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C O N F I D E N T I A L

FINANCIAL CRISIS INQUIRY COMMISSION

Interview of THOMAS MAHERAS

March 10, 2010

1285 Avenue of the Americas

New York, New York

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PAGES 1-265

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1 Interview - THOMAS MAHERAS

2 BY MS. NORMAN:

3 Q Good morning. My name is Donna
4 Norman, and I am with the Financial Crisis
5 Inquiry Commission. Today is March 10th,
6 2010, and it is approximately 9:30 in the
7 morning. I am accompanied by Karan Dubas,
8 who is also with the Financial Crisis
9 Inquiry Commission, and we are in the New
10 York offices of Paul, Weiss for the
11 interview this morning of Thomas Maheras.

12 Mr. Maheras, would you be kind
13 enough to state your name and spell your
14 last name for the record?

15 A Sure. Tom Maheras, M-A-H-E-R-A-S.

16 Q And are you represented by
17 counsel this morning?

18 A I am.

19 Q Would your counsel identify
20 themselves for the record?

21 MR. RICHARDS: Yes. My name is
22 Lee Richards. I am with the law firm
23 of Richards, Kibbe and Orbe. We are
24 located here in New York. Our general
25 number is (212) 530-1800.

1 Interview - THOMAS MAHERAS

2 MR. ZINMAN: My name is Daniel
3 Zinman, and I am with the same firm.

4 BY MS. NORMAN:

5 Q Are you also represented by Paul,
6 Weiss this morning?

7 A Yes.

8 MR. BIRENBOIM: Yes. Bruce
9 Birenbaum and Susanna Buergel from
10 Paul, Weiss.

11 MS. BUERGEL: And our colleague
12 Michael Berger is here as well.

13 BY MS. NORMAN:

14 Q Mr. Maheras, the FCIC was
15 established by statute and signed into law
16 by the President. It is a bipartisan
17 Commission which consists of ten
18 commissioners, and we are charged with
19 examining the causes of the financial crisis
20 and the collapse or near collapse of major
21 domestic financial institutions.

22 The Commission is also charged
23 with composing a report of the findings for
24 the President and Congress and the American
25 public which is to be delivered by

1 Interview - THOMAS MAHERAS
2 December 15, 2010.

3 So, many of the things that we
4 determine in our investigation will become
5 public, but our investigation is not public
6 and we ask that you keep today's proceedings
7 in both the substance of and fact of
8 confidential.

9 A Okay.

10 Q The Commission may compel
11 attendance and testimony of witnesses and
12 the production of records, and I think your
13 counsel has a copy of the statute. If you
14 have any questions, please let us know and
15 we will provide answers.

16 The FCIC is an agency of the
17 United States and FCIC staff are federal
18 employees, which makes you subject today to
19 18 U.S. Code, section 101, concerning false
20 statements. Accordingly, any false
21 statements made during our inquiry today
22 could subject you to criminal prosecution.

23 Is there any reason you can't
24 tell the truth today?

25 A No.

1 Interview - THOMAS MAHERAS

2 Q A few housekeeping items. We do
3 have a court reporter here today, so if you
4 could try to make your answers and your
5 responses audible. She can't pick up
6 gestures or head nods.

7 A Okay.

8 Q If a question is unclear, please
9 ask me to clarify it and I will do so. And
10 if you need to take a break at any time, we
11 are happy to do so. We will control the
12 record on the FCIC side, though, and we ask
13 that you not take a break with a question
14 pending.

15 A Okay.

16 Q By way of background, today we
17 are going to focus on the origination,
18 securitization and CDO businesses of
19 Citigroup and Citi entities. We are trying
20 to understand the structuring, valuation,
21 trading risk and risk management practices
22 particularly on the CDO desk, but before we
23 dive into that I will ask you a few
24 background questions.

25 Could you briefly articulate your

1 Interview - THOMAS MAHERAS

2 post secondary education?

3 A Yes. I graduated from the
4 University of Notre Dame in 1984.

5 Q Do you hold any professional
6 degrees, licensures?

7 A Licenses, I am sure I have a few.
8 I can't tell you with great specificity
9 which I have that would still be current,
10 but I had many registrations and series
11 tests along the way. I just can't tell you
12 with any --

13 Q Trading licenses?

14 A Yes.

15 Q Can you go through your post
16 college employment, where you worked, what
17 your title was, how long you worked there,
18 what your responsibilities were at each job.
19 I will ask you to keep your descriptions
20 brief until we get to the 2002 time frame.

21 A Okay.

22 Q And to the best of your
23 recollection, the dates can be
24 approximations. We would just like to get
25 an understanding of your background.

1 Interview - THOMAS MAHERAS

2 A Okay. I started in the associate
3 training program at Salomon Brothers in
4 1984. I was placed in late '84 or early '85
5 onto the corporate bond trading desk.

6 Sometime soon thereafter I became
7 a high yield bond trader. A couple of years
8 later I moved to a different trading desk,
9 investment grade trading desk, I believe it
10 was called intermediates at the time.

11 Shortly thereafter I traded utilities, again
12 another trading desk within the investment
13 grade corporate credit department.

14 1989 I became the senior high
15 yield trader, did that for roughly five
16 years. In early 1994, I believe, I became
17 head of the mortgage securities division or
18 department. In late '96 I became head of
19 the global fixed income business at Salomon
20 Brothers.

21 I continued to do that over the
22 next six or seven years through the
23 iterations of what then became Salomon Smith
24 Barney after the acquisition by Travelers
25 Group of Salomon Brothers, followed by the

1 Interview - THOMAS MAHERAS
2 creation of Citigroup which was the
3 combination of Citibank and Travelers Group.
4 Through that period until late '03 I was
5 running the growing business of global fixed
6 income to incorporate the parts that came
7 with those various acquisitions and mergers.

