

Capital Market Trends and Forecasts

Los Angeles Fire and Police Pension System Education Retreat

January 7, 2009

David J. Kostin

Goldman, Sachs & Co. 212-902-6781

david.kostin@gs.com

The Goldman Sachs Group, Inc. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Customers in the US can receive independent, third-party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at <http://www.independentresearch.gs.com> or call 1-866-727-7000.

For Reg AC certification, see the end of the text. Other important disclosures follow the Reg AC certification, or go to www.gs.com/research/hedge.html.

Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

2009 Outlook: Shifting from Macro to Micro

Transitioning from a macro to a micro market: Macroeconomic developments dominated US equity returns in 2008. Record high average stock correlations are one symptom of this macro-driven market. We expect the economy will be weak in 2009 but improved opportunities for individual stock picking should arise. A decline in average correlations will usher in a more fundamentally-driven market.

S&P 500 Earnings: \$53 in 2009 and \$69 in 2010: We expect S&P 500 operating EPS to drop 33% to \$55 in 2008, fall 5% to \$53 in 2009, and rise 31% to \$69 in 2010. 2009 will be the first year in this profit cycle in which earnings fall in most sectors.

Valuation: 2009 year-end price target of 1100: Our year-end 2009 target for the S&P 500 is 1100, 22% above current levels. We believe we have passed this cycle's low but the S&P 500 may re-test the 750 level (-17%) in 1Q 2009 before trading higher.

Signposts to watch for along the way: We believe the S&P 500 will begin to trade meaningfully higher once we pass four critical milestones: (1) Passage of a fiscal stimulus plan in 1Q; (2) Improved access to credit for corporations and consumers; (3) Home price stabilization; and (4) Declines in Financials write-downs.

Note: Prices as of December 31, 2008.

Bear Market History: After a trough, the S&P 500 typically bounces quickly (+22% in the three months)

S&P 500 Bear Markets					Returns around Market Trough							
Peak	Trough	Length in Months	Total Decline	Returns BEFORE the Trough			Returns AFTER the Trough				Months to Recover	
				6 mo to Trough	3 mo to Trough	1 mo to Trough	1 mo after Trough	3 mo after Trough	6 mo after Trough	12 mo after Trough		
1	7-Sep-29	1-Jun-32	33	(86)%	(53)%	(47)%	(25)%	5 %	93 %	53 %	121 %	268
2	10-Mar-37	28-Apr-42	62	(60)	(23)	(16)	(7)	10	15	25	54	45
3	29-May-46	13-Jun-49	37	(30)	(12)	(10)	(9)	9	16	23	42	12
4	2-Aug-56	22-Oct-57	15	(22)	(14)	(20)	(11)	5	6	10	31	11
5	12-Dec-61	26-Jun-62	6	(28)	(26)	(25)	(12)	9	7	20	33	14
6	9-Feb-66	7-Oct-66	8	(22)	(20)	(16)	(4)	10	12	22	33	7
7	29-Nov-68	26-May-70	18	(36)	(26)	(22)	(16)	6	17	23	44	21
8	11-Jan-73	3-Oct-74	21	(48)	(34)	(26)	(12)	19	14	31	38	69
9	28-Nov-80	12-Aug-82	20	(27)	(10)	(14)	(7)	18	36	44	58	3
10	25-Aug-87	4-Dec-87	3	(34)	(24)	(29)	(10)	14	19	19	21	20
11	16-Jul-90	11-Oct-90	3	(20)	(14)	(18)	(8)	6	7	28	29	4
12	24-Mar-00	9-Oct-02	31	(49)	(31)	(18)	(14)	15	19	11	34	56
13	9-Oct-07	20-Nov-08	13	(52)%	(47)%	(41)%	(24)%	18				
Historical Average (1-12)			21	(38)%	(24)%	(22)%	(11)%	10 %	22 %	26 %	45 %	17

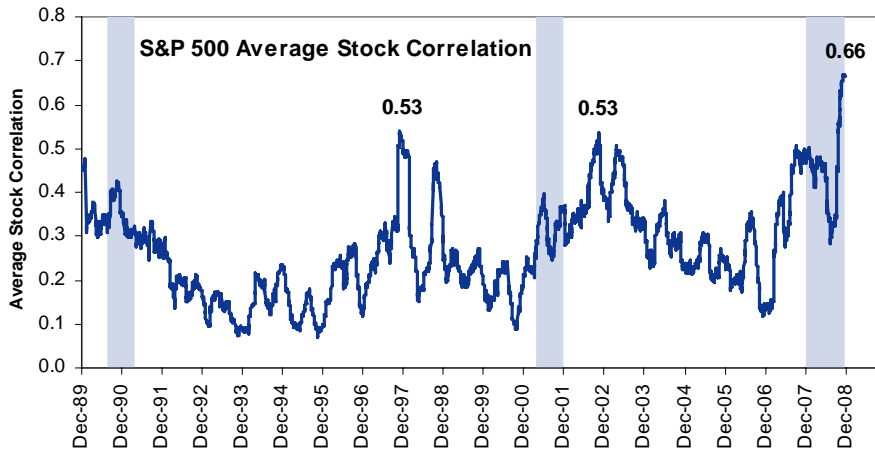
Note: Median "years to recover" shown, not average.

Source: Bloomberg, Compustat and Goldman Sachs Research. Prices as of December 31, 2008.

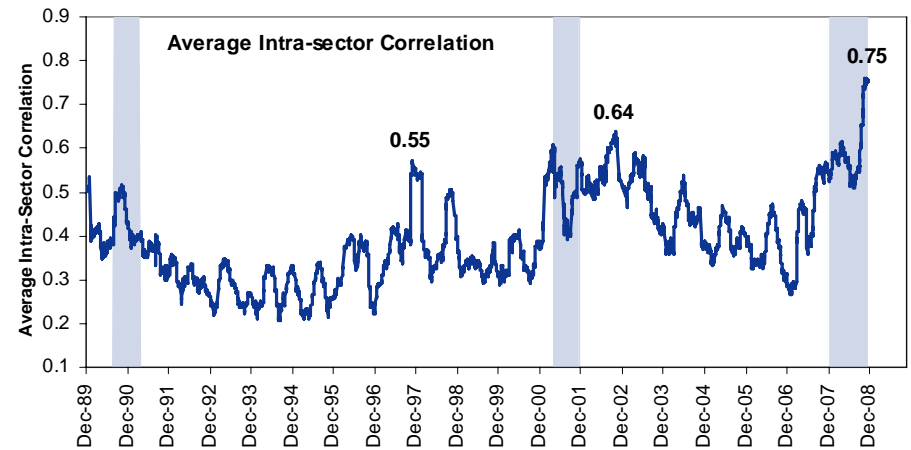


Stock and sector correlations reached all-time highs as top-down triumphed in 2008

