

## **BRIEFING DOC: JAMES CHANOS**

### **James Chanos, President Of The Hedge Fund Kynikos Associates, Is An Obama Bundler:**

**James Chanos Is A Bundler For Obama's Reelection Campaign And Has Committed to Raising \$200,000-\$500,000.** (Obama For America, <http://www.barackobama.com/pages/volunteer-fundraisers-Q4/>, Accessed 2/1/12)

**Chanos Is the Founder And President Of Kynikos Associates, A Hedge Fund Based In New York That Specializes In Short Selling Stocks.** "Almost all of them have odd looking financial statements," Chanos, the president and founder of New York based Kynikos Associates LP, said on Bloomberg Television yesterday. "We wish we could borrow almost all of them." (Nikolaj Gammeltoft, "Chanos Misses Out As Chinese Stocks In U.S. Plunge On Accounting Concerns," *Bloomberg*, 5/24/11)

### **Chanos Is "The Most Renowned, Or, If You Prefer, Notorious, Short Seller On Wall Street":**

**"Chanos, 53, Is The Most Renowned, Or, If You Prefer, Notorious, Short Seller On Wall Street."** (John Daly, "You May Think Short Sellers Are Scum. You May Think They're Just Scapegoats For A Market Gone Mad. But Looking At Jim Chanos's Winning Record, You Have to Ask: What Else Does Chanos Not Like," *The Globe And Mail*, 9/30/11)

**Kynikos Associates Is Devoted Exclusively to Short Selling And Manages A Fund Worth \$6 Billion.** "He runs Kynikos Associates, the world's largest investment fund devoted exclusively to shorting. It manages about \$6 billion (all currency in U.S. dollars except where noted)." (John Daly, "You May Think Short Sellers Are Scum. You May Think They're Just Scapegoats For A Market Gone Mad. But Looking At Jim Chanos's Winning Record, You Have to Ask: What Else Does Chanos Not Like," *The Globe And Mail*, 9/30/11)

### **Chanos Made Money By Shorting Home Builders During The Recession In 2008:**

**Chanos Shorted Home Builder Stocks During The Recession Until He Closed The Firms Position In 2008.** "Billionaire short seller James Chanos has closed his

positions in home builder stocks, thinking the worst is over for that sector. But he still sees trouble for the economy. 'We are in a recession, there is not any doubt,' he said in an interview following a speech to corporate directors at Stanford Law School on Tuesday." (Kathleen Pender, "A Short Seller Has It Cold – 'We Are In A Recession,'" *(California) The San Francisco Chronicle*, 6/26/08)

### **Chanos Identified Student Loan Companies As A Great Opportunity to Short:**

#### **Student Loan Companies Seen As Great Opportunities to Short Sell By Chanos.**

"Jim Chanos, founder and president of Kynikos, one of the best known short-selling hedge funds in the US, has student loan companies high on his list to short for the foreseeable future. 'This industry has much in common with the sub-prime mortgage industry,' Chanos said. 'Things do not look very bright.'" (James Doran, "Hedge Funds Set Student Loan Firms In Their Sights," *The Observer*, 10/19/08)

### **Chanos Shorted Enron And Tyco As Scandals Broke:**

**Chanos Made A Large Bet Short Selling Enron Stock Before Its Collapse.** "When Enron released its year-end financial statements for 2000, questions about the partnerships were raised by James Chanos, an investor who had placed a large bet that Enron stock would decline in the ensuing months. Such investors, known as short sellers, often try to 'talk down' a stock, and Enron executives dismissed Chanos's questions as nothing more than that." (Steven Pearlstein and Peter Behr, "At Enron, The Fall Came Quickly; Complexity, Partnerships Kept Problems From Public View," *The Washington Post*, 12/2/01)

**Chanos Shorted Tyco's Stock As Accounting Scandal Broke.** "By minimizing, or marking down, the value of the tangible assets and maximizing, or marking up, good will, Tyco can inflate its earnings, said James Chanos, president of Kynikos Associates, a hedge fund that has shorted Tyco's stock. The earnings lift, he said, comes because Tyco can treat the good will differently from the real assets, which under accounting rules lose value over time. In addition, if Tyco sells the products it has devalued, or marked down, at the time of an acquisition, it can make an even larger profit, Mr. Chanos said." (Alex Berenson, "Tyco Shares Fall As Investor Show Concern On Accounting," *The New York Times*, 1/16/02)

### **Chanos Has Identified Other Opportunities to Short Sell:**

**Chanos Talked About Shorting Health Care Companies Then Reversed Course As Federal Spending Seemed About to Rise.** “Chanos, who borrows and then sells stocks he expects can be repurchased later at a lower price, early last year told the markets on multiple occasions he expected a wide range of health care companies would suffer when federal funding was cut back. Instead, he told Reuters on Wednesday, political dealings late in 2009 and early this year meant that federal outlays to health care providers could actually rise.” (“Reuters Summit-Chanos Says ‘Wrong’ On Health Care Short,” *Reuters*, 3/3/10)

