

HELICOPTER BEN INVENTED TAX EVASION VEHICLES FOR THE REAL HOUSEWIVES OF WALL STREET

Matt Taibbi is out with his take on the Fed's bailout lending revealed last month. He focuses on how two rich housewives with no apparent business experience got almost a quarter of a billion dollars in the TALF program.

In August 2009, John Mack, at the time still the CEO of Morgan Stanley, made an interesting life decision. Despite the fact that he was earning the comparatively low salary of just \$800,000, and had refused to give himself a bonus in the midst of the financial crisis, Mack decided to buy himself a gorgeous piece of property – a 107-year-old limestone carriage house on the Upper East Side of New York, complete with an indoor 12-car garage, that had just been sold by the prestigious Mellon family for \$13.5 million. Either Mack had plenty of cash on hand to close the deal, or he got some help from his wife, Christy, who apparently bought the house with him.

The Macks make for an interesting couple. John, a Lebanese-American nicknamed "Mack the Knife" for his legendary passion for firing people, has one of the most recognizable faces on Wall Street, physically resembling a crumpled, half-burned baked potato with a pair of overturned furry horseshoes for eyebrows. Christy is thin, blond and rich – a sort of still-awake Sunny von Bulow with hobbies. Her major philanthropic passion is endowments for

alternative medicine, and she has attained the level of master at Reiki, the Japanese practice of “palm healing.” The only other notable fact on her public résumé is that her sister was married to Charlie Rose.

It’s hard to imagine a pair of people you would less want to hand a giant welfare check to – yet that’s exactly what the Fed did. Just two months before the Macks bought their fancy carriage house in Manhattan, Christy and her pal Susan launched their investment initiative called Waterfall TALF. Neither seems to have any experience whatsoever in finance, beyond Susan’s penchant for dabbling in thoroughbred racehorses. But with an upfront investment of \$15 million, they quickly received \$220 million in cash from the Fed, most of which they used to purchase student loans and commercial mortgages. The loans were set up so that Christy and Susan would keep 100 percent of any gains on the deals, while the Fed and the Treasury (read: the taxpayer) would eat 90 percent of the losses. Given out as part of a bailout program ostensibly designed to help ordinary people by kick-starting consumer lending, the deals were a classic heads-I-win, tails-you-lose investment.

[snip]

In the case of Waterfall TALF Opportunity, here’s what we know: The company was founded in June 2009 with \$14.87 million of investment capital, money that likely came from Christy Mack and Susan Karches. The two Wall Street wives then used the \$220 million they got from the Fed to buy up a bunch of securities, including a large pool of commercial mortgages managed by Credit Suisse, a company John Mack once headed.

Those securities were valued at \$253.6 million, though the Fed refuses to explain how it arrived at that estimate. And here's the kicker: Of the \$220 million the two wives got from the Fed, roughly \$150 million had not been paid back as of last fall – meaning that you and I are still on the hook for most of whatever the Wall Street spouses bought on their government-funded shopping spree.

But the kicker is that these two Real Housewives of Wall Street incorporated their little slush fund ... in the Cayman Islands.

Perhaps the most irritating facet of all of these transactions is the fact that hundreds of millions of Fed dollars were given out to hedge funds and other investors with addresses in the Cayman Islands. Many of those addresses belong to companies with American affiliations – including prominent Wall Street names like Pimco, Blackstone and . . . Christy Mack. Yes, even Waterfall TALF Opportunity is an offshore company. It's one thing for the federal government to look the other way when Wall Street hotshots evade U.S. taxes by registering their investment companies in the Cayman Islands. But *subsidizing* tax evasion? Giving it a federal bailout? What the fuck?

Back when we had a chance of shaming TurboTax Timmeh Geithner into withdrawing his nomination to be Treasury Secretary, we should have suspected he and his associates had a soft spot for tax havens.

But by that point, it was already too late. Timmeh and Helicopter Ben had been shoveling money into the pockets of rich housewives so they could hide it in the Cayman Islands.

Yet we have to cut aid to poor kids, because
we're broke.