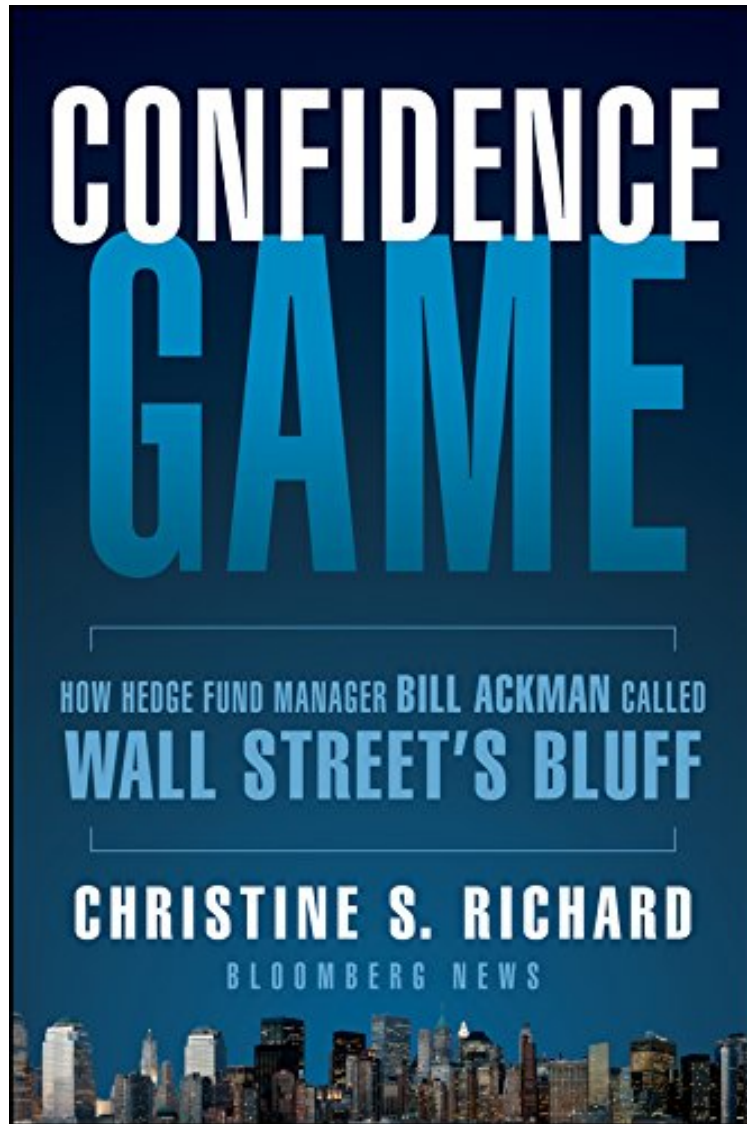


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## Confidence Game: How Hedge Fund Manager Bill Ackman Called Wall Street's Bluff (Bloomberg)

*Christine S. Richard*

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**Christine S. Richard : Confidence Game: How Hedge Fund Manager Bill Ackman Called Wall Street's Bluff (Bloomberg)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Confidence Game: How Hedge Fund Manager Bill Ackman Called Wall Street's Bluff (Bloomberg):

0 of 0 people found the following review helpful. A really great read!By HowardI bought this book along with David Einhorn's ( Fooling Some of the People All of the Time, A Long Short (and Now Complete) Story, Updated with New

Epilogue ) which is very similar in the storyline and end result. I thought this book was presented much better and I found myself more immersed in it than with Einhorn's. I was fighting to get through Einhorn's book, while I found myself wanting to read more of this one. All that being said, what Ackman did was tremendous - truly a David vs. Goliath task. However, as much respect as I have for Ackman and what he did and accomplished - as I read the book, I found myself questioning "Did Ackman simply uncover what was going on and made money being right"? or "Did Ackman actually cause the series of events to take place which caused the collapse of MBIA and other insurers after years of pitching his story"? It's sort of the same kind of thing that Dick Fuld brings up when discussing Lehman and Hank Greenberg discussing AIG...would the events which took place and the ultimate demise have happened on their own had short sellers and some of the nefarious actors not done what they did? Or would business have just continued as it always had? Though each of the companies did have problems, I'm not so sure that they would not have been able to muddle through...I believe it was with the added pressure applied by folks like Ackman and Einhorn that undermined public confidence in these companies that ultimately threw them into turmoil. Of course the financial crisis threw gasoline into the fire, but again, had public confidence not been undermined, perhaps they would have been able to raise additional money, righted their ships, and continued? The fact that MBIA is still in business today makes you really ask these questions. How could MBIA still be in business if what they were offering provided no benefit to the purchasers of municipal bond insurance and was simply added cost to taxpayers? Is there business really so different today? Today, MBIA does \$1B in revenues while carrying \$9B in debt - however, they are posting decent/strong earnings - \$1.81/share over trailing 12 months with a stock price at \$6.00. Ackman called for MBIA to go to bankruptcy, and it still has not happened...even after everything which has taken place.

