

LITIGATION UPDATE: ACA Adds Paulson & Co. to Fraud Suit

ACA website (www.aca.com), New York – January 4, 2013. On January 2, 2013, ACA Financial Guaranty Corp. (ACA) filed a second amended complaint in New York State Supreme Court that added hedge fund Paulson & Co. as defendant along with Goldman Sachs & Co. and incorporates new allegations of fraud against both parties. The complaint alleges that Paulson and Goldman conspired to market a structured finance product, known as ABACUS, which was designed to fail so that Paulson could reap huge profits by shorting the portfolio and Goldman Sachs could reap huge fees. According to the complaint, Goldman Sachs and Paulson conspired to fraudulently induce ACA to provide financial guaranty insurance for ABACUS by deceiving ACA into believing that Paulson was to be the equity investor in that product. In fact, as Goldman and Paulson knew, Paulson intended to take an enormous short position in ABACUS, thereby taking an economic position in the transaction precisely contrary to ACA's position as insurer.