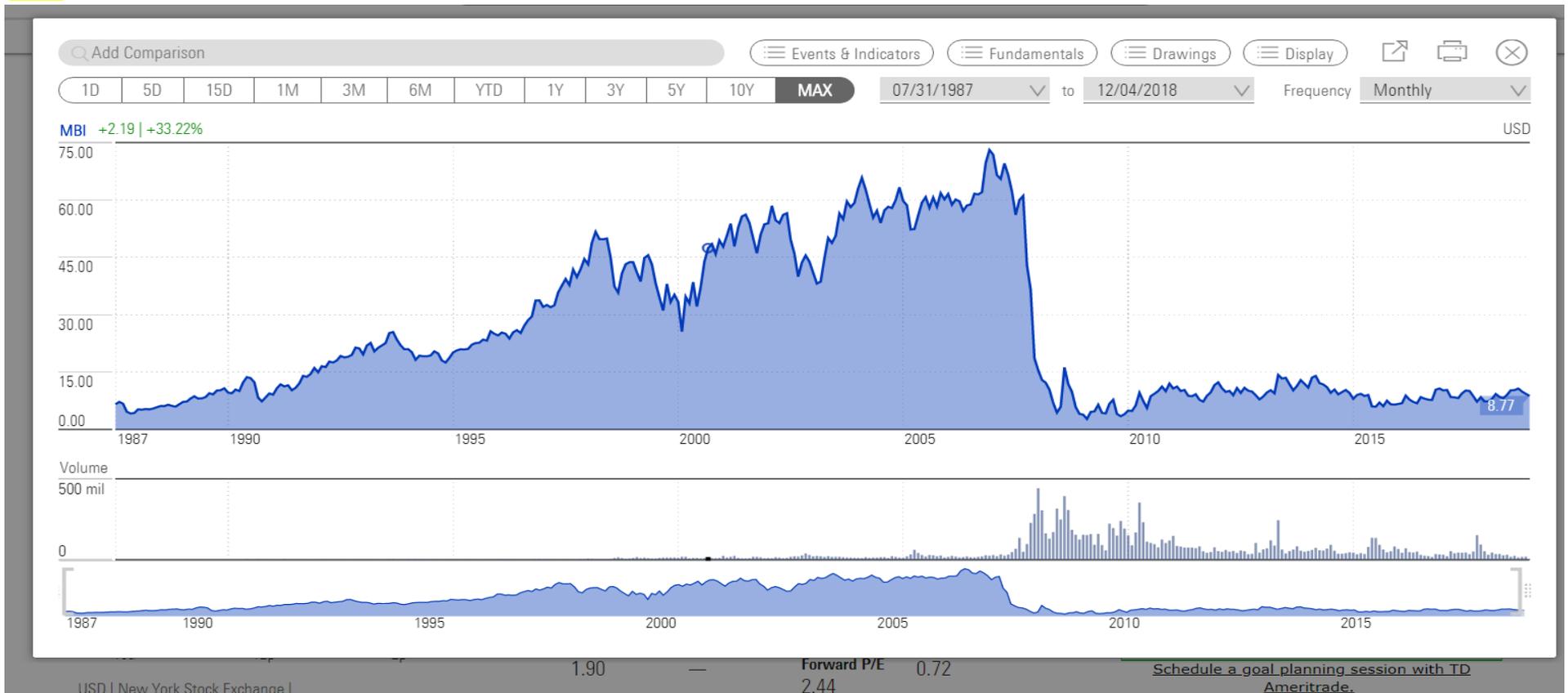


As the chart illustrates, MBIA's stock dropped from a high of almost \$75 to **less than FIVE DOLLARS** once the extent of the debacle was exposed. The stock closed last Friday, December 7, 2018 at \$8.69. Wowza!

MBIA



History

A consortium of insurance companies (Aetna, Fireman's Fund, Travelers, Cigna, and Continental) formed the **Municipal Bond Insurance Association** in 1973 to diversify their holdings in municipal bonds. The company went public in 1987.

In 2002, **Bill Ackman**, a hedge fund manager, began research which concentrated on challenging MBIA's AAA rating, despite an ongoing probe of his trading by New York State and federal authorities. He was charged copying fees for copying 725,000 pages of statements regarding the financial services company, in his law firm's compliance with a subpoena.^[4] Ackman has called for a division between MBIA's bond insurers' structured finance business and their municipal **bond insurance** side, despite statements from the insurance companies that this would not be a viable option.

He argued that the **billions of dollars of credit default swap (CDS) protection** MBIA had sold against various **mortgage backed CDOs was going to be a problem**. He also argued that it was not proper for MBIA, which was legally restricted from trading in CDS, to instead do it through a second corporation, LaCrosse Financial Products, which MBIA described as an "orphaned subsidiary". Ackman bought CDS against MBIA corporate debt as a way to bet that it would crash. When MBIA did, in fact, crash as the **financial crisis of 2008** came to a head, he sold the swaps for a large profit. Ackman reportedly attempted to warn regulators, rating agencies and investors about the bond insurers' high risk business models. **The story of Ackman's battle with MBIA was turned into a book called *Confidence Game*** (Wiley, 2010) by Bloomberg News reporter Christine Richard. He reported covering his short position on MBIA on January 16, 2009 according to the 13D filed with the SEC.

In 2009, MBIA Corp. (NYSE:MBI) was replaced by **Mead Johnson Nutrition Co.** (NYSE:MJN) in the **S&P 500**.