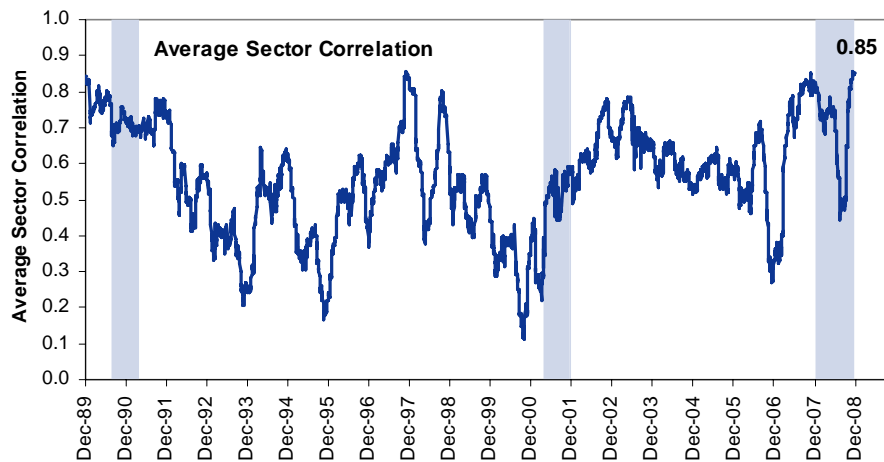
500 stocks



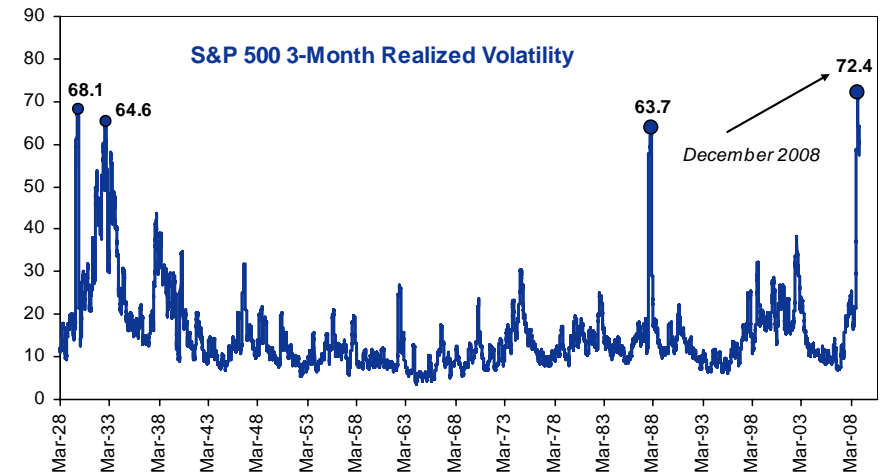
Stocks within sectors



10 sectors



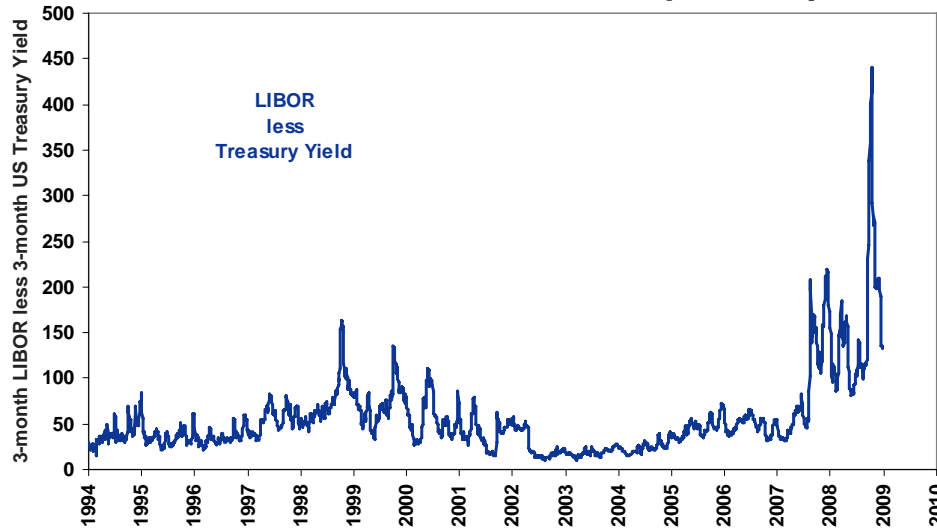
S&P 500 3-Month Realized Volatility



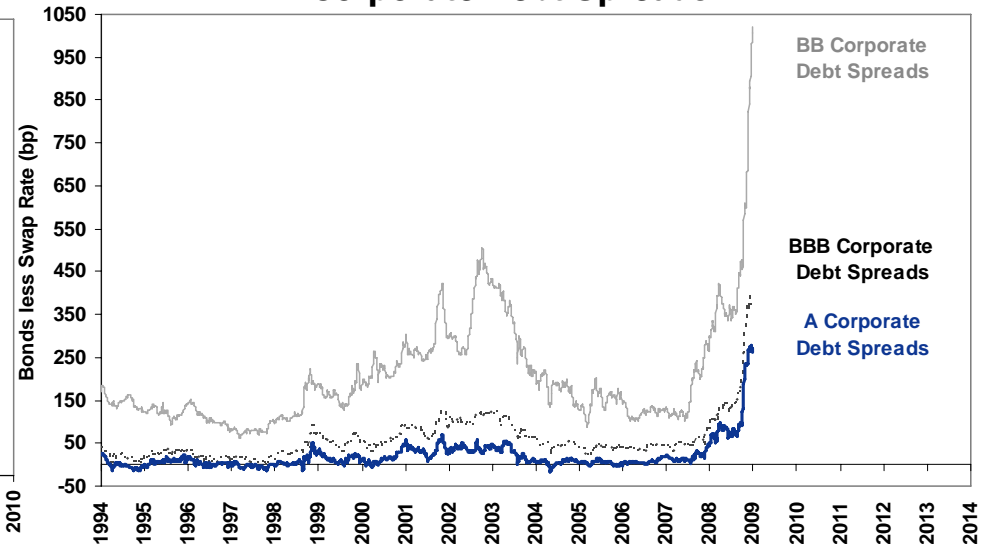
Source: Goldman Sachs Options Research and Goldman Sachs Research. As of December 31, 2008.

