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Basis Fund sues Goldman Sachs in New York State Court

Basis Capital notes today's announcement by the Basis Yield Alpha Fund (Master) ("Fund") that it filed proceedings in the New York State Supreme Court alleging fraud against Goldman Sachs with respect to the sale of the infamous Timberwolf securities and another security called Point Pleasant. This follows the recent dismissal of the Fund's claim in the US District Court due to a change in the interpretation of US securities law regarding claims by foreign purchasers of securities. Although the Fund relied on and dealt with Goldman Sachs personnel in New York, Goldman Sachs took the position that this was a foreign purchase. 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 rather than wasting time on procedural disputes.

Stuart Fowler, director of Basis Capital, welcomed the news saying: "We look forward to this next phase of the litigation process. We are pleased with the light that has been shed on Goldman's conduct by the US Senate's report into the financial crisis. I note that this report has been referred to the US Department of Justice and that other authorities are probing this transaction. Goldman created this security in the full knowledge that it was "one shitty deal" in the words of a senior Goldman executive and sold it to purchasers like Basis at wildly inflated prices based on false representations. Goldman claimed to put its clients' interests first. The opposite happened here."

"Basis investors should rest assured that we remain committed to holding Goldman to account. I also wish to thank certain executives no longer with Basis, for their ongoing and active assistance in the prosecution of the claims to secure restitution for investors in the Fund, who are the rightful beneficiaries of the actions pursued."

Since 2007, Fowler and his team have continued to assist various regulatory authorities with their enquiries into the financial crisis and to assist the Fund with its investigations and prosecution of the Timberwolf claim. In 2010 they met with representatives of the US Senate's Permanent Subcommittee on Investigations, which in April of this year released its report entitled Wall Street and the Financial Crisis: Anatomy of a Financial Collapse, which included a case study of Goldman Sachs, and, among other things, its sale of the infamous Timberwolf securities.

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For further information please contact:

Michael Mullane
Partner
Cannings Corporate Communications
d: +61 2 8284 9993
m: +61 414 590 296
e: mmullane@cannings.net.au

Basis Capital Funds Management Ltd
Suite 608
1 Macquarie Place
Sydney NSW 2000
PO Box N115
Grosvenor Place NSW 1220
T +61 2 8006 4469
F +61 2 9241 6801
www.basiscap.com.au

ACN 092 478 441
Australian Financial Services
Licence No.230576