

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE : DOCKET NO. 10-cv-3229 (BSJ)
COMMISSION, :
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 Plaintiff, :
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 v. :
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 GOLDMAN, SACHS & CO. and :
 FABRICE TOURRE, :
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 Defendants. :
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**ANSWER OF DEFENDANT
FABRICE TOURRE**

Defendant Fabrice Tourre (“Mr. Tourre”), through his undersigned counsel, for his Answer to the Complaint dated April 16, 2010 (the “Complaint”) filed by Plaintiff the Securities and Exchange Commission (the “Commission”), states as follows:

1. Denies the allegations of paragraph 1, and specifically denies that he made any materially misleading statements or omissions or otherwise engaged in any actionable or wrongful conduct in connection with the synthetic collateralized debt obligation (“CDO”) transaction referred to as ABACUS 2007-AC1, except admits that the Commission purports to bring this action as described therein.

2. Denies the allegations of paragraph 2, including specifically that those allegations completely and accurately characterize the offering materials for ABACUS 2007-AC1 or the credit default swaps (“CDS”) between Paulson & Co., Inc. (“Paulson”) and Goldman, Sachs & Co. (“Goldman Sachs”), and respectfully refers the Court to those documents for a complete and accurate statement of their contents.

3. Denies the allegations of paragraph 3.

4. Denies the allegations of paragraph 4, except admits that Mr. Tourre was one of many Goldman Sachs employees who were involved in various aspects of the ABACUS 2007-AC1 transaction and were aware that Paulson was considering taking some or all of the short side of the transaction, and respectfully refers the Court to the offering materials for ABACUS 2007-AC1 for a complete and accurate statement of their contents, including the absence of any investor in the equity tranche of the transaction.

5. Denies the allegations of paragraph 5, except admits that ABACUS 2007-AC1 closed on or about April 26, 2007, and that Goldman Sachs initially recognized trading revenue of approximately \$15 million in connection with ABACUS 2007-AC1 and the CDS transactions with Paulson.

6. Denies the allegations of paragraph 6, except admits that the Commission purports to assert claims and seek relief described therein.

7. Paragraph 7 purports to state legal conclusions as to which no response is required; to the extent (if any) that any further response is required, Mr. Tourre denies the allegations of paragraph 7.

8. Admits the allegations of the first sentence of paragraph 8; denies that the allegations of the second sentence of paragraph 8 completely and accurately characterize Goldman Sachs' involvement in the ABACUS 2007-AC1 transaction and respectfully refers the Court to the offering materials for the transaction for a complete and accurate statement of their contents.

9. Denies the allegations of the first sentence of paragraph 9, except admits that Mr. Tourre holds a Series 7 registration sponsored by Goldman Sachs, was involved in various

aspects of the ABACUS 2007-AC1 transaction, worked as a Vice President on the structured products correlation trading desk at Goldman Sachs in New York at various times during the 2005-2008 period, and currently is an Executive Director of Goldman Sachs International, based in London, England.

10. Denies the allegations of paragraph 10 including that the allegations completely and accurately reflect the contents of the document referenced therein, except admits the allegations of the first sentence of paragraph 10, and admits that Goldman Sachs participated in various aspects of certain CDO transactions, including those that included the name ABACUS.

11. Denies knowledge or information sufficient to form a belief as to the allegations of the first or second sentences of paragraph 11, except admits on information and belief that Paulson is a hedge fund that established two funds known as the “Paulson Credit Opportunities Funds,” and that Paulson’s establishment of these funds and its strategy of shorting the subprime residential mortgage-backed security (“RMBS”) market were the subject of publicly-available reports prior to the closing of ABACUS 2007-AC1.

12. Denies the allegations of paragraph 12, except admits that such allegations provide a very general description of some RMBS and the other matters addressed therein, and denies knowledge or information sufficient to form a belief as to the evolution of Paulson’s precise investment strategy.

13. Denies the allegations of paragraph 13, except admits that those allegations provide a very general description of some CDOs.

14. Denies knowledge or information sufficient to form a belief as to paragraph 14, except admits that Paulson’s investment strategy was the subject of publicly-available articles prior to the closing of ABACUS 2007-AC1.

15. Denies the allegations of paragraph 15, except admits that Paulson approached Goldman Sachs through a “reverse inquiry,” indicating its interest in purchasing credit protection on a portfolio of BBB-rated RMBS.

16. Denies the allegations of paragraph 16, except admits that Paulson discussed with Goldman Sachs a synthetic CDO as a transaction structure which might provide its desired exposure to a portfolio of BBB-rated RMBS.

17. Denies knowledge or information sufficient to form a belief as to the allegations of paragraph 17.

18. Denies the allegations of paragraph 18, including that the allegations completely and accurately reflect the contents of the partially-quoted emails.

19. Denies the allegations of paragraph 19.

20. Denies the allegations of paragraph 20.

21. Denies the allegations of paragraph 21, including that the allegations completely and accurately reflect the contents of the partially-quoted email.

