

LITIGATION UPDATE: ACA Financial Guaranty Can Pursue Case Against Goldman Sachs

ACA website (www.aca.com), New York – May 7, 2014. The New York Court of Appeals issued a decision today reinstating a \$120 million fraud suit alleging that Goldman Sachs Group Inc. deceived ACA Financial Guaranty Corp. (ACA), a New York-based bond insurer, into believing hedge fund Paulson & Co. was a long investor in the collateralized debt obligation known as Abacus, when both the investment bank and the hedge fund knew that Paulson was betting Abacus would fail. In issuing its decision, the Court determined that ACA sufficiently pled justifiable reliance for the cause of action for fraud in the inducement and fraudulent concealment, which were the only elements of the prior dismissal not already decided in ACA's favor. Additionally, the Court determined that Goldman failed to submit documentary evidence that conclusively established ACA's lack of justifiable reliance on Goldman's assurances about Paulson's role in Abacus.

"ACA is pleased with the decision of the Court of Appeals and looks forward to prosecuting claims against Goldman Sachs and Paulson," said Steven Berkowitz, ACA's Chief Executive Officer.

Marc E. Kasowitz of Kasowitz, Benson, Torres & Friedman LLP argued the case on behalf of ACA before the Court of Appeals on March 26, 2015. He is available for comment on the decision at (212) 506-1710.