8 Then in late '03 or early '04 I
9 became head of what was called global
10 capital markets, which meant I added the
11 responsibility of the equities business
12 globally as well to the prior role of
13 running the fixed income businesses around
14 the world. It was called global capital
15 markets.

16 I did that until I think early
17 '07 when I was asked to become co-head of
18 what was then I believe called Citi markets
19 and banking, or capital markets and banking.
20 It was CMB.

21 Q When you were the senior high
22 yield trader at Salomon, did you do high
23 yield bond CDOs?

24 A Not that I recall.

25 Q What was your first exposure to

1 Interview - THOMAS MAHERAS

2 CDO trades at Citi?

3 A I suspect it would have been in
4 my days of supervising the global fixed
5 income business. That would have been an
6 activity within the overall fixed income
7 business within the credit markets business,
8 I would assume, a subset of the fixed income
9 business.

10 Q So, were you ever a CDO trader
11 yourself?

12 A No.

13 Q I understand you had a stint with
14 the advisory committee on borrowing for the
15 Department of Treasury. Would you tell me
16 about that, or some similar committee?

17 A Yes. There was a Treasury
18 committee called Treasury Borrowing
19 Advisory, TBAC, Treasury Borrowing Advisory
20 Committee, which has been in existence for
21 at least 50 or 60 years. It was a committee
22 comprised of banking, sell side we would
23 call it, so individuals from the investment
24 banks and commercial banks, as well as from
25 what we would call the buy side. The buy

1 Interview - THOMAS MAHERAS
2 side would be certain large investors, both
3 traditional investors and alternative
4 investors. And it was a committee that
5 advised the Treasury on its borrowing
6 programs on a quarterly basis.

7 It involved a quarterly visit to
8 Washington for two days where we met with
9 all levels of Treasury staff in formal
10 meetings, as well as a meeting on each
11 occasion with the Federal Reserve Board of
12 Governors at the Federal Reserve Bank.

13 Q In what years did you serve on
14 the Treasury borrowing committee, advisory
15 committee?

16 A I believe I served for around six
17 or seven years, ending with the termination
18 of my employment at Citigroup in October of '07.

19 Q And what was your capacity on the
20 Treasury borrowing committee, advisory
21 committee?

22 A I was a member for the first five
23 years or so, and I was the -- I became vice
24 chairman for 12 to 18 months, and then I was
25 the chairman of the committee in the last 12

1 Interview - THOMAS MAHERAS

2 to 18 months.

3 Q So you were chairman of the
4 committee in 2006 and 2007, parts of 2007?

5 A I believe so.

6 Q And how large was the committee?

7 A It varied over time, as I recall,
8 but I would say it approximated 12 individuals
9 or more for certain stretches of time.

10 Q How did you come to be on the
11 committee?

12 A I replaced a former long-serving
13 member from our firm at the point I started.

14 Q Who was that?

15 A Dale Horowitz.

16 Q Did other major U.S. investment
17 banks have representation on the committee
18 as well --

19 A Yes.

20 Q -- during 2006 and 2007?

21 A Yes.

22 Q How many seats were reserved for
23 business executives from U.S. investment
24 banks?

25 A My recollection would be that

1 Interview - THOMAS MAHERAS
2 roughly half the committee came from what I
3 refer to as the sell side, and that would
4 mean both the investment banks as well as
5 the commercial banks.

6 Q During the 2006 and 2007 time
7 period, do you recall any advice or
8 recommendations that the committee made
9 while you were chairman to the Treasury?

10 A No.

11 Q Did the topic of subprime lending
12 ever come up in the context of the Treasury
13 advisory committee meetings?

14 A I don't recall.

15 Q Did the advisory committee submit
16 written reports to the Treasury?

17 A We did.

18 Q Would that be on a quarterly
19 basis?

20 A Yes.

21 Q What would be the general
22 substance of said reports?

23 A The reports generally started
24 with a discussion of the economic backdrop
25 in this country -- well, actually, perhaps

1 Interview - THOMAS MAHERAS

2 globally as well, and then it went on to
3 detail minutes of the meeting around usually
4 three or four prepared questions, questions
5 that we were responding to as an advisory
6 group, generally about type of Treasury
7 issuance, amounts, and certain other matters.

8 Q Did you have contact with the
9 Secretary of Treasury during these, during
10 this engagement?

11 A He would occasionally attend
12 meetings or gatherings.

13 Q Other than the quarterly written
14 report you would submit to Treasury, would
15 there be any other written record of your
16 participation other than the quarterly
17 reports and the minutes?

18 A Not that I am aware of. If I can
19 restate, I believe I recall Treasury also
20 simultaneously put out their own formal
21 report of each meeting at the same time.

22 Q Would Citi have copies of those,
23 the reports that were submitted by the
24 advisory committee?

25 A I don't know. They -- I believe

1 Interview - THOMAS MAHERAS

2 these were formally released, they were
3 required to be formally released. So, I
4 can't say if Citi kept copies or made an
5 effort to see them. I don't know.

6 Q So the reports themselves became
7 part of the public record?

8 A Yes.

9 Q In 1996 when you became head of
10 global fixed income, according to some press
11 articles that I came across, you were widely
12 credited with turning around Salomon's
13 money-losing mortgage securities business.
14 Is that accurate?

15 A Is it -- can you clarify the
16 question?

17 Q Sure.

18 When you became head of global
19 fixed income, is it fair to say Salomon's
20 mortgage securities business was losing
21 money?

22 A When I became head of fixed
23 income I do not believe it was, the mortgage
24 business was losing money. When I became
25 head of mortgages in the prior role, I

1 Interview - THOMAS MAHERAS

2 believe it was losing money.