Access to credit is a critical issue for firms; investor focus is on balance sheet strength

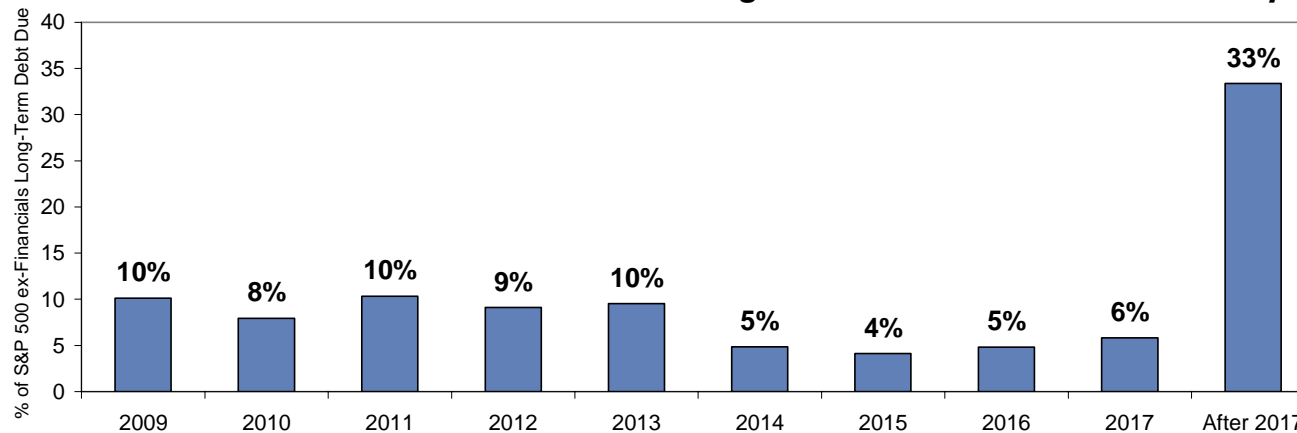
3-Month LIBOR and US Treasury Yield Spread



Corporate Debt Spreads



Roughly 10% of S&P 500 ex-Financials issued \$1.9 trillion long-term debt will mature annually from 2009-2013

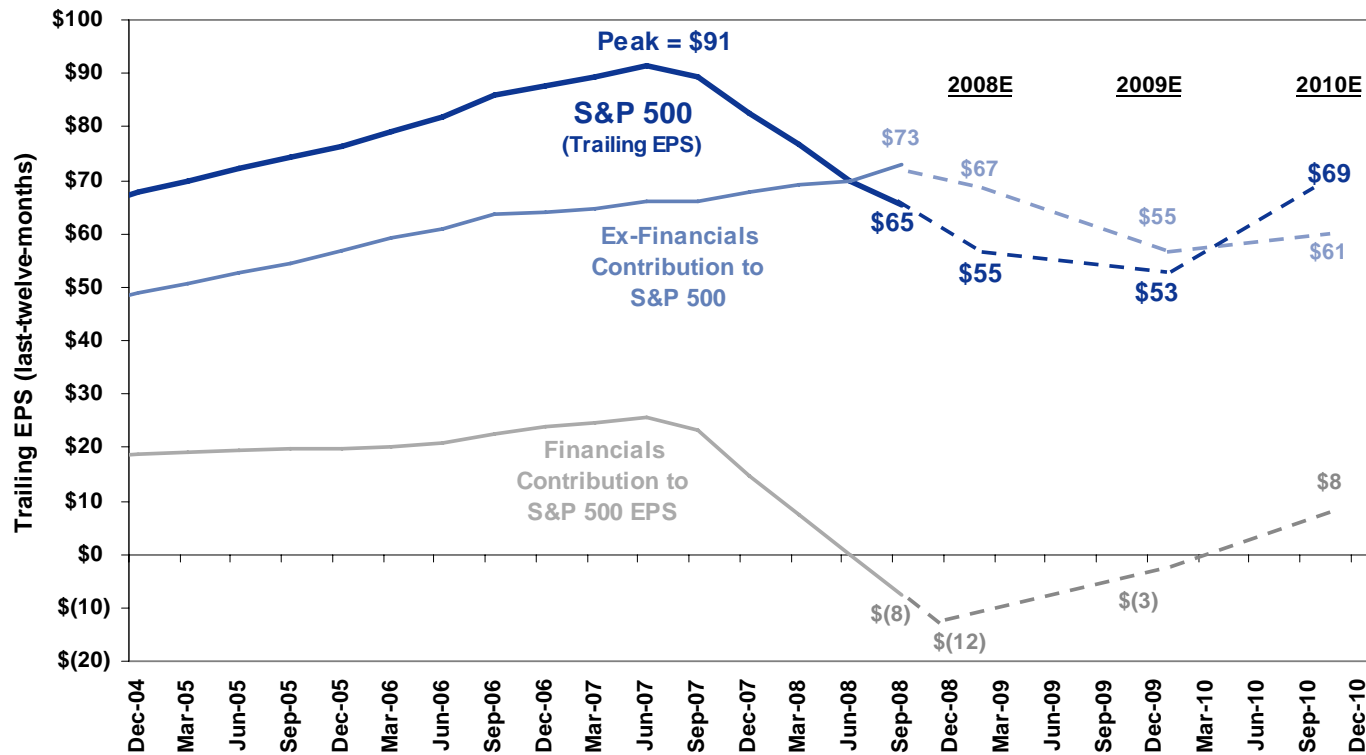


Source: Bloomberg, Factset and Goldman Sachs Research. As of January 2, 2008.

