006, November 2005 and November 2004, respectively.

<DOCUMENT>
<TYPE> EX-15.1
<FILENAME> y71546exv15w1.htm
<DESCRIPTION> EX-15.1: LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION
<TEXT>

EXHIBIT 15.1

October 7, 2008

Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: The Goldman Sachs Group, Inc.
Registration Statements on Form S-8
(No. 333-80839)
(No. 333-42068)
(No. 333-106430)
(No. 333-120802)

Registration Statements on Form S-3
(No. 333-49958)
(No. 333-74006)
(No. 333-101093)
(No. 333-110371)
(No. 333-112367)
(No. 333-122977)
(No. 333-128461)
(No. 333-130074)
(No. 333-135453)

Commissioners:

We are aware that our report dated October 3, 2008 on our review of the condensed consolidated statement of financial condition of The Goldman Sachs Group, Inc. and subsidiaries (the Company) at August 29, 2008, the related condensed consolidated statements of earnings for the three and nine months ended August 29, 2008 and August 31, 2007, the condensed consolidated statement of changes in shareholders' equity for the nine months ended August 29, 2008, the condensed consolidated statements of cash flows for the nine months ended August 29, 2008 and August 31, 2007, and the condensed consolidated statements of comprehensive income for the three and nine months ended August 29, 2008 and August 31, 2007, included in the Company's quarterly report on Form 10-Q for the quarter ended August 29, 2008 is incorporated by reference in the registration statements referred to above. Pursuant to Rule 436(c) under the Securities Act of 1933, such report should not be considered a part of such registration statements, and is not a report within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

/s/ PRICEWATERHOUSECOOPERS LLP

<DOCUMENT>
<TYPE> EX-31.1
<FILENAME> y71546exv31w1.htm
<DESCRIPTION> EX-31.1: RULE 13A-14(A) CERTIFICATIONS
<TEXT>

EXHIBIT 31.1

CERTIFICATIONS

I, Lloyd C. Blankfein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended August 29, 2008 of The Goldman Sachs Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LLOYD C. BLANKFEIN

Name: Lloyd C. Blankfein
Title: Chief Executive Officer

Date: October 7, 2008

CERTIFICATIONS

I, David A. Viniar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended August 29, 2008 of The Goldman Sachs Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID A. VINIAR

Name: David A. Viniar
Title: Chief Financial Officer

Date: October 7, 2008

<DOCUMENT>
<TYPE>   EX-32.1
<FILENAME>   y71546exv32w1.htm
<DESCRIPTION> EX-32.1: SECTION 1350 CERTIFICATIONS
<TEXT>

EXHIBIT 32.1

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of The Goldman Sachs Group, Inc. (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended August 29, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 7, 2008

/s/ LLOYD C. BLANKFEIN

Name: Lloyd C. Blankfein
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of The Goldman Sachs Group, Inc. (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended August 29, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 7, 2008

/s/ DAVID A. VINIAR

Name: David A. Viniar
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.