3 Q And did you have a role in
4 turning around that department?

5 A I was responsible for the
6 management of that department and I played a
7 supervisory role. We had a lot of
8 experienced professionals who were part of a
9 team that helped to turn that business around.

10 Q What changes were made under your
11 watch that helped turn that business around?

12 A I don't recall as I sit here
13 today. It was a long time ago.

14 Q Can you tell me anything about
15 what your strategies were or how you helped
16 accomplish turning the mortgage business
17 around at Salomon?

18 A We had certain personnel changes,
19 I am sure. We made improvements to the risk
20 management systems, I am sure. The
21 environment improved, I believe.

22 Q Would you be more specific about
23 the environment improving?

24 A Sure. In 1994, fixed income
25 markets had a material dislocation. It was

1 Interview - THOMAS MAHERAS
2 around the time that the Fed started to
3 raise short-term interest rates, and many
4 mortgage securities saw an erosion in value
5 based on embedded options in the securities,
6 or driven by embedded options in the
7 securities.

8 So the industry as a whole was
9 challenged in mortgage securities trading,
10 as I recall, and things stabilized
11 throughout 1995 and certainly improved
12 thereafter in the markets.

13 Q What improvements to risk
14 management systems did you make as head of
15 the mortgages desk at Salomon.

16 A I don't recall today.

17 Q Can you give me any idea what you
18 meant when you said improvements to risk
19 management systems were made?

20 A Well, what I said is I am sure
21 there were improvements. I am sure that
22 there were improvements in the systems in
23 terms of the way we measured the risks in
24 the business. There would have been at that
25 time lessons learned around a very

1 Interview - THOMAS MAHERAS

2 challenged market environment, but I can't
3 recall specifically any specific changes.

4 Q Was making improvements to risk
5 management one of your specific mandates
6 when you were put in that position?

7 A I don't recall.

8 If I could provide more texture,
9 it would be a typical management effort in
10 situations like I described, where in the
11 midst of market dislocation and issues
12 around that, it would be typical response.

13 But I don't recall what was done,
14 or I don't recall any specifics around my
15 mandate per se.

16 Q What did you learn from the 1994
17 market dislocation vis-à-vis mortgage
18 trading?

19 A Well, I had the opportunity to
20 observe firsthand that which I had
21 encountered previously in my career, that
22 markets can lose liquidity and react
23 violently from time to time. And that
24 period as I recall was less about mortgages
25 and more about a broader market challenge

1 Interview - THOMAS MAHERAS
2 and reduced liquidity across all fixed
3 income areas, including mortgages.

4 Q What did Citi do proactively to
5 respond to the lessons it learned in 1994
6 about how quickly markets can lose liquidity?

7 MR. BIRENBOIM: I am sorry, was
8 it Citi at this point or Salomon?

9 MS. NORMAN: I am sorry, Salomon.

10 THE WITNESS: It was Salomon
11 Brothers.

12 I am sorry; can you repeat the
13 question, Ms. Norman?

14 BY MS. NORMAN:

15 Q Absolutely.

16 What did Salomon do in response
17 to what it learned in 1994 regarding how
18 quickly markets can lose liquidity vis-à-vis
19 its mortgage business? What changes were
20 made based on that lesson learned?

21 A Again, I don't recall as I sit
22 here today. I am confident, I am quite sure
23 that there would have been enhancements made
24 to a number of different risk measurement
25 systems across all of fixed income, again

1 Interview - THOMAS MAHERAS

2 including mortgages, but I can't speak with
3 any specificity or great recollection today.

4 Q Do you recall if anything changed
5 about the way you personally looked at
6 managing the fixed income business based on
7 what you learned in the 1994 market
8 dislocation?

9 A No.

10 Q You said, was it 1996 that you
11 became head of global fixed income?

12 A Yes, I believe it was late 1996.

13 Q Who did you report to at that time?

14 A After taking that responsibility
15 or before?

16 Q After.

17 A I believe it was Deryck Maughan,
18 the CEO of Salomon Brothers.

19 Q Can you spell the last name?

20 A M-A-U-G-H-A-N.

21 Q What was his title?

22 A He was Salomon Brothers' either
23 CEO or chairman and CEO.

24 Q And in 2004 you became the head
25 of global capital markets and added equity

1 Interview - THOMAS MAHERAS

2 and fixed income to your charge, is that
3 correct?

4 A I added equities to my
5 responsibility. Fixed income had already
6 been a responsibility of mine.

7 Q If we could start in 2003, in
8 your capacity as head of fixed income, did
9 the whole loan mortgage securitization desk
10 report to you, the desk that was run by Jeff
11 Perlowitz?

12 A It didn't report to me directly,
13 but it was within a broader business which
14 was a subset of our fixed income business.
15 So indirectly it would have been within the
16 global fixed income department and therefore
17 my responsibility indirectly.

18 Q In 2003 you were aware of what
19 Jeff Perlowitz's securitization desk was
20 doing? It was under your watch?

21 A To the extent that I was the
22 supervisor, yes. The mortgage business was
23 one of many businesses that reported to
24 individuals who ultimately reported to me.

25 Q And in 2003, did the RMBS

1 Interview - THOMAS MAHERAS

2 securitization desk also report to you, the
3 desk that Jim Demare and Phil Sears worked on?

4 A Yes. That would have been a desk
5 that would have been a subset of a grouping
6 of businesses that would have been within
7 the mortgage business, which again was one
8 of many groupings of business under the
9 fixed income umbrella.

10 Q In 2003, did the CDO desk also
11 report through you?

12 A In similar fashion it would have
13 been one of, a unit within a larger business
14 within another larger business, which was a
15 unit within the fixed income division. So
16 yes, it would have been within, if you are
17 asking, it would have been within the
18 overall global fixed income business.