S&P 500 earnings: \$53 per share in 2009 and \$69 in 2010

- **We expect S&P 500 operating EPS to decline 33% to \$55 in 2008, fall by 5% to \$53 in 2009, and rise by 31% to \$69 in 2010.** Our estimates suggest only Consumer Staples and Health Care will generate positive EPS growth in 2009. Consensus 2009 EPS estimates of \$83 have already been revised downward by 24% and would need to fall an additional 36% to reach our top-down forecast.
- **Excluding Financials, our operating EPS forecasts for the S&P 500 are \$55 for 2009 and \$61 for 2010, reflecting growth of -17% and +10%, respectively.**
- **We expect 2009 to be the first year in the current profit cycle in which earnings fall broadly across many sectors.** Most notably, we expect Energy and Materials earnings to decline by 34% and 42%, respectively.
- **Financials write-downs and provisions continue to be a key driver of S&P 500 earnings.** We expect 2009 S&P 500 operating EPS will be reduced by \$14 in losses stemming from write-downs and provisions, followed by \$6 in 2010 and \$2 in 2011.
- **Ex-Financials, S&P 500 profits have yet to fall, peaking in 3Q 2008 at \$73 per share.** We believe 4Q 2008 will mark the first quarter that profits for the S&P 500 ex-Financials will decline.

S&P 500 LTM operating EPS peaked in June 2007 but earnings ex-Financials only peaked in Sept 2008



	2006	2007	LTM	2008E	2009E	2010E
S&P 500						
Ex-Fin	\$64	\$68	\$73	\$67	\$55	\$61
Financials	24	15	(8)	(12)	(3)	8
S&P 500	\$88	\$83	\$65	\$55	\$53	\$69

Source: Standard & Poor's and Goldman Sachs Research.

Earnings declines by sector in past profit cycles

Only Financial, Consumer Discretionary and Telecom Services have had profit declines since 2Q 2007

Sector	1970-1975		1975-1982		1982-1987		1987-1991	
	Earnings Growth		Earnings Growth		Earnings Growth		Earnings Growth	
	Expansion	Contraction	Expansion	Contraction	Expansion	Contraction	Expansion	Contraction
Materials	124 %	(29)%	104 %	(95)%	1,122 %	53 %	128 %	(69)%
Financials	94	(35)	1,598	2	65	(109)	NM	(27)
Consumer Discretionary	126	(47)	88	14	131	16	19	(80)
Utilities	53	18	63	17	51	(11)	16	(10)
Energy	137	(22)	183	(20)	18	(65)	132	(40)
Telecom Services	56	(3)	118	10	28	(21)	74	(18)
Information Technology	92	(3)	130	14	31	(12)	48	(29)
Industrials	119	(14)	187	(38)	111	(8)	41	(18)
Health Care	136	13	172	(3)	20	(16)	177	(1)
Consumer Staples	44	(0)	177	6	34	16	21	32
S&P 500	91 %	(10)%	143 %	(11)%	45 %	(11)%	64 %	(22)%

Sector	1991-2002		2002-2008		Average		Cyclicity (a)
	Earnings Growth		Earnings Growth		Earnings Growth		Earnings Growth
	Expansion	Contraction	Expansion	Contraction	Expansion	Contraction	Coefficient of Variation
Materials	226 %	(69)%	360 %	(no decline)	341 %	(42)%	4.7
Financials	665	(10)	118	(122)%	606	(36)	3.8
Consumer Discretionary	696	(55)	200	(40)	212	(30)	2.9
Utilities	87	(55)	196	(no decline)	54	(8)	2.5
Energy	403	(64)	629	(no decline)	174	(42)	2.4
Telecom Services	161	(18)	NM	(8)	87	(10)	2.0
Information Technology	626	(76)	581	(no decline)	185	(21)	1.7
Industrials	151	(8)	123	(no decline)	122	(17)	1.6
Health Care	233	(0)	72	(no decline)	148	(1)	0.8
Consumer Staples	140	(1)	63	(no decline)	83	10	0.5
S&P 500	243 %	(19)%	115 %	(24)%	117 %	(14)%	1.2

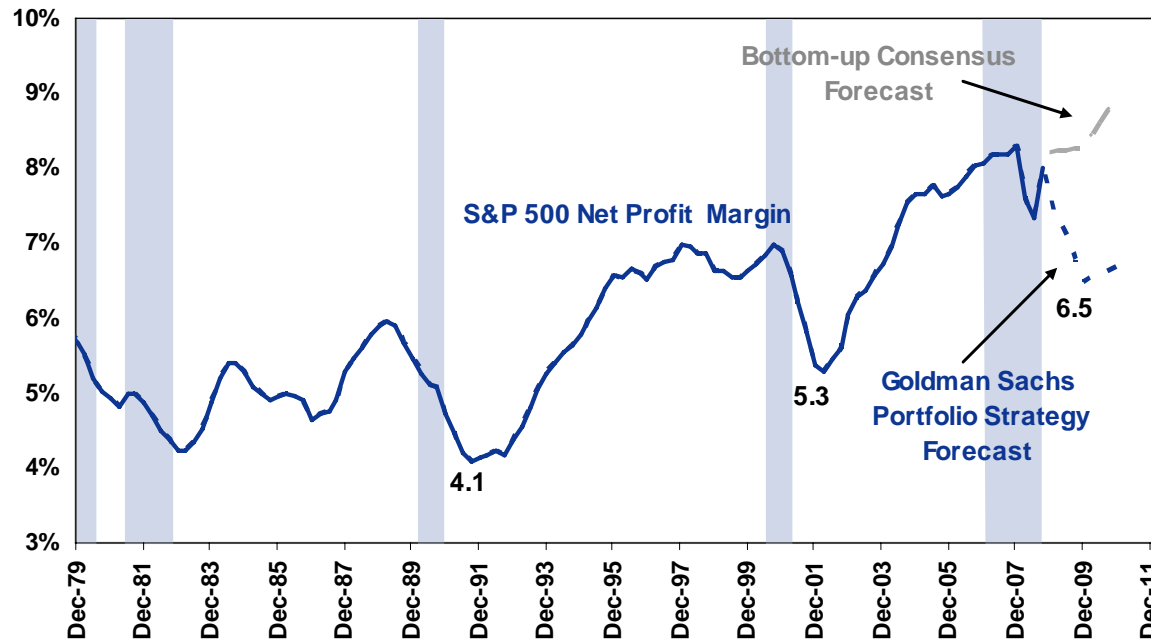
Source: Standard & Poor's, Goldman Sachs Research. (A) Coefficient of variation = standard deviation of historical growth rates / average historical growth rate.

