

Media Release: BASIS YIELD ALPHA FUND (MASTER)

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***U.S. Senate Permanent Subcommittee Highlights Goldman's Misconduct on Timberwolf CDO***

Yesterday the United States Senate Permanent Subcommittee on Investigations issued a 650 page report on the subprime crisis. The report is a scathing, detailed indictment of the dishonesty of Goldman Sachs, and focuses in particular on the Timberwolf CDO that Goldman constructed and sold to Basis in 2007 based on representations that have now been revealed to have been demonstrably false. When Basis filed suit against Goldman in June 2010, Goldman publicly denied it misled Basis about Timberwolf. Yesterday's Senate Report confirms that in fact Goldman made a concerted effort to mislead and defraud investors, including Basis. As the subcommittee concludes, "[s]enior Goldman's executives knew the firm was selling poor quality assets at inflated prices." The Senate Report documents flat out lies by Goldman to Basis about Goldman's pricing of Timberwolf. Basis executives sought and were promised transparency in their dealings with Goldman, yet Goldman actively sought to deceive them. Having asked relevant questions, they were met with carefully constructed lies and non-disclosures. Eric Lewis, lead counsel for Basis, commented, "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."

Basis' lawsuit against Goldman remains pending in federal court in New York. Basis is pleased that the U.S. Senate's thorough investigation of Goldman and Timberwolf has placed a spotlight on Goldman's fraudulent and deceitful conduct and placed in the public record Goldman's own internal communications that make clear what Basis has said all along: Goldman deliberately lied in selling the Timberwolf security to Basis.

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