4 of 4 people found the following review helpful. A MUST to have among the books on recent financial crisis

By Miroslav Krajnak

This book is about the late 2000s financial crisis, revolving around the battle between MBIA, the largest and highly leveraged BOND INSURER, and Bill Ackman, a hedge fund manager, who in the course of several years has accumulated a huge SHORT position on MBIA. Other players involved include RATING AGENCIES (using different credit-rating scales for municipal and corporate bonds - not making any sense, and earning fees from those companies whose securities they rate - not seeming right), INVESTORS (blindly believing in AAA rating and not doing due diligence - of course, the question is whether due diligence on ever more complex financial instruments is at all technically possible), MUNICIPALITIES (purchasing insurance from AAA bond insurers to lower their financing costs, which should be at this (lower) level in the first place), SHADOW BANKS (financial institutions lending outside the banking system with its capital requirements and regulatory oversight and taking excessive risks knowing they can transfer them through securitization to less-informed counterparties), REGULATORS (did they do too little or too much?), and PRESS (that's where the author comes from - she has been covering the bond market for almost a decade). Two factors make me "feel close" to the story. FIRSTLY, I used to live in New York during the Bush administration, the period of "credit bonanza" in which the MBIA vs. Ackman battle took place. Moreover, I used to have a student in Armonk, NY, the MBIA's headquarters, in the 2006/2007 school year as a math tutor. Little did I know what was happening there at the time. SECONDLY, to me as an actuary, the one-word "big picture" answer to the "what was the cause of the financial crisis" question would be reserves. It's very simple, although the particulars are not. The companies set aside absolutely insufficient reserves (in an ACTUARIAL sense!). Instead, the resulting high earnings and profits were channeled into the pockets of the few privileged in the form of bonuses. Who won (and who lost) the great game of risk transfer engineered on Wall Street should be clear to everyone. The question I find more interesting (and tricky) is who (exactly) is to blame.

Returning to the book itself, I found it an educational page-turner about the guy who had seen IT coming well ahead of time, the guy who for several years had in vain tried to alert all the involved parties of an enormous risk in the bond insurer's AAA rating (being not really AAA), their "no-loss" business model (which they only nourished via "masking" all their deals that went south, such as AHERF case - equivalent to buying insurance after your house burns down, or the Caulis Negris deal - MBIA unwilling to recognize loss on the tax liens, writing them down gradually instead), and other dubious accounting practices (indirect participation in CDS market via a shell company, selling protection against its own bankruptcy filing to drive down the price of its CDS contracts and create an impression of stability, etc.)

And what do I think of Bill Ackman himself? First time when I felt he needn't have done anything - in fact, I even felt he shouldn't have done it, was when he wrote to the Citigroup claiming they may have been making a mistake by considering an investment in (bailout of) Ambac, the second-largest bond insurer (p.262) - it is definitely not my style. But other than that, I did not have a problem with the guy. On the contrary, I admired his critical thinking skill as well as passionate perseverance in proving his case. I don't see why someone might have a problem with him/this. What's wrong with one criticizing a company publicly as long as it is based on facts? After all, if it is not, not only the guy risks going in jail (which can be viewed as an "unimportant by-product"), but more importantly, the company can always disprove the person's claims (and make him look incredible, even stupid), can't they? This is yet another book on investment and finance that I read twice: first as a "novel," then as a "textbook."

