

**Goldman Sachs Very Likely Guilty of Fraud,
Say CEOs/Business Leaders on COMPAS Business Panel**

BDO Dunwoody Weekly CEO/Business Leader Poll

By COMPAS in *Canadian Business*

For Publication April 26, 2010



**COMPAS Inc.
Public Opinion and Customer Research
April 26, 2010**

1.0 Overview

If the members of the COMPAS panel of CEOs and business leaders sat in judgment of Goldman Sachs, the company would probably be in deep trouble. An overwhelming majority would find the firm guilty of fraud under two scenarios:

- Goldman Sachs would be found guilty of civil fraud if the client that hired Goldman Sachs to create a mortgage-backed instrument to bet against was secretly managing the instrument to ensure its failure, and
- Even if client that hired Goldman Sachs was not secretly managing the product, Goldman Sachs would be found guilty if it is confirmed that Goldman did not tell purchasers of the product that the product had been created for a firm that was now betting against it.

Only a third of the panel believes that the SEC suit against Goldman was politically motivated.

On balance, panelists are of two minds about whether the suit will affect confidence in the American economy.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0 Details

Quantitative findings appear in tables 1-4, following which a selected of verbatim comments are provided.



Goldman Sachs Guilty
BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication April 26, 2010

Table 1: (Q1) If it turns out that Paulson & Co. was indeed the secret manager of the product [that Goldman Sachs created for Paulson & Co. to bet against], how much do you agree that Goldman Sachs should be found guilty of civil fraud? Please use a 7 point scale where 1 means definitely no and 7, definitely yes.¹

Mean	7	6	5	4	3	2	1	DNK
6.0	49	18	14	4	2	3	2	9

Table 2: (Q2) How much do you agree that Goldman Sachs should be found guilty of civil fraud for not telling purchasers of the product that the product had been created for a firm, Paulson & Co., who were now betting against it? Please use a 7 point ...

Mean	7	6	5	4	3	2	1	DNK
6.1	51	24	6	5	2	1	4	9

Table 3: (Q3) Does the suit reflect the partisan strategies of Democratic appointees at the SEC who are using the suit to try to re-establish President Obama's popularity? Please use a 7 point scale where 1 means disagree strongly and 7, agree strongly

Mean	7	6	5	4	3	2	1	DNK
4.1	13	8	13	16	9	9	11	21

¹ Questionnaire preamble: The background of the U.S. Securities and Exchange Commission (SEC) suit against Goldman Sachs is that: 1) Hedge fund Paulson & Co. predicted the collapse of the real estate market and hence mortgage-backed securities; 2) Paulson & Co. asked several financial institutions to create a financial product based on mortgage-backed securities so that Paulson & Co. could bet against it; 3) Goldman Sachs agreed to create such a product; 4) Goldman Sachs hired an experienced company, ACA, to choose the mortgage-backed securities for the financial product; 5) The SEC says that ACA was a mask used by Goldman Sachs to obscure Paulson & Co.'s real role in purposely choosing securities that had to fail; 6) Paulson & Co. paid Goldman Sachs to create the financial product, and made billions betting against the product; and 7) German banks and other investors lost vast fortunes.



Goldman Sachs Guilty
*BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian
Business for Publication April 26, 2010*

Table 4: (Q4) On balance, will the SEC lawsuit decrease or increase confidence in the U.S. economy? Please use a 7 point scale where 1 means definitely decrease confidence and 7, definitely increase confidence

Mean	7	6	5	4	3	2	1	DNK
4.2	10	7	21	26	12	13	3	8

The following verbatims provide a nuanced sense of panel opinion:

All of the firms to whom Goldman sold these securities are (and were) highly sophisticated trading and investment organizations so the facts, as presented by the SEC, are somewhat disingenuous. That said it's worth a trial to see whether Goldman did in fact commit fraud against their investors. Only people testifying under oath may unravel the true story here.

Any fraud should be dealt with in the strongest possible way.

Confidence comes with results which are not in yet. If they are found not guilty, it will just be another giant getting away with fraud and no one will have confidence. More than one company should be charged.

Confidence is built on ethics.

Finally someone has the guts to say the Emperor is naked i.e. call it for what it is. If President Obama found out and did not call them out then he would have been a hypocrite.

Principle centred leadership takes guts. Principled leadership is what is important; not partisan nonsense. Regardless of which party is in power.

I am glad to see the SEC going after these great big crooks!

In a rush to invest the huge surplus funds available to banks and hedge funds at a higher return than traditional investment vehicles, they forgot to perform adequate due



diligence normally applied when investing those sums of money. This was expected by those creating the investments and they took advantage of this lapse of judgment. It was also not an unknown factor that the US housing market was overheated and that easy financing options were being offered to people that should not have purchased homes. What was expected to happen, did happen although the effect was far more serious than anticipated and we are now all suffering from the fall out. In addition, an environment of mistrust now exists that will affect the investment strategy of the general population in light of the significant hit they have suffered to their retirement plans.

Just one more example that the recession was caused by the greed of the financial market players.

Life in prison would be a just sentence.

My hope is that the SEC continues to investigate a number of other companies as well.

The Governments and Wall St are all thieves and could care less about who they steal from.

The real question and a fact not identified in your preamble is whether Goldman Sachs actually knew that Paulson was betting against and secondly why is the SEC going after only Goldman Sachs since there seems to be evidence that other institutions may also be involved

The reality is that there are always two people taking opposite views on a product like this. Paulson was right, the others were wrong. So what's the problem? And the fact is, Goldman only made \$15 million - chump change for an organization this size. This was not an evil conspiracy like the politicians would have us believe.



The SEC is doing exactly what it should be doing; going after those who perpetrate a fraud and make financial gains at the expense of others.

This will cause short-term turbulence but in the longer run will hopefully usher in more transparent markets, which should be a positive for the economy.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted April 20 – 22, 2010. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=107 are deemed accurate to within approximate 9.5 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