19 Everything in fixed income
20 markets globally, sales, trading,
21 origination, globally at Citigroup in 80
22 countries would have been part of my
23 mandate, and to varying degrees at different
24 levels of directness.

25 Q From 2003 to 2007 -- and you can

1 Interview - THOMAS MAHERAS

2 tell me how that changed over that period --
3 who did you report directly to?

4 A At the beginning I believe I
5 reported to Bob Druskin -- no, I am sorry.
6 I reported to a number of folks.

7 In 2003 and 2004, is that the
8 question?

9 Q Yes.

10 A I assume I reported to Bob
11 Druskin in that period.

12 Q What was his title at that time?

13 A He was head of what would have
14 been at that time most likely called the
15 corporate and investment bank at Citigroup,
16 the CIB.

17 Q In 2007 when you became co-head
18 of CMB, who did you report to?

19 A To Chuck Prince.

20 Q In 2003, 2004 --

21 A I am sorry. I reported to Chuck
22 Prince in his role as head of the corporate
23 and investment bank before I reported to Bob
24 Druskin in that same role after Chuck's
25 elevation to become CEO of Citigroup, so I

1 Interview - THOMAS MAHERAS

2 may have misspoken.

3 In the '03, '04 time period, at
4 that time Chuck may have been head of the
5 CIB, in which case I reported to him. At a
6 later point he was elevated and Bob Druskin
7 became head of the CIB. So I just can't say
8 with great clarity which years they were,
9 but I believe it was, first my reporting
10 line was to Chuck Prince, then it became a
11 reporting line to Bob Druskin, and then in
12 '07 as we have already indicated it was back
13 to Chuck Prince in my expanded role.

14 Q From 2003 to 2007 you reported
15 directly to the head of the investment bank,
16 and then in 2007 you reported directly to
17 the CEO of Citi?

18 A Yes.

19 Q In the 2003, 2004 period, who
20 reported directly to you?

21 A Are you asking me about the
22 period before I became head of global
23 capital markets, which was either late '03
24 or early '04, or after? It was around that
25 time I became head of global capital markets.

1 Interview - THOMAS MAHERAS

2 Q When you became head of global
3 capital markets, who reported directly to
4 you?

5 A The heads of the fixed income
6 business at that time were Geoffrey Coley
7 and Randy Barker; Jamie Forese, who headed
8 our global equities business would have
9 reported to me; Ward Marsh, who ran our
10 municipal securities division, reported to
11 me; Andy Hall, who ran the PHIBRO entity,
12 which was a commodity trading operation.

13 There were certainly others that
14 I am not recalling as I sit here that could
15 be added to that list. Those were the major
16 business groupings and individuals
17 responsible, and there would have been a few
18 other reports as well.

19 Q When you became the co-head of
20 CMB, who reported directly to you?

21 A Those same individuals largely.
22 I don't think there were many changes in
23 personnel at that level.

24 Paco Ybarra had become head of or
25 a co-head of fixed income, joining the other

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2 two fellows. I also had responsibility for
3 the functional areas in the investment bank
4 and the regions, so the heads of the regions
5 around the globe in the capital markets and
6 banking, the corporate investment bank
7 activities reported to me. So that would
8 have been comprised of Bill Mills in
9 eastern, in Europe, the Middle East and
10 Africa, what we called EMEA. It would have
11 been Bob Morse in Asia, I think Fernando
12 Quiroz in Mexico, and Latin America would
13 have been Gustavo Marin at that point.

14 And then in the functional areas
15 I had reported lines from Hans Morris, who
16 was our chief operating officer. I had a
17 reporting line from Ed Greene, who was head
18 of legal. John Donnelley was head of HR, I
19 don't recall when he moved to corporate, so
20 for some part of that time John Donnelley
21 would have been a report.

22 And again, there would be a few
23 others that I am sure I am failing to recall.

24 Q When in 2007 did you become the
25 co-head of CMB?

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2 A There were two iterations. In
3 the very beginning of '07 I think we became,
4 my partner and I became co-presidents.

5 Q Who was your partner?

6 A Michael Klein. We became co-
7 presidents and continued reporting to Bob
8 Druskin, who wore two hats for a short
9 period.

10 Q When you say the beginning of
11 2007, was it January?

12 A I believe it was January.

13 And then in the next couple of
14 months, I don't know if it was one, two or
15 three months, Bob Druskin decided to give up
16 his title as CEO of the division, where he
17 had also been chief operating officer of
18 Citigroup since that point in early '07. He
19 gave up the role of being head of the Citi
20 markets and banking, or again it may have
21 been called capital markets and banking, to
22 give his full time to being chief operating
23 officer of Citigroup, at which point I
24 became co-head, CEO, of the division with my
25 partner.

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2 Q Was there any delineation between
3 your responsibilities, or did you have the
4 same responsibilities as co-head of CMB?

5 A I am not sure what the formal
6 answer is to that question, but as a
7 practical matter I looked after the markets-
8 related activities in the company and
9 Michael looked after the banking-related
10 activities in the company, and there were
11 reporting lines to us that to some degree
12 would have reflected that. It was a
13 practical division of labor.

14 Q And did you remain co-heads
15 through October 2007?

16 A Yes. Well, through the early
17 part of October 2007.

18 Q For the majority of the rest of
19 the interview we are going to focus on the
20 CDO business at Citi, and I am most
21 interested in the RMBS CDOs with some
22 subprime component. So unless I or my
23 colleague direct you otherwise, if you could
24 focus your answers on that genre of CDO, it
25 would be helpful.