**Chanos Recommended That State and Local Municipalities Are A Bad Bet Due to Structural Problems Caused By Public Sector Benefits.** “In a subsequent telephone interview with this columnist, Chanos said, ‘State and local municipal finance are a mess and going to get worse.’ It’s not just the recession, which has reduced tax receipts. Rather, he says the poor economy ‘is masking real problems in municipal cost structures.’ The big problem, he says, is ‘the platinum-plated health-care and retirement benefits’ given to state and local workers. ‘It’s all coming home to roost’ as boomers start to retire.” (Tom Sullivan, “Short Seller: Dump Munis,” *Barron’s*, 11/9/09)

**Chinese Housing, Mining And Banking Seen As The Next Big Short Selling Opportunity By Chanos.** “Chanos, who specializes in making money when stocks fall in value, said China’s housing bubble and opaque political and economic systems merit greater scrutiny and cynicism by the rating agencies. He is shorting mining companies and construction companies that ship raw materials to China and is also betting against shares of some Chinese banks.” (Katya Wachtel, “Short-Seller Chanos: Moody’s, S&P Wrong On China,” *Reuters*, 12/6/11)

## **James Chanos Known Association With Escorts**

**Chanos Spent Time With The Same Escort Frequented By Eliot Spitzer As A House Sitter.** “Divorced in 2006, Chanos likes going to dance clubs in New York and the Hamptons, where he has a summer house. In 2008, his name hit the tabloids when reporters discovered that his house sitter was none other than Ashley Dupre, the escort in the scandal that had brought down New York governor Eliot Spitzer that February. ‘I’m a divorced single man,’ is all that Chanos will say about his after-hours activities, albeit with a bit of a smile.” (John Daly, “You May Think Short Sellers Are Scum. You May Think They’re Just Scapegoats For A Market Gone Mad. But Looking At Jim Chanos’s Winning Record, You Have to Ask: What Else Does Chanos Not Like,” *The Globe And Mail*, 9/30/11)

**Chanos Met Ashley Dupre At A Nightclub And Often Invited Her to Parties.** “James Chanos, 50, a billionaire hedge fund manager who runs Kynikos Associates in

Manhattan, says he met Ashley Alexandra Dupre - the girl at center of the gov love scandal - at a nightclub several years ago and often invited her to parties, But he denied introducing her to Spitzer.” (Lukas I. Alpert and Samuel Goldsmith, “Eliot’s Gal A Shared Asset; ‘House-Sitter’ & Party Pal to Gov’s \$\$ Man,” *New York Post*, 3/16/08)

**Chanos Called ‘Uncle Jim’ By Dupre And Hosted Weeklong Parties With Numerous ‘Sultry’ Ladies.** “Chanos, who was called ‘Uncle Jim’ by Dupre, pumped close to \$100,000 into Spitzer’s campaigns over the past five years. He is well known on Long Island’s East End for hosting weeklong Fourth of July beach parties, to which he invites scores of sultry young women.” (Lukas I. Alpert and Samuel Goldsmith, “Eliot’s Gal A Shared Asset; ‘House-Sitter’ & Party Pal to Gov’s \$\$ Man,” *New York Post*, 3/16/08)

**Chanos: “I Know Her. She’s A Nice Person, She Is One Of Many Young Ladies I Have Spent Time With Around town.”** (Lukas I. Alpert and Samuel Goldsmith, “Eliot’s Gal A Shared Asset; ‘House-Sitter’ & Party Pal to Gov’s \$\$ Man,” *New York Post*, 3/16/08)

### **James Chanos Went Through A Messy Divorce From His Wife In 2006**

**Chanos Divorced His Wife In 2006.** “Divorced in 2006, Chanos likes going to dance clubs in New York and the Hamptons, where he has a summer house.” (John Daly, “You May Think Short Sellers Are Scum. You May Think They’re Just Scapegoats For A Market Gone Mad. But Looking At Jim Chanos’s Winning Record, You Have to Ask: What Else Does Chanos Not Like,” *The Globe And Mail*, 9/30/11)

**Ex-Wife, Amy Chanos, Accused The Attorneys Representing Her During Her Divorce Of Being A Golfing Buddy And Friend Of Her Former Husband, James Chanos.** “In paragraph 11 of the complaint, plaintiff alleges that ‘Plaintiff discovered Defendants’ improper conduct on or after April of 2007, when Plaintiff learned from various media reports that her former husband’s actual net worth was well in excess of what Defendants advised her during the Divorce Action . . . At or around the same time, Plaintiff also discovered that Defendant Sheresky was a golfing buddy and social friend of her former husband’s attorney’s law partner.’ The first three causes of action in the complaint are against Sheresky for legal malpractice, breach of fiduciary duty and breach of contract. The fourth cause of action brought against Klein is for professional negligence and breach of fiduciary duties.” (Honorable Saliann Scarpulla, *Chanos v Sheresky* Final Disposition, Supreme Court, New York County, DocketNumber 116681/2009, 4/1/11)