Decomposition of S&P 500 earnings estimates: Financials' provisions & write-downs drag down SPX EPS

	Contribution to EPS (\$/share)						Earnings growth rates (%)					
	GS Top-Down EPS			Bottom-up			GS Top-Down			Bottom-Up		
	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
Consumer Staples	\$8	\$8	\$9	\$9	\$9	\$10	1 %	4 %	6 %	12 %	2 %	8 %
Health Care	11	11	12	11	12	13	5	3	6	8	12	10
Telecom Services	2	2	2	3	3	3	(9)	(3)	4	2	16	9
Utilities	3	3	3	3	3	4	1	(5)	8	3	8	10
Consumer Discretionary	3	2	3	3	5	7	(60)	(10)	25	(49)	44	51
Industrials	10	8	9	10	9	9	(2)	(18)	10	(2)	(12)	7
Information Technology	11	8	9	11	11	13	2	(26)	15	3	5	16
Energy	17	11	13	18	11	14	19	(34)	12	24	(39)	26
Materials	3	2	2	3	2	3	(9)	(42)	15	(12)	(25)	30
S&P 500 ex-Financials	67	55	61	70	65	76	(2)	(17)	10	3	(7)	16
Financials Operating EPS	(12)	(3)	8	(4)	12	16	NM	NM	NM	NM	NM	NM
S&P 500 Operating EPS	\$55	\$53	\$69	\$65	\$77	\$91	(33)%	(5)%	31 %	(21)%	17 %	19 %
+ Provisions & Writedowns	25	14	6	NA	NA	NA	149	(46)	(57)	NA	NA	NA
S&P 500 EPS ex-P&W	80	66	75	NA	NA	NA	(13)	(17)	13	NA	NA	NA

Source: FirstCall, Compustat and Goldman Sachs Research. Note: P&W = Provisions & Write-downs

We expect profit margins to decline by 180 bp peak-to-trough in the current cycle



S&P 500 Margin Level		Operating Margins Cycle Peak to Trough			Length of Decline
PEAK	TROUGH	Peak Margin	Trough Margin	Decline (bp)	Months
31-Dec-73	30-Sep-75	6.3 %	4.8 %	(155)bp	21 mo
31-Mar-79	31-Dec-82	5.8	4.2	(161)	45
30-Jun-84	30-Jun-87	5.4	4.8	(63)	36
30-Jun-89	30-Sep-91	5.9	4.1	(181)	27
30-Sep-00	31-Dec-01	7.0	5.4	(160)	15
31-Dec-07	30-Sep-08	8.3	8.0	(32)	9
Average (1 through 5)				(144)bp	29 mo
GS Top-Down Forecast					
31-Dec-07	31-Dec-09	8.3 %	6.5 %	(180)bp	24 mo

Source: Compustat and Goldman Sachs Research.

Valuation: Our year-end 2009 price target for the S&P 500 is 1100

We approach the valuation challenge from three perspectives: (1) A dividend discount model (DDM); (2) A mean reversion to historical P/E multiples; and, (3) the Fed model.

- **Our price target for year-end 2009 is 1100.** Fair value represents the level at which the market should trade based on given assumptions. A price target based on future fair value estimates assumes the market will revert to fair value over the time period.
- **Current fair value is 980.** Our valuation work suggests that fair value one year from now will be 1150, 17% above current fair value of 980 and 24% above the current S&P 500 level of 930.
- Looking back at prior bear market cycles, we calculated two implied troughs for the S&P 500. The first implied trough of 850 (9% below the current market level) is calculated by taking the historical average change in multiples during prior bear markets. The second implied trough of 630 (32% below current levels) is based on taking the average of the historical worst case change in valuation multiples during previous bear markets.
- Given the uncertain earnings outlook, many investors turn to P/B for valuation. The current price/book value ratio of 1.7X is roughly half the 10-year average of 3.4X, suggesting the equity market is undervalued from a long-term perspective.

Note: Prices as of December 31, 2008.



Thinking about S&P 500 trough valuations: We believe we have passed the low for this cycle

If S&P 500 troughed in Nov 2008 at 750, it would fall between the average (850) and worst (630) implied troughs based on history

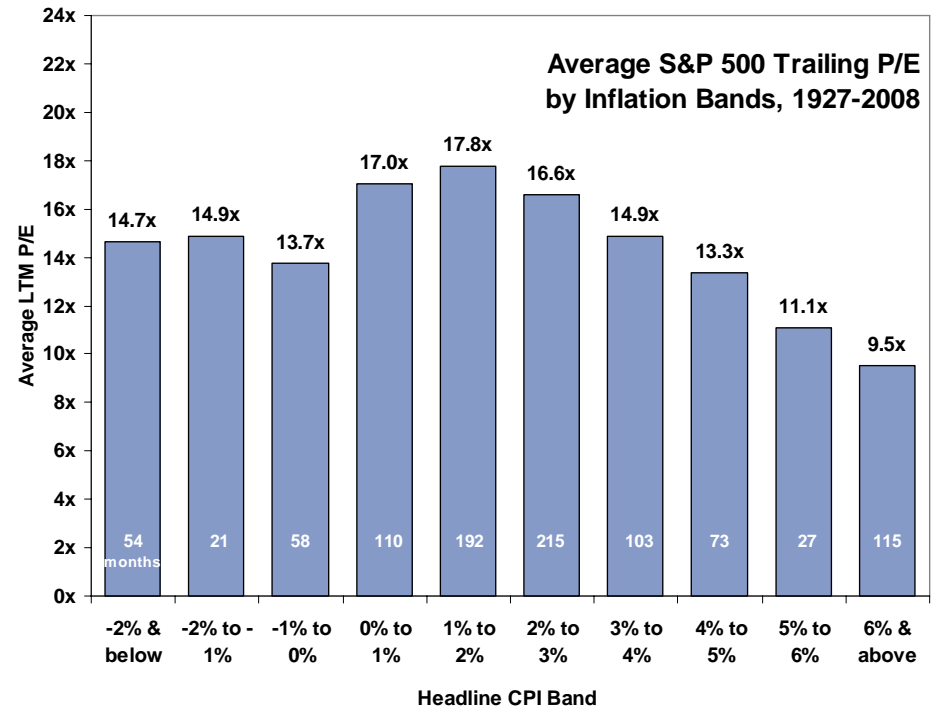
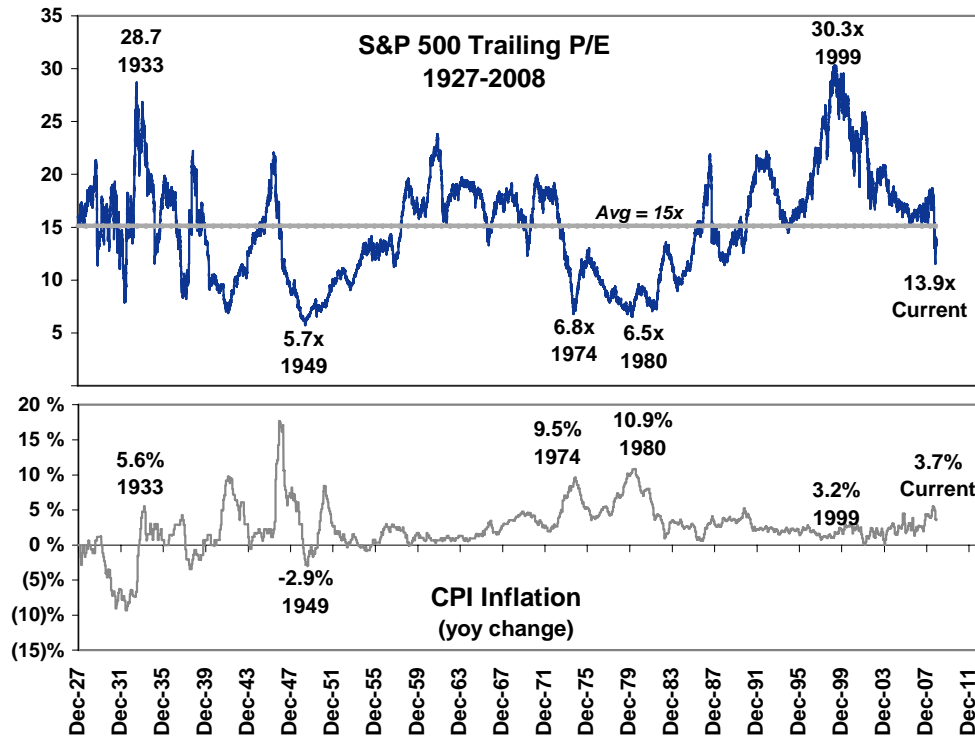
Valuation Multiple	Multiple at Oct-07 Peak	Historical Peak-to-Trough		Implied Trough in Current Cycle Based on Bear Market History			
		Multiple Contraction (%) (a)		Trough Multiple (X)		S&P 500 Trough Level	
		Average	Worst Case	Average	Worst Case	Average	Worst Case
Trailing P/E	17.1x	(36)%	(61)%	11.0x	6.7x	720	440
Bottom-up NTM P/E	15.8	(33)	(44)	10.6	8.8	900	740
Realized NTM P/E	21.6	(31)	(44)	14.9	12.1	790	640
LTM P/B	3.0	(35)	(55)	1.9	1.3	990	680
Average Implied S&P 500 Trough						850	630