8 of 8 people found the following review helpful. Amazing

By Ira E. Stoll

This book came out in late April, and the Wall Street Journal, the New York Times, and the Financial Times have all ignored it. The lack of attention is a shame, because it's an amazing, amazing book. Hedge fund manager William Ackman gave author Christine Richard

impressive access. She writes, "Ackman gave me a CD-ROM containing every e-mail he had written or received that mentioned MBIA as well as years of appointment calendars and access to an office filled with more than 40 boxes of documents he'd collected in researching MBIA. He encouraged colleagues, advisers, and friends to talk with me and spent hours answering my questions."The result is a fast-paced, behind-the-scenes look at how a "short" investor uses the press, stock analysts, and the government to beat down the price of a stock he has bet against.Mr. Ackman's campaign that is at the heart of this book is his war against Municipal Bond Insurance Association, or MBIA.Here the key journalist seems not to have been anyone at the New York Times, or even Ms. Richard, who worked for Dow Jones and Bloomberg. No, it was "Marty Peretz, the editor-in-chief of the New Republic magazine, who had been Ackman's thesis adviser when he was an undergraduate at Harvard."Mr. Peretz, reports Ms. Richard became the first investor in Mr. Ackman's hedge fund after Mr. Ackman "drove from Boston to Peretz's summer house on Cape Cod to pitch him the idea." (Mr. Peretz tells me the investment was \$500,000, made at the time and not subsequently increased.)By Ms. Richard's account, Mr. Peretz wasn't exactly what you'd call a passive investor. After the SEC didn't really follow up on a meeting in which Mr. Ackman aired his allegations about MBIA to SEC staff, Mr. Peretz wrote in July 2004 to the chairman of the SEC, William Donaldson, "with whom he was friendly." Reports Ms. Richard, "Peretz's appeal stirred a response at the SEC, which asked Ackman to return to Washington."If the SEC did not act against MBIA, Mr. Ackman would try another regulator, the attorney general of New York, Eliot Spitzer. Ms. Richard reports that in January or February 2005: "Ackman, along with Marty Peretz, and Eliot Spitzer were huddled around a small table in the attorney general's office, eating pressed turkey sandwiches. Peretz had arranged the lunch meeting. Ackman wanted to point Spitzer toward the important issues at MBIA."If Mr. Spitzer and the SEC both did not act, there was always the chairman of the House Financial Services Committee, Barney Frank. The book recounts Mr. Ackman and his lawyer flying to Boston on June 5, 2007 for a meeting with Congressman Frank, with whom they visited only after they "picked up Marty Peretz, who knew Frank from their student days at Harvard." Mr. Frank agreed to hold hearings on MBIA.There's plenty of other rich detail here. The broker who gave Mr. Ackman the idea to short MBIA worked for, of all places, Lehman Brothers.The dependent relationships among short-sellers, regulators, and the press are illuminated for all to see. At one point, Mr. Ackman asks an SEC official what it would take to get the agency to act. The SEC official's reply? "A story on the front page of the Wall Street Journal or the New York Times, especially the New York Times."What to make of the whole episode? Well, it's certainly a newsworthy tale, and not only for those interested in hedge funds or short-selling. One MBIA vehicle named something like Latin for "black hole," Ms. Richard reports, "owned liens on 11,000 properties in Pittsburgh, nearly 10 percent of the entire city."As an investment idea, shorting MBIA was a big success. The shares lost more than 80% of their value. "Pershing Square investors made about \$1.1 billion," Ms. Richard reports. About \$140 million of that was Mr. Ackman's personally, though, Ms. Richard reports, he has pledged the entire amount to charity.Those troubled by Mr. Ackman's use of the regulators to press his position at least have to concede that MBIA and its allies also used the regulators to press their own case against Mr. Ackman, subjecting him to SEC and New York attorney general inquiries that were eventually dropped.While Ms. Richard's book is finished, the story isn't over. Some value investors are now placing bets on an MBIA recovery. And short-sellers are circling the for-profit education industry using the same strategy of press and regulatory pressure that was deployed so successfully against both Farmer Mac and MBIA.

An expose on the delusion, greed, and arrogance that led to America's credit crisis The collapse of America's credit markets in 2008 is quite possibly the biggest financial disaster in U.S. history. Confidence Game: How a Hedge Fund Manager Called Wall Street's Bluff is the story of Bill Ackman's six-year campaign to warn that the \$2.5 trillion bond insurance business was a catastrophe waiting to happen. Branded a fraud by the Wall Street Journal and New York Times, and investigated by Eliot Spitzer and the Securities and Exchange Commission, Ackman later made his investors more than \$1 billion when bond insurers kicked off the collapse of the credit markets. Unravels the story of the credit crisis through an engaging and human drama Draws on unprecedented access to one of Wall Street's best-known investors Shows how excessive leverage, dangerous financial models, and a blind reliance on triple-A credit ratings sent Wall Street careening toward disaster Confidence Game is a real world "Emperor's New Clothes," a tale of widespread delusion, and one dissenting voice in the era leading up to the worst financial disaster since the Great Depression.