22. Denies the allegations of the first sentence of paragraph 22, except admits that ACA Management, LLC (“ACA”) served as Portfolio Selection Agent for ABACUS 2007-AC1 as disclosed in the offering materials; and admits, on information and belief, the allegations of the second and third sentences of paragraph 22.

23. Denies the allegations of paragraph 23, including that the allegations completely and accurately reflect the contents of the partially-quoted email.

24. Denies the allegations of paragraph 24, including that the allegations completely and accurately reflect the contents of the partially-quoted document.

25. Denies the allegations of paragraph 25, except denies knowledge or information sufficient to form a belief as to the allegations of the first or second sentences of paragraph 25; and admits that Paulson expressed interest in purchasing credit protection on a portfolio of BBB-rated RMBS.

26. Admits the allegations of paragraph 26.

27. Denies the allegations of paragraph 27, including that the allegations completely and accurately reflect the contents of the partially-quoted email and its attachment, except admits that ACA performed extensive research and analysis in connection with its role as Portfolio Selection Agent.

28. Denies the allegations of paragraph 28, including that the allegations completely and accurately reflect the contents of the partially-quoted email.

29. Denies the allegations of paragraph 29, including that the allegations completely and accurately reflect the contents of the partially-quoted email.

30. Denies the allegations of paragraph 30, including that the allegations completely and accurately reflect the contents of the partially-quoted email; except admits that: (i) ACA evaluated Paulson's list of 123 securities using its proprietary methods and rejected more than half of them; (ii) ACA then generated its own list of securities, including 31 not proposed by Paulson; (iii) ultimately, ACA vetted and approved all of the 90 securities included in the reference portfolio; and (iv) absent ACA's approval, the transaction would not have occurred.

31. Denies the allegations of paragraph 31, including that the allegations completely and accurately reflect the contents of the partially-quoted email, except admits, on information and belief, that Paulson and ACA had extensive contacts during the transaction, including a meeting in Jackson Hole, Wyoming at which no Goldman Sachs representatives were present.

32. Denies the allegations of paragraph 32, including that the allegations completely and accurately reflect the contents of the partially-quoted emails, except admits that (i) only ACA had the authority to select and approve the reference portfolio; and (ii) ACA rejected numerous securities that Paulson proposed, and exercised its own judgment in deciding which securities to include.

33. Denies the allegations of paragraph 33, including that the allegations completely and accurately reflect the contents of the referenced email, except admits that Paulson proposed to ACA certain securities for inclusion in the reference portfolio for ABACUS 2007-AC1, and ACA rejected numerous securities that Paulson proposed, and exercised its own judgment in deciding which securities to include.

34. Denies knowledge or information sufficient to form a belief as to the allegations of paragraph 34, except admits, on information and belief, that in connection with its role as Portfolio Selection Agent, ACA followed a rigorous internal process of evaluating the reference portfolio and was completely satisfied with the results, even investing its own capital in the transaction.

35. Denies the allegations of paragraph 35.

36. Denies the allegations of paragraph 36.

37. Denies the allegations of paragraph 37, including that the allegations completely and accurately reflect the contents of the partially-quoted document.

38. Denies the allegations of paragraph 38, including that the allegations completely and accurately reflect the contents of the partially-quoted document.

39. Denies the allegations of paragraph 39, except admits (i) that Mr. Tourre was one of several Goldman Sachs employees involved in preparing and reviewing the term sheet and flip book, and (ii) that ACA provided material for inclusion in the flip book.

40. Denies the allegations of paragraph 40, except admits that the Mortgage Capital Committee approved the ABACUS 2007-AC1 transaction and respectfully refers the Court to the March 12, 2007 Mortgage Capital Committee Memorandum for a complete and accurate statement of its contents, including Goldman Sachs' expected revenue.

41. Denies the allegations of paragraph 41, except admits that a robust offering document was prepared for ABACUS 2007-AC1 which contained all relevant information relating to the transaction (including the complete reference portfolio which investors could assess for themselves, the fact that no one was purchasing the equity and the fact that a Goldman Sachs affiliate had a short interest in the transaction but could subsequently transfer that interest), and that the portion of the offering document prepared by ACA and for which ACA assumed sole responsibility states that ACA will "select the Initial Reference Portfolio," and respectfully refers the Court to that document for a complete and accurate statement of its contents.

42. Denies the allegations of paragraph 42, except admits that Mr. Tourre reviewed the summary section of the offering memorandum, a document drafted by outside counsel to Goldman Sachs.

43. Denies the allegations of paragraph 43, including that the allegations completely and accurately reflect the contents of the partially-quoted document.

44. Denies the allegations of paragraph 44, including (i) that Goldman Sachs misled ACA in any respect, and (ii) that ACA was misled at all, in light of the express disclosure in the

offering materials for ABACUS 2007-AC1 that no one was purchasing notes in the equity tranche of the transaction.

45. Denies the allegations of paragraph 45.

46. Denies the allegations of paragraph 46, including that the allegations completely and accurately reflect the contents of the partially-quoted email, except admits that, on information and belief, Mr. Toure, Paulson and ACA attended a meeting on or about January 8, 2007.