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2 In 2003, from a CDO deal's
3 conception to its sale, when would you first
4 become aware of a deal?

5 A I would generally not become
6 aware of individual deals.

7 Q In 2003, did you get the daily
8 P and L reports?

9 A I am sure I did.

10 Q Would a CDO sale be reflected in
11 the P and L reports?

12 A If a CDO sale resulted in a
13 P and L event, a gain or a loss, the gain or
14 loss would be reflected either directly or
15 indirectly as a larger subset of whichever
16 relevant business units it was a part of
17 performance for that day.

18 Q In the 2003 time period, what was
19 the average dollar value of an RMBS CDO
20 issuance?

21 A I don't know.

22 MS. BUERGEL: Just to be clear,
23 you mean ABS, because at that time
24 there was a real mix, not just RMBS
25 but other asset-backed securities.

1 Interview - THOMAS MAHERAS

2 MS. NORMAN: ABS with some RMBS
3 component.

4 MS. BUERGEL: Understood.

5 BY MS. NORMAN:

6 Q Is it fair to say many of them
7 were in the billion-dollar issuance range?

8 A Probably, but I was not familiar
9 with individual deals.

10 Q As the head of the group, would
11 you not know if a billion-dollar deal
12 happened?

13 A Generally, yes. Generally I
14 would not know if a billion-dollar deal
15 happened in any given subset of businesses.
16 This was a relatively small part of the
17 business that I was overall responsible for.

18 Q Is there any threshold of an
19 issuance at which you would become aware,
20 dollar value?

21 A There were in Citigroup many risk
22 limits and authority limits in existence.
23 When certain categories of activities would
24 take place, they would require management
25 approval. I don't recall any CDO-related

1 Interview - THOMAS MAHERAS
2 business ever reaching the level of
3 requiring approvals at the level of my role.

4 So, depending on the relative
5 riskiness of a type of commitment that the
6 firm would make, there were different
7 thresholds. An example would be a
8 commitment to take down an equity offering
9 would have a lower threshold than a
10 commitment to take down a triple B bond
11 offering from a corporate issuer would be,
12 you know, would have a higher threshold for
13 a double A corporate bond offering or a
14 sovereign exposure, if you will.

15 So there were thresholds and
16 authorities that were, there was a robust
17 architecture for risk limits and authority
18 limits around all the different activities
19 in the investment bank.

20 I don't recall being familiar
21 with any single deals in the CDO business
22 unit in that period.

23 Q What do you mean by take down?

24 A Making commitments, making
25 commitments to buy or commitments to own or

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2 commitments to bridge certain types of
3 activity on behalf of clients.

4 Q Do you recall ever being aware of
5 any investor inquiries in the CDO business
6 during the 2003 and 2007 time frame?

7 A Aware of investor inquiry --

8 Q To do a deal, contacts with
9 investors if they want to do certain deals?

10 A I don't think so.

11 Q What was your role in either the
12 valuation or modeling exercises in the CDO
13 deals or supervision thereof?

14 A Can you repeat the question?

15 Q Sure. What was your role in the
16 valuation modeling exercises to do a CDO
17 deal or the supervision thereof?

18 MS. BUERGEL: Are you referring
19 to the modeling in the structuring
20 process as opposed to you are saying
21 sort of valuation modeling? There was
22 a process at the end of '07 that is
23 sort of distinct from the ongoing
24 business, just to be clear about what
25 you are asking about.

1 Interview - THOMAS MAHERAS

2 MS. NORMAN: Fair enough.

3 BY MS. NORMAN:

4 Q What was your involvement in or
5 awareness of structuring of deals in 2003,
6 2007?

7 A Unless they were brought to my
8 attention by people who believed that they
9 should be in our reporting chain, there was
10 none.

11 Q What deals were brought to your
12 in 2003 and 2007?

13 A None that I recall.

14 Maybe I wasn't very clear. I
15 would have had no involvement unless there
16 was something about a piece of business that
17 required my attention or -- well, my
18 attention, in this example.

19 Q Do you recall any specific CDO
20 deal from 2003 to 2007?

21 A No.

22 Q Did you have any contact with the
23 rating agencies from 2003 to 2007 regarding
24 the CDO business?

25 A No.

1 Interview - THOMAS MAHERAS

2 Well, I should say not that I
3 recall, but I believe not.

4 Q How profitable was the CDO desk
5 in 2003?

6 A I don't know. It couldn't have
7 been very significant.

8 Q Billions of dollars of revenue
9 for Citi?

10 MR. RICHARDS: Revenue or
11 profits, what are you asking about?

12 MS. NORMAN: Profits.

13 THE WITNESS: No, I am sure it
14 was much lower than that.

15 BY MS. NORMAN:

16 Q Do you know what it was in 2006?

17 A No, but I can say that it was not
18 in the billions.

19 Q Do you know what it was as an
20 approximate percentage of the fixed income
21 business that was under your watch from 2003
22 to 2007, approximately how much of the
23 P and L bottom line came from the CDO desk?

24 MR. BIRENBOIM: Just for fixed
25 income.

1 Interview - THOMAS MAHERAS

2 MS. NORMAN: Yes.

3 MR. BIRENBOIM: Not for
4 everything that he was responsible for.

5 MS. NORMAN: Yes.

6 THE WITNESS: I don't know the
7 numbers, but I do know it was very
8 small. It would have been a very,
9 very low percentage.

10 BY MS. NORMAN:

11 Q What was Citi's overall strategy
12 in its ABS CDO business from 2003 to 2006?
13 Was it seeking to grow that business?