Source: Compustat and Goldman Sachs Research.



P/E multiples and inflation: S&P 500 trades at 17.5x our 2009 top-down EPS, consistent with 1.5% CPI

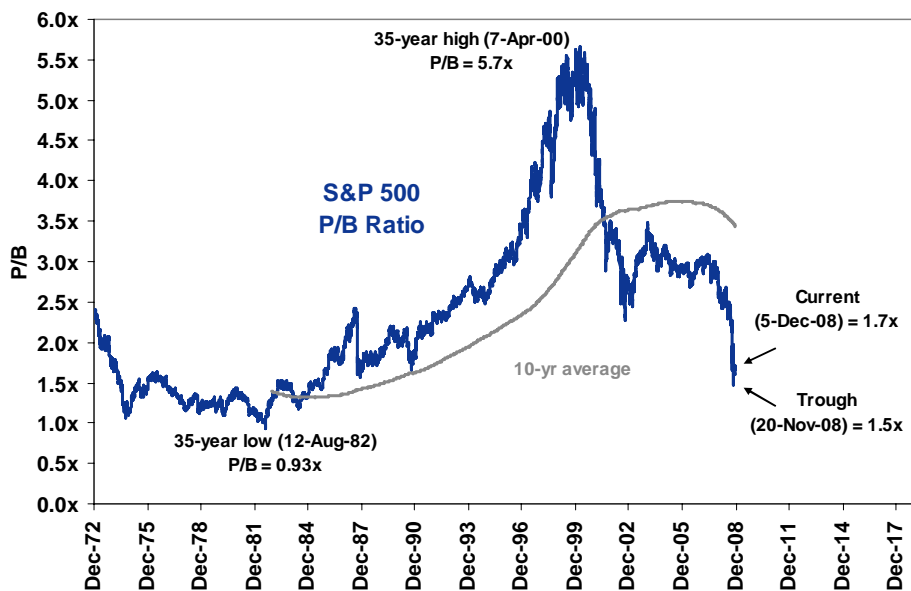
P/E multiples fluctuate with inflation



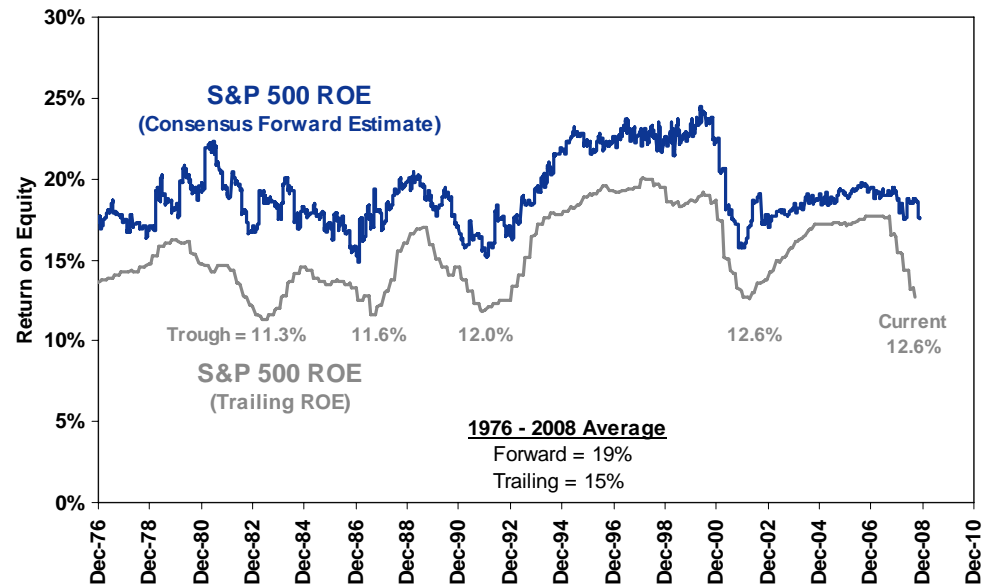
Source: Robert Shiller, Compustat, FirstCall, IBES and Goldman Sachs Research. Current consensus P/E based on 2009 bottom-up EPS. As of December 31, 2008.