- **A New York State Judge Dismissed Accusations Made By Amy Chanos In 2011.** “In accordance with the foregoing, it is ORDERED that defendants’ motions to dismiss the complaint as against them under CPLR 3211(a)(1) and (a)(7) (motion sequences 001 and 003) is granted, and the complaint is

dismissed; and it is further ORDERED plaintiffs motion for leave to amend the coinplaint [sic] (motion sequence 004) is denied; and it is further ORDERED plaintiffs motion for a protective order and order of discovery (motion sequence 005) is denied as moot; and it is further ORDERED that the Clerk of the Court is directed to enter judgment accordingly. This constitutes the decision and order of the Court.” (Honorable Saliann Scarpulla, *Chanos v Sheresky* Final Disposition, Supreme Court, New York County, Docket Number 116681/2009, 4/1/11)

### **James Chanos Was A Big Financial Supporter Of Eliot Spitzer When He Was Governor:**

**In 2003, Chanos Attended A Manhattan Fund-Raiser During Which \$2 Million Was Raised For Eliot Spitzer’s Campaign.** “Meanwhile, Spitzer aides said a Thursday luncheon fund-raiser in Manhattan raised, as expected, more than \$2 million for the attorney general's campaign committee. According to the Post, the Manhattan event, hosted by tennis great John McEnroe, even attracted a few major financial fund managers including James Chanos of Kynikos Associates, George Fox of Titan Advisers and Jeff Berkowitz of Cramer Berkowitz.” (“Report: Spitzer Aided By Two With Long-Ago Convictions,” *Associated Press*, 12/12/03)

**In 2008, Chanos Gave The \$10,000 Maximum to Spitzer’s Campaign Fund.** “With nearly three years left in Spitzer's term, a wide swath of New Yorkers, and some donors from other states, rallied around him. Among those who donated the \$10,000 maximum to Spitzer 2010, the governor's campaign fund, were hedge fund managers like James S. Chanos, financiers like Thomas H. Lee, executives like the Barnes & Noble chairman Leonard Riggio and Hollywood figures like Jeffrey Katzenberg. (Danny Hakim, “As Spitzer’s Popularity Fell, Donors Rallied to His Side,” *The New York Times*, 1/16/08)

### **James Chanos Was Associated With Andrew Coumo’s Transition Team**

**Chanos Was A Member Of Governor-Elect Coumo’s Budget Transition Team.** “Cuomo's transition crew includes a group that will focus on the state's budget crisis, while another targets administration staffing within economic development agencies. The budget outfit is stocked with heavyweights such as American Express boss Kenneth Chenault, AFL- CIO chief Dennis Hughes and Felix Rohatyn, an investment banker who helped the city avert bankruptcy in the 1970s. Also onboard is hedge fund billionaire James Chanos, who has admitted to partying with hooker- happy ex-Gov. Eliot Spitzer's call girl, Ashley Dupre - though he denies knowing she was a

prostitute.” (Glenn Blain and Kenneth Lovett, “Andy Diversity Play. Coumo’s Picks Take Teeth Out of Al’s Critique,” *(New York Daily News)*, 11/12/10)

**James Chanos Has Contributed At Least \$223,800 to Political Candidates And Organizations. \$214,000 Was Contributed to Democratic Candidates And Organizations:**

**Chanos Has Given At Least \$52,400 to The Democratic Senatorial Campaign Committee.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$46,000 to The DNC Services Corp.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$36,100 to The Democratic Congressional Campaign Committee.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$10,000 to The Minnesota Democratic Farmer Labor Party.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$9,800 to Kirsten Gillibrand.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$8,900 to The Connecticut Democratic State Central Committee.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$5,000 to Robert Menendez.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At least \$5,000 to The Defend America PAC (Republican).** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$5,000 to Barack Obama.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$5,000 to Bob Casey.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$5,000 to Ben Cardin.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$4,800 to Harry Reid.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$4,800 to Richard C. Shelby (Republican).** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$4,800 to Alexander Giannoulas.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$4,800 to Zachary T. Space.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$2,500 to Sander Levin.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$2,500 to Olympia J. Snowe.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$2,400 to Martha Coakley.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$2,300 to Al Franken.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$2,300 to Bill Richardson.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$2,100 to Chris Dodd.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$1,000 to Dina Titus.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$1,000 to The National Leadership PAC.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)

**Chanos Has Given At Least \$300 to Chris Dodd.** (The Center for Responsive Politics, [www.opensecrets.com](http://www.opensecrets.com), Accessed 2/3/12)