14 A I believe so.

15 Q Why?

16 A Well, my recollection is that the
17 structured credit business was an
18 increasingly, it was a growing business in
19 the industry, so there would have been a lot
20 of client demand. And we were always
21 seeking to build our capabilities to serve
22 our clients, and that would have been -- the
23 structured credit business overall would
24 have been a growing business with certain
25 DNA. Assume within it the CDO subset would

1 Interview - THOMAS MAHERAS

2 be the same.

3 Q What was Citi's ranking among CDO
4 issuers in 2003?

5 A I don't know.

6 Q Do you know what it was in 2007?

7 A I don't know what it was exactly,
8 but I do recall from the events of '07
9 coming to learn that we were amongst the
10 market leaders.

11 Q Do you recall learning in 2003
12 Citigroup was the sixth largest issuers of
13 CDOs, and that by 2007 Citi was the largest
14 issuer in the world of CDOs?

15 A I may have learned that at the
16 time, but I don't recall those rankings.

17 Q It is not something you would
18 have been aware of as co-CEO or co-head of
19 CMB?

20 A It is something I perhaps would
21 have been aware of at the time. I don't
22 know today what the rankings were in those
23 periods you are referencing.

24 Q What specific things accounted
25 for Citi's increased market share during

1 Interview - THOMAS MAHERAS
2 that period of time in 2003 to 2007 in the
3 ABS CDO business?

4 A Assuming they did grow their
5 share in that period, which I take it they
6 did from the question, but I don't recall
7 that per se. I don't know.

8 Q Do you recall becoming aware of
9 that in September of '07?

10 A I do recall spending a fair
11 amount of time looking into the performance
12 of the business in '07, such that I am sure
13 I would have at that time been aware of our
14 relative performance.

15 Q Do you specifically recall
16 learning or being aware in the fall of 2007
17 that Citi's ABS CDO business did in fact
18 grow significantly from 2003 to 2007? As
19 you sit here today, do you know that to be a
20 fact?

21 A Well, I believe we did not lose
22 share. I believe we probably gained share.
23 And I know it was a fast-growing business,
24 so I would be aware sitting here today that
25 it should have grown significantly over that

1 Interview - THOMAS MAHERAS

2 period. It was a growth business in general
3 for the industry, so I suspect that's right.

4 Q As you sit here today, do you
5 know for a fact that Citi's CDO business
6 grew substantially from 2003 to 2007?

7 A I believe so.

8 Q Is that a yes?

9 A Yes.

10 Q As you sit here today, what do
11 you believe is accountable for that
12 significant growth from 2003 to 2007 in
13 Citi's ABS CDO business?

14 A I don't know.

15 Q Do you have any idea?

16 A No. I mean, I can speculate a
17 bit if you would like.

18 Q Well, let's start with you have
19 no idea. Is that accurate?

20 A I can't tell you what accounted
21 for their growth. I believe that they -- I
22 believe that we as a firm prioritized being
23 relevant to our clients in the areas that
24 they cared about. This was clearly a
25 growing business, so I believe it would be

1 Interview - THOMAS MAHERAS
2 some combination of better attention and
3 focus, more investment in the business, and
4 perhaps better execution.

5 But I can't say today what
6 specifically drove their performance in a
7 unit as far away from my focus as the CDO
8 business would have been through my years of
9 overseeing capital markets specifically.

10 Q Did increased risk have anything
11 to do with the growth of the CDO business at
12 Citi from 2003 to 2007?

13 A Not that I am aware of.

14 Q As you sit here today, are you
15 aware that Citigroup's CDO business issued
16 something in the neighborhood of six billion
17 in CDOs in 2003, and that by 2007 Citi had
18 issued nearly 50 billion in CDOs?

19 MR. BIRENBOIM: Are you asking
20 him if he recalls the exact numbers of
21 CDOs issued in certain years?

22 BY MS. NORMAN:

23 Q I am asking if you are generally
24 aware of those numbers as you sit here today?

25 A Those numbers, no. But as I

1 Interview - THOMAS MAHERAS

2 mentioned before, I am generally aware of
3 the fact that the business grew at Citigroup
4 and in the industry.

5 Q Are you generally aware of the
6 magnitude at which it grew, from something
7 in the neighborhood of six billion to
8 something in the neighborhood of 50 billion?

9 A It is not surprising to me given
10 that it was a growth business, but I would
11 not be familiar with those numbers, nor do I
12 think I would have been familiar with those
13 numbers throughout the period. And I may
14 have been more familiar with those facts
15 three years ago when we were looking into
16 our performance there.

17 Q You don't recall if you were?

18 A No.

19 Q From 2003 to 2007, were you
20 involved in any conversations with senior
21 management about Citi's market position in
22 the CDO business or increasing that position?

23 A I do recall meetings with
24 management around the overall fixed income
25 game plan, the overall fixed income strategy.

1 Interview - THOMAS MAHERAS

2 There was a period somewhere in
3 there, it wasn't 2003, it wasn't 2007, it
4 was somewhere in between, when an analysis
5 was conducted by an outside consultant to
6 evaluate the performance of fixed income
7 activities of Citi in the marketplace, where
8 we were strong, where we were relatively
9 weak, a consultant style analysis that would
10 have evaluated gaps in our business, made
11 strategy recommendations.

12 And I do recall as I sit here
13 today that coming out of that analysis was a
14 strategy to invest in a number of the
15 businesses that fixed income engaged in, and
16 I remember structured credit being one of a
17 number of businesses that Citigroup
18 targeted, that we targeted as growth areas
19 worthy of investment, structured credit.

20 I don't recall as I sit here
21 today the CDO component of that business
22 being prioritized. I do recall CDOs being
23 part of a larger business unit which was
24 called structured credit at the time which
25 was part of a growth strategy, and some

1 Interview - THOMAS MAHERAS

2 investment of resources that was discussed
3 actively at senior management.