47. Denies the allegations of paragraph 47, including that the allegations completely and accurately reflect the contents of the partially-quoted email.

48. Denies the allegations of paragraph 48, including that the allegations completely and accurately reflect the contents of the partially-quoted email, except admits that Mr. Toure spoke with ACA representatives from time to time concerning ABACUS 2007-AC1.

49. Denies the allegations of paragraph 49, except admits that a copy of the referenced email was forwarded to Mr. Toure.

50. Denies the allegations of paragraph 50, and admits that the offering materials for ABACUS 2007-AC1 expressly disclosed that no one was purchasing notes in the equity tranche of the transaction.

51. Denies knowledge or information sufficient to form a belief as to the allegations of paragraph 51.

52. Denies knowledge or information sufficient to form a belief as to the allegations of paragraph 52.

53. Denies the allegations of paragraph 53.

54. Denies the allegations of paragraph 54.

55. Admits the allegations of paragraph 55.

56. Denies that the allegations of paragraph 56 completely and accurately reflect the contents of the partially-quoted email, except admits that marketing materials were provided to IKB on or about February 19, 2007.

57. Denies the allegations of paragraph 57, including that the allegations completely and accurately reflect the contents of the partially-quoted emails, except admits that Mr. Tourre engaged in certain communications with IKB from time to time.

58. Admits the allegations of paragraph 58.

59. Denies the allegations of paragraph 59.

60. Denies the allegations of paragraph 60, except admits that ABACUS 2007-AC1 was adversely affected by the same market factors that would have similarly affected any other reference portfolio consisting of BBB-rated RMBS, that IKB's notes lost much of their value, and that Goldman Sachs itself lost roughly \$90 million on its own interest in the transaction.

61. Admits, on information and belief, the allegations of paragraph 61.

62. Denies the allegations of paragraph 62.

63. Denies the allegations of paragraph 63, except admits that ABN Amro Bank, N.V. ("ABN") was a large financial institution in Europe that, through a series of transactions, wrote credit protection on the performance of the super senior tranche of the ABACUS 2007-AC1 transaction; and denies knowledge or information sufficient to form a belief as to the allegations of paragraph 63 concerning the terms of the transactions between ABN and ACA.

64. Denies the allegations of paragraph 64, except admits that Goldman Sachs sent ABN copies of the ABACUS 2007-AC1 offering materials.

65. Denies knowledge or information sufficient to form a belief as to the allegations of paragraph 65.

66. Denies the allegations of paragraph 66, except admits that ABN was acquired by a consortium of banks including Royal Bank of Scotland (“RBS”) and that RBS unwound ABN’s super senior swap position.

67. Mr. Tourre repeats and incorporates by reference his responses to paragraphs 1-66 as if fully set forth here.

68. Denies the allegations of paragraph 68.

69. Denies the allegations of paragraph 69.

70. Denies the allegations of paragraph 70.

71. Mr. Tourre repeats and incorporates by reference his responses to paragraphs 1-70 as if fully set forth here.

72. Denies the allegations of paragraph 72.

73. Denies the allegations of paragraph 73.

74. Denies the allegations of paragraph 74.

DEFENSES

Mr. Tourre asserts the following defenses without assuming the burden of proof or any other burden if such burdens would otherwise be on the Commission:

First Defense

The Complaint fails to state a claim upon which relief can be granted.

Second Defense

The Complaint fails to plead fraud with particularity.

Third Defense

The Complaint fails to allege the existence of any material misstatement or omission.

Fourth Defense

Neither Mr. Tourre nor Goldman Sachs had a duty to disclose any allegedly omitted information.

Fifth Defense

The Complaint fails to allege that Mr. Tourre acted with the requisite scienter or mental state that is necessary under the circumstances for him to be held liable.

Sixth Defense

The purported claims against Mr. Tourre and the allegations upon which they are based are improperly vague, ambiguous and confusing, and omit critical facts.

Seventh Defense

Mr. Tourre cannot be held liable for any misrepresentations or omissions that he did not make.

Eighth Defense

The purported claims against Mr. Tourre are based solely on alleged actions and omissions concerning information known to many different Goldman Sachs employees working in various aspects of its business, including Legal, Compliance, sales and trading. Mr. Tourre, a French citizen and engineer by training, reasonably relied on Goldman Sachs' institutional process to ensure adequate legal review and disclosure of material information, and cannot be held liable for any alleged failings of that process.

Ninth Defense

Mr. Tourre lacks knowledge or information at this time sufficient to form a belief as to whether he may have additional and as yet unstated defenses. Mr. Tourre reserves the right to assert additional defenses.

PRAYER FOR RELIEF

Based upon the foregoing, Mr. Tourre prays that this Court deny any relief or request for judgment on behalf of the Commission, and dismiss this action against Mr. Tourre in its entirety, with prejudice. Mr. Tourre prays for such other and further relief as may be appropriate, or that the Court deems just and proper.

Dated: July 19, 2010

Respectfully submitted,

/s/ Pamela Rogers Chepiga

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