

Media Release: BASIS YIELD ALPHA FUND (MASTER)

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Basis Fund sues Goldman Sachs in New York State Court over “one shitty deal”

Basis Yield Alpha Fund (Master) (“Fund”) today filed proceedings in the New York State Supreme Court alleging fraud against Goldman Sachs with respect to the sale of the infamous Timberwolf securities. The complaint seeks \$67 million in compensatory damages and \$1 billion in punitive damages, alleging that Goldman Sachs sold the Fund the Timberwolf securities as well as another defunct security, Point Pleasant, having constructed both securities with poor quality securities that they knew would fail. The complaint alleges that Goldman Sachs created the securities to get toxic mortgage-backed securities off the books and then to bet against them. Goldman Sachs aggressively marketed the securities, telling the investors that Timberwolf was a quality “defensively managed, cash flow positive” security, while internally referring it in emails as “one shitty deal.”

The Fund’s State Court filing follows the recent dismissal of its claim in the US District Court due to a change in the interpretation of US securities law regarding claims by foreign purchasers of securities. The federal court allowed the Fund to re-plead facts regarding the place of transaction, but the Fund took the position that the fraud in selling the Timberwolf security was so blatant and outrageous that the Fund wanted to move quickly to the facts of the case in state court rather than wasting time litigating Goldman’s procedural roadblocks.

In April of this year the US Senate’s Permanent Subcommittee on Investigations released its report entitled *Wall Street and the Financial Crisis: Anatomy of a Financial Collapse*, which included an extensive case study of Goldman Sachs, and, among other things, its sale of the Timberwolf securities.

Eric Lewis of Lewis Baach PLLC, lead lawyer for the Fund said, “The Senate Report shows that Goldman alone had the information about the underlying toxic securities. Goldman created Timberwolf to fail, so Goldman could bet against it, and Goldman then sold the security to Basis as stable and well-priced, when its own internal analysis showed that Timberwolf’s value was sinking like a stone. It is time for Goldman to be held accountable.”

“Goldman claims to put its clients’ interests first. The opposite happened here. Goldman falsely represented that this was a good investment and a good price, fully knowing that the question was not if it would collapse, but when. The Fund lost \$67 million in a matter of weeks and Goldman made big profits betting against these securities, just as Goldman anticipated”, continued Mr Lewis.

The directors of the Fund are looking forward to the next stage of the litigation process. The Fund is represented by Eric Lewis and Bruce Grace of Lewis Baach PLLC, a leading US litigation boutique with extensive experience in CDO litigation.

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