4 Q To the best of your recollection,
5 when was that done, the study?

6 A It would have -- my best -- I
7 would say '05, maybe '06. It was not '03,
8 it wasn't as early as '03 and it wasn't as
9 late as '07, that is what I recall.

10 Q Before you were co-head of CMB?

11 A It would have been most likely
12 when I was head of capital markets.

13 Q Was that Mercer Oliver Wyman?

14 A I believe that is right.

15 Q Do you recall -- let me --

16 A Can you tell me when it would be
17 okay to take one minute?

18 Q Absolutely. Why don't we do that
19 now.

20 (Break taken from 10:30 a.m. -
21 10:40 a.m.)

22 BY MS. NORMAN:

23 Q It is approximately 10:40 on
24 March 10th, 2010, and we are back on the
25 record after a brief break in which no

1 Interview - THOMAS MAHERAS
2 substantive conversations occurred.

3 I believe I just asked you if you
4 had any conversations with senior management
5 about increasing the CDOs, Citi's CDO
6 business in the 2003, 2007 time period.

7 A Yes.

8 Q And what can you tell me about
9 those conversations?

10 MR. RICHARDS: Beyond what he
11 said before. I believe he gave an
12 answer to that, he mentioned the
13 consultant side.

14 BY MS. NORMAN:

15 Q You can answer.

16 A What I tried to convey before was
17 there was a fixed income-wide analysis done
18 which culminated in a series of
19 recommendations to invest further in
20 businesses, in certain businesses that were
21 either growing fast, viewed to be more
22 material and relevant to our clients for the
23 future, and viewed to be businesses where we
24 were not fully to scale.

25 There were a number, I don't

1 Interview - THOMAS MAHERAS
2 recall, but my best recollection it was
3 somewhere between, somewhere mid- to high
4 single digits, numbers of businesses within
5 fixed income that were highlighted and
6 prioritized in that analysis. It was a
7 multi-month strategy analysis aided by an
8 outside consultant.

9 Amongst the businesses that were
10 recommended for further investment and
11 growth was the structured credit business.
12 The structured credit business was an
13 activity within global credit markets, was
14 one of many businesses that were part of the
15 credit markets unit, and the credits markets
16 unit was one of many businesses that was
17 part of, comprising the global fixed income
18 business. So within fixed income,
19 structured credit again was one of many
20 priorities coming out of that investment
21 analysis, resourcing analysis, review,
22 whatever the right terminology should be.

23 Structured credit itself was a
24 priority, and I recall clearly that that was
25 discussed at all levels of senior management

1 Interview - THOMAS MAHERAS
2 as something to invest in. The structured
3 credit business comprised a number of
4 different activities, of which the CDO
5 business was one. I do not recall the CDO
6 business attracting the same attention or
7 having a, or where there was a view that
8 Citigroup was behind scale in that business.

9 I do recall a view that
10 structured credit warranted investment. I
11 do not recall a view that the CDO activity
12 within structured credit warranted any
13 investment.

14 Q Do you recall any discussion of
15 the CDO unit within structured credit at
16 that time?

17 A No.

18 Q Do you recall any discussions
19 with senior management from 2003 to 2006
20 about the CDO business at Citi?

21 A 2003 to 2006?

22 Q To the end of 2006, yes.

23 A As I sit here, no. To the extent
24 that it could have possibly come up within
25 the purview of this broader structured

1 Interview - THOMAS MAHERAS

2 credit priority that I mentioned, it could
3 have come up. I don't recall any discussion
4 around CDOs.

5 Q Did you do anything to prepare
6 for today's interview?

7 A Yes.

8 Q What was that?

9 A I met with my counsel on a couple
10 of occasions, and that is it.

11 Q Did you review any documents to
12 prepare for today?

13 A I was shown a couple of documents,
14 I think just a couple of documents.

15 Q What documents were you shown?

16 A I don't recall.

17 Q Do you recall the nature of those
18 documents?

19 A They looked like internal
20 management reports or presentations. And
21 again it was just, I think we only looked at
22 a couple. I would defer to counsel on this
23 because I don't recall exactly what I saw.

24 I am sorry; I did look at the, I
25 looked at the testimony that I provided two

1 Interview - THOMAS MAHERAS

2 years ago to a probe by the SEC. I looked
3 at a transcript.

4 Q Did you look at any exhibits
5 accompanying that transcript?

6 A No.

7 Q How long ago were these
8 preparatory meetings for today?

9 A In the last week.

10 Q And you don't recall what
11 documents you saw?

12 A By name or title, no.

13 Q By substance?

14 A By substance, what I recall is
15 that I saw a couple of presentations that I
16 can say were not prepared by me, so I would
17 say that I actually saw a couple of single
18 pages. I didn't see full presentations or
19 look at full presentations.

20 Q Did they refresh your
21 recollection at all about your experiences
22 with the CDO business from 2003 to 2007?

23 A Those documents?

24 Q The documents and the preparatory
25 sessions that you had for today, reviewing

1 Interview - THOMAS MAHERAS

2 the SEC testimony that you gave?

3 A To the extent that it refreshed
4 my memory of the testimony of two years ago,
5 it refreshed my recollection in some areas.

6 Q Whose responsibility in 2003,
7 2007 would have been the direct oversight of
8 the CDO desk at Citi?

9 A In 2003 to 2007 --

10 Q Sorry. You can limit that to
11 2004, if that is helpful.

12 A At a direct level or at a senior
13 management level?

14 Q Who had responsibility for that
15 desk? You can expand upon that.

16 A Some of the names I recall whose
17 exact responsibility levels are not clear to
18 me today, and I am not sure they would have
19 been to me in those years either, they were
20 a number of layers down in the organization,
21 were Janice Warren, Nestor Dominguez; they
22 were in that business.

