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Goldman Falls to Lowest in a Year After SEC Probes Hudson CDO 2010-06-10 17:17:50.501 GMT

By Michael J. Moore

June 10 (Bloomberg) -- Goldman Sachs Group Inc. fell to the lowest in more than a year in New York trading after reports that the Securities and Exchange Commission is probing the firm's $2 billion Hudson Mezzanine collateralized debt obligation.

Goldman Sachs fell $4.87, or 3.6 percent, to $131.93 at 12:58 p.m. in New York Stock Exchange composite trading. That's the lowest since May 13, 2009. The stock, which has slid 22 percent this year, was the only company in the Standard & Poor's 500 Financial Index to decline today.

The Hudson deal, sold in 2006, is the target of a probe by the SEC, according to a person with knowledge of the matter, the second investigation into a CDO sold by the New York-based firm.
The inquiry may not lead to any additional actions against Goldman Sachs, said the person, who declined to be identified because the investigation isn't public.

Michael DuVally, a spokesman for Goldman Sachs, declined to comment, as did SEC spokesman John Nester. The Financial Times reported the probe yesterday.

Goldman Sachs shares have fallen 28 percent since the SEC filed a fraud lawsuit against the firm on April 16 related to its 2007 sale of a CDO called Abacus. The firm called the suit unfounded.

In a separate case, Goldman Sachs was sued by Australian hedge fund Basis Capital for $1 billion. In the suit, filed yesterday in Manhattan federal court, Basis claims it was forced into insolvency after buying mortgage-linked securities that the firm created and one of its executives termed "one shi**y deal."

"The lawsuit is a misguided attempt by Basis, a hedge fund that was one of the world's most experienced CDO investors, to shift its investment losses to Goldman Sachs," Goldman Sachs said in a statement.

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