S&P 500 Price/Book and Return on Equity

**P/B troughed at 1.5x on November 20th,
Current P/B ratio equals 1.7x**



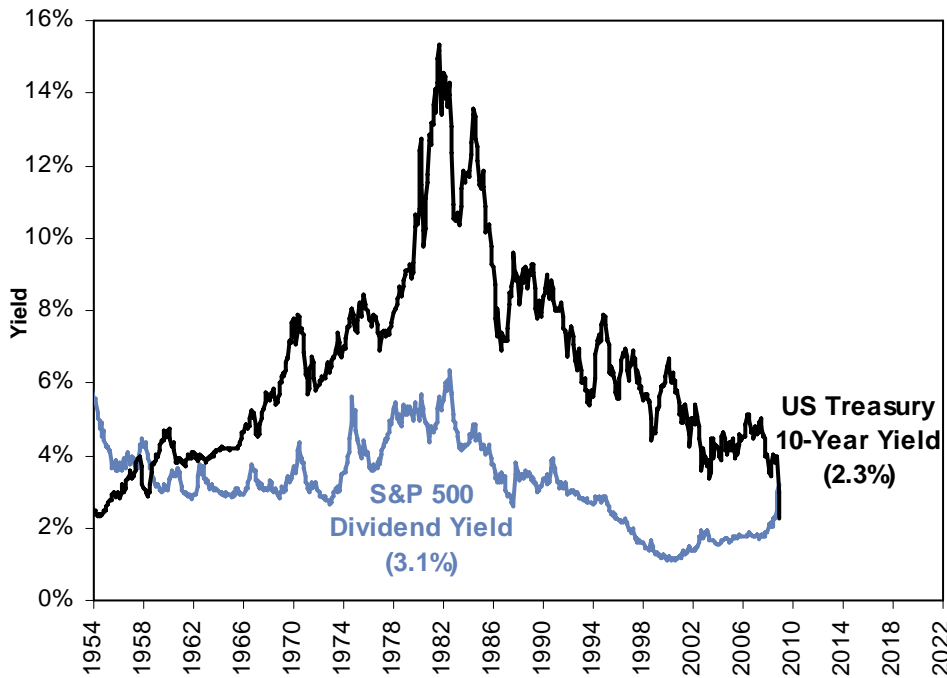
**Trailing ROE has averaged 15%,
Bottom-up consensus typically implies 19% ROE**



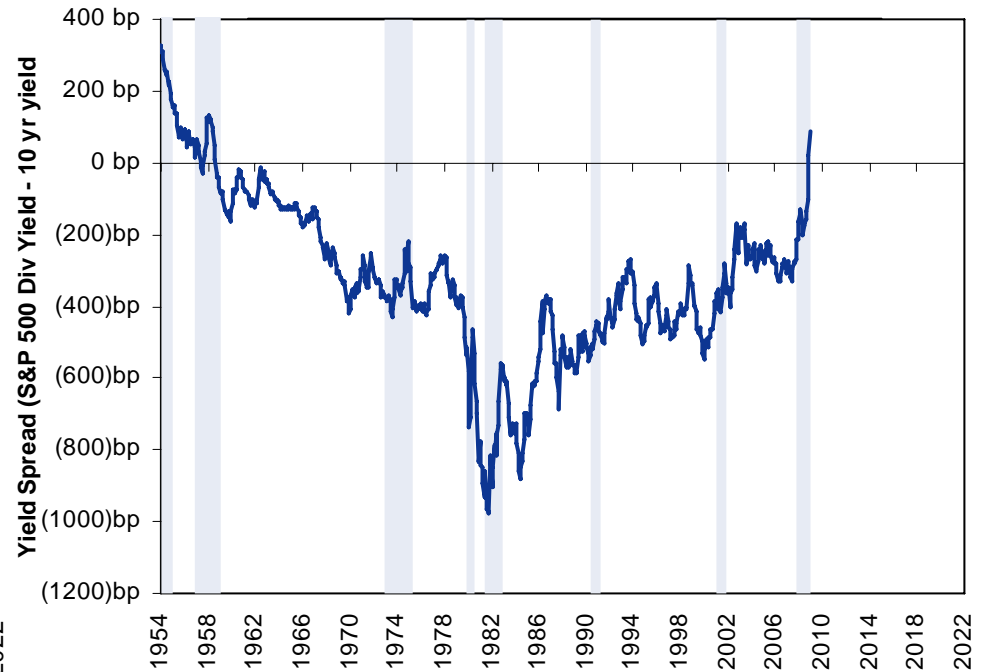
Source: Compustat, I/B/E/S, and Goldman Sachs Research.

S&P 500 dividend yield vs. 10-year US Treasury yield

US Treasury 10-year yield and S&P 500 Dividend yield since 1958



S&P 500 dividend yield exceeds 10-year US Treasury yield; 1st time in 50 years!



Source: Compustat and Goldman Sachs Research estimates.



Uses of Cash: How we expect S&P 500 firms will spend money in 2009-2010E

(\$ billions)	2006	2007	2008E	2009E	2010E
Op. Cash Flow (ex-Financials)	\$896	\$1,009	\$993	\$824	\$908
Capital Usage					
Capital Expenditures	\$490	\$516	\$547	\$438	\$451
Cash Acquisitions	223	274	192	144	165
Share Buybacks	491	616	397	338	355
Dividends	238	260	265	232	233
Total Capital Usage	\$1,442	\$1,667	\$1,402	\$1,152	\$1,205
Percentage of Year/Year Growth					
Op. Cash Flow (ex-Financials)	2 %	13 %	(2)%	(17)%	10 %
Capital Usage					
Capital Expenditures	20 %	5 %	6 %	(20)%	3 %
Cash Acquisitions	46	23	(30)	(25)	15
Share Buybacks	33	26	(36)	(15)	5
Dividends	14	9	2	(13)	1
Total Capital Usage	27 %	16 %	(16)%	(18)%	5 %

Source: Compustat and Goldman Sachs Research estimates.

