William Cohen, author of "House of Cards" 7/29/10

Krebs spoke previously about Bear

C. Cooper - Chapter 3

OD - Incentives that govern the behavior... In the crisis just most recent 86-87 in my professional lifetime

"Very fundamental & in way we organized"

Small undercapitalized private partnerships

"entire net worth on the line"

2:17 "Become a bee business"

DOJ - 1970 went public

"every major & not so major US firm is public"

3:20 "Liabilities are now born by corp... not by individual"

"just care about revenue"

4:20 "Motivated by only one thing: big win, big year in year out. All that mattered was bee win"

4:30 "System worked well for 40's & 50's. Defenders will say lowered the cost of capital"
6:07 "Found ordinary to amount people are paid" by nothing in fun

5:50 "Biding time until one of different nature by similar incentive" to cite up as Brandy study

on US rewarded extremely well to generate revenue

not like sport, use unique talent "people are good soldiers" 
by large no other place where good solders can go make $ or us

2 - Carr ideas

Carr: dirty little secret, Minsky theory of cap
Thought to areas that we should study

good job on acute cases "nobody get to bottom of pay structure"

a session really drilling to pay structure 

revenue on revenue

Goldman & 40% employee comp

"If I were Wall St 20s for a day"

12 "I & immediately Revenue belongs to

shareholders = variable cost

13 "doesn't get to them"
"Why else go to us except to make a lot of $?"

"never one did torture process of"

"Why out of TARP? Clear reason did not want Ken Fienberg in shorts telling them how much they could make"

16" wasn't lucrative to be a Goldman partner in private partnership

7 always done better than teachers

17" will inevitably lead to another sit- vatandaş like this

Dodd - private reward, social risk

1844 Cohen Rule - new class of security - net worth of top 100 people - tied legally to net worth at bottom of capital structure

Similar to what Goldman still does

Partner MD concept - out of pre-tax earnings - not revenue

is "caused them to take different steps"

"wasn't revenue... CD pre-tax income"

"that's why they are a devoted mark to market"
Gary - Compe experts?
Berck (Harvard) 78
Lushan Berck
People: Felix Rutten
Greenhill
William Donaldson (Fed)
Luskin

Cotard - 2005 went public
"If more like banks crisis never would have happened"
Losses all similar in 1970s
Today - Cited 3,000 emp. Goldman: 35,000 emp

Gary - ascent of traders at expense of M&A
"jujiitsu bit traders/bankers for a long time"
Know also consultant types - all about management now
"Inclination of traders; see example at Goldman,
case for lack of Reg.
"Goldman is, or was, the most perfectly tuned machine"
"Clever enough to 2 directions"

Gary - Gold communicates very well
"Works extremely well in tax regulations"
Gary - Goldman reshuffle

New information: collateral calls, pushing on Bear AIG

"There still remains a huge structural problem:
B-short, lend-long"

"It's banking but causes problems when confidence drives up
"Securities no longer exist"
1. Can now go to Fed on BHC
2. Solve "acute crisis"
3. Never get rid of TBTF"

"The diminishing notion of let market decide thrown out window - always
perception of bulwark""
"Not finely attuned to risk that they are taking"

Gary - Buffett - Charge people on downside risks

"Lord of accountable is lost"

360 Lehman ITM - Bear
Lose column in NYT
Should have let Bear fail:
"Had they let Bear fail, ... it would have finished"
Field, Their
→ would have solved immediately

Market message was "warped by gov. actions"
→ Leh was horribly structured
→ "duplication"
→ Investors have & should have suffered
→ Senate- Congress did not approve TARP

E Dimon (JPM) on Bear
→ "didn't want it that much"
→ "wanted the building"

A2: "oil & gas - could have made themselves
→ "Dimon took advantage of competitors"

A7 Thanks

Dying to know who bought short-dated
puts in March 08 - $8 Millions
puts for 01 day
In theory that [hedge] pullback 6/16 they
had short-dated puts

Kyle Bass - Junior mill / see Levin
John Paulson / committee clot

Goldman benefited
Was Goldman marking down or shorting at the same time

1st mistake was Bear Hedger undisclosed bet on mortgage
15 and exacerbated by Goldman marks
of famous Goldman CIO memo about market x repercussions

Bear decided for reputation to take out repo lenders to hedge fund
a magnified pension exposure
"Bear was unable to get financing other than in the repo market"

Unanswered 3: Did smart hedge fund people figure it out

SEC records are puts