Investment Recommendations: Our best ideas for 2009

Theme	Investment Recommendation (<Bloomberg Ticker>)
Balance sheet strength	We favor companies with strong balance sheets given the challenging credit environment. Buy Strong Balance Sheet basket <GSTHSBAL>; Sell Weak Balance Sheet basket <GSTHWBAL>.
Returning capital to shareholders	We favor companies that will grow their dividend in 2009-10 and are higher yielding than the S&P 500 2009 average. Buy Dividend Growth basket <GSTHDIVG>.
US vs. Western Europe	We favor companies with high domestic sales exposure and low international sales exposure (Western Europe in particular). Buy Domestic Sales Basket <GSTHAINT>; Sell Western Europe Sales Basket <GSTHWEUR>.
Large Cap vs. Small Cap	We favor large cap stocks over small cap stocks given sector composition, liquidity, and balance sheet strength. Buy S&P 500; Sell Russell 2000.
Sector positioning	Stay defensive for now. We are Overweight Consumer Staples and Healthcare and Underweight Consumer Discretionary and Industrials.



The Goldman Sachs Group, Inc.

Capital Market Trends and Forecasts

Los Angeles Fire and Police Pension System Education Retreat

January 7, 2009

David J. Kostin

Goldman, Sachs & Co. 212-902-6781

david.kostin@gs.com

Analyst Certification

I, David J. Kostin, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.



Disclosures

January 2009

Coverage group(s) of stocks by primary analyst(s)

David J. Kostin: there are no coverage group(s) of stocks by primary analyst(s)

Company-specific regulatory disclosures

There are no company-specific disclosures

Compendium report: please see disclosures at <http://www.gs.com/research.hedge.html>



Disclosures

Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	26%	57%	17%	52%	47%	37%

As of October 1, 2008, Goldman Sachs Global Investment Research had investment ratings on 3,165 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by NASD/NYSE rules. See 'Ratings, Coverage groups and views and related definitions' below.

Regulatory disclosures

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; market making and/or specialist role.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Distribution of ratings:** See the distribution of ratings disclosure above. **Price chart:** See the price chart, with changes of ratings and price targets in prior periods, above, or, if electronic format or if with respect to multiple companies which are the subject of this report, on the Goldman Sachs website at <http://www.gs.com/research/hedge.html>.

Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. **Canada:** Goldman Sachs Canada Inc. has approved of, and agreed to take responsibility for, this research in Canada if and to the extent it relates to equity securities of Canadian issuers. Analysts may conduct site visits but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited. **Japan:** See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company. **Korea:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in Russian law, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian Law on Appraisal.

Singapore: Further information on the covered companies referred to in this research may be obtained from Goldman Sachs (Singapore) Pte. (Company Number: 198602165W).

United Kingdom: Persons who would be categorized as private customers in the United Kingdom, as such term is defined in the rules of the Financial Services Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

European Union: Disclosure information in relation to Article 4 (1) (d) and Article 6 (2) of the European Commission Directive 2003/126/EC is available at http://www.gs.com/client_services/global_investment_research/europeanpolicy.html

Ratings, coverage groups and views and related definitions

Buy (B), Neutral (N), Sell (S) – Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's return potential relative to its coverage group as described below. Any stock not assigned as a Buy or a Sell on an Investment List is deemed Neutral. Each regional Investment Review Committee manages various regional Investment Lists to a global guideline of 25%-35% of stocks as Buy and 10%-15% of stocks as Sell; however, the distribution of Buys and Sells in any particular coverage group may vary as determined by the regional Investment Review Committee. Regional Conviction Buy and Sell lists represent investment recommendations focused on either the size of the potential return or the likelihood of the realization of the return.

Return potential represents the price differential between the current share price and the price target expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

Coverage groups and views: A list of all stocks in each coverage group is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>. The analyst assigns one of the following coverage views which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and/or valuation. **Attractive (A).** The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

Not Rated (NR). The investment rating and target price, if any, have been removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company. **Not Available or Not Applicable (NA).** The information is not available for display or is not applicable. **Not Meaningful (NM).** The information is not meaningful and is therefore excluded.

Ratings, coverage views and related definitions prior to June 26, 2006

Our rating system requires that analysts rank order the stocks in their coverage groups and assign one of three investment ratings (see definitions below) within a ratings distribution guideline of no more than 25% of the stocks should be rated Outperform and no fewer than 10% rated Underperform. The analyst assigns one of three coverage views (see definitions below), which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and valuation. Each coverage group, listing all stocks covered in that group, is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>.

Definitions

Outperform (OP). We expect this stock to outperform the median total return for the analyst's coverage universe over the next 12 months. **In-Line (IL).** We expect this stock to perform in line with the median total return for the analyst's coverage universe over the next 12 months. **Underperform (U).** We expect this stock to underperform the median total return for the analyst's coverage universe over the next 12 months.

Coverage views: Attractive (A). The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

Current Investment List (CIL). We expect stocks on this list to provide an absolute total return of approximately 15%-20% over the next 12 months. We only assign this designation to stocks rated Outperform. We require a 12-month price target for stocks with this designation. Each stock on the CIL will **automatically** come off the list after 90 days unless renewed by the covering analyst and the relevant Regional Investment Review Committee.

Global product; distributing entities

The Global Investment Research Division of Goldman Sachs produces and distributes research products for clients of Goldman Sachs, and pursuant to certain contractual arrangements, on a global basis. Analysts based in Goldman Sachs offices around the world produce equity research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy.

This research is disseminated in Australia by Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897) on behalf of Goldman Sachs; in Canada by Goldman Sachs Canada Inc. regarding Canadian equities and by Goldman Sachs & Co. (all other research); in Germany by Goldman Sachs & Co. oHG; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs JBWere (NZ) Limited on behalf of Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman, Sachs & Co. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom and European Union.

European Union: Goldman Sachs International, authorised and regulated by the Financial Services Authority, has approved this research in connection with its distribution in the European Union and United Kingdom; Goldman, Sachs & Co. oHG, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, may also be distributing research in Germany

General disclosures in addition to specific disclosures required by certain jurisdictions

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than some industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Global Investment Research Division.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Current options disclosure documents are available from Goldman Sachs sales representatives or at <http://www.theocc.com/publications/risks/riskchap1.jsp>. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Our research is disseminated primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients.

Disclosure information is also available at <http://www.gs.com/research/hedge.html> or from Research Compliance, One New York Plaza, New York, NY 10004.

Copyright 2008 The Goldman Sachs Group, Inc.

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of The Goldman Sachs Group, Inc.