23 Whether they headed it or whether
24 they were, whether they headed it that whole
25 time or transactors, I am not sure, but

1 Interview - THOMAS MAHERAS
2 those two would have been long-term
3 experienced professionals either running
4 part of or running all of that business, as
5 I recall.

6 Q From 2004 to 2007, if you needed
7 to know something about the CDO business,
8 its profitability on any given day, who
9 would you call?

10 A My direct reports.

11 Q Who would you call specifically
12 about the CDO business?

13 A I don't think I would have
14 probably made many calls about the CDO
15 business specifically, but were I to, it
16 would have been Geoffrey Coley and/or Randy
17 Barker. They were direct reports
18 responsible for the global fixed income
19 business.

20 Q Would you expect them to know
21 what was going on in the CDO desk at that
22 time?

23 A In a granular fashion I would not
24 have, but I would expect that through the
25 chain of command they would be the right

1 Interview - THOMAS MAHERAS
2 people to start with and to speak to
3 elements of their business.

4 Q Would you expect them to be
5 familiar with the P and L impact of the CDO
6 desk?

7 A Yes.

8 Q Would you expect them to be
9 familiar with the risks undertaken by the
10 CDO desk?

11 A Beyond a superficial level of
12 oversight capacity, probably not. It was a
13 relatively small activity within their
14 overall area of responsibility.

15 Q What do you mean by superficial
16 supervisory capacity?

17 A I perhaps misspoke. I mean at a
18 superficial level they would not have been
19 involved in the day-to-day activity of CDOs
20 given their, the seniority of their roles is
21 what I meant to say.

22 Q Would you expect them to be
23 familiar with the risks to Citi's P and L
24 that the desk was incurring, the risk limits
25 of the desk?

1 Interview - THOMAS MAHERAS

2 A I would have expected their
3 organizations to be. I can't speak to how
4 much familiarity I would expect them to have
5 about that sub-level type of activity on a
6 day-to-day basis.

7 Q On a monthly basis?

8 A On any basis.

9 Q From 2004 to 2007, do you recall
10 anyone in the Citi organization being
11 bearish on the CDO business at Citi?

12 A Bearish on the business?

13 Q Yes.

14 A Not that I recall.

15 MS. BUERGEL: Did you say '07?
16 Do you mean to the end of '07? I mean
17 obviously there was a sea change in
18 the market, November 4th, for instance.

19 MS. NORMAN: I am not sure if
20 Mr. Maheras recalls that.

21 THE WITNESS: Oh, I recall
22 significant challenges in subprime
23 CDOs from the early part of '07
24 onward, but I thought you were asking
25 about bearishness about the CDO

1 Interview - THOMAS MAHERAS
2 business, meaning the unit, the
3 quality of professionals.

4 There was certainly occasion to
5 be concerned about the performance of
6 that business unit during the end of
7 that four-year period, no doubt.

8 Thanks for the clarification.

9 BY MS. NORMAN:

10 Q I appreciate the clarification as
11 well, and we will get to the third quarter
12 of '07, so if that is helpful to your
13 memory, I think that is good.

14 When did you first become
15 familiar with the approximately \$25 billion
16 in liquidity put exposure that Citi issued
17 on asset-backed commercial paper in 2003 to
18 2006?

19 A I think I recall learning of it
20 in the middle of '07.

21 Q Do you have any role in the
22 inception of liquidity puts?

23 A No.

24 Q Are you sure?

25 A In terms of creating them or

1 Interview - THOMAS MAHERAS

2 structuring them?

3 Q Sorry. I am asking if you don't
4 recall or if you do know that you had no
5 role in the inception of the liquidity puts?

6 A Can you tell me what you mean by
7 in the inception, or clarify that for me?

8 Q Did you have any role from 2003
9 to 2006 in conceiving, debating, negotiating
10 or approving the liquidity puts, any role
11 whatsoever?

12 A Certainly not some of those areas
13 and probably not in any of those areas,
14 meaning conceiving, creating, discussing,
15 vetting, managing.

16 I became aware of liquidity puts
17 in the middle of '07, I believe in the
18 context of balance sheet discussions.
19 Liquidity puts as I recall now were
20 instruments that put Citi in the position of
21 needing to use its balance sheet based on
22 the, that was dependent on working the way
23 the commercial paper markets were working or
24 rolling.

25 Q As you sit here today, do you

1 Interview - THOMAS MAHERAS

2 think you should have been aware of them
3 prior to 2007?

4 A Not necessarily.

5 Q Can you answer that with a yes or no?

6 MR. BIRENBOIM: His answer is what
7 his answer is.

8 BY MS. NORMAN:

9 Q As you sit here today, in hindsight,
10 do you think you should have been aware of
11 the liquidity put exposure prior to 2007 in
12 your capacity as head of fixed income?

13 A With the benefit of hindsight?

14 Q As you sit here today, knowing
15 what you know, do you think you should have
16 been aware of them prior to 2007?

17 A Not necessarily.

18 Q What do you mean by that?

19 A What I mean is that these were
20 extremely safe instruments, or perceived to
21 be. With the benefit of hindsight we have
22 come to learn that the catastrophic downturn
23 in housing led to housing prices going down
24 by such an, to such an order of magnitude
25 that ended up turning these extremely safe

1 Interview - THOMAS MAHERAS
2 or viewed to be extremely safe exposures
3 into economic, you know, into having some
4 economic vulnerability. But at the time
5 they were put on, I am highly confident as I
6 sit here today there would have been a
7 perception that they, these were riskless,
8 virtually riskless assets.

9 And in my role of running capital
10 markets and in my role of running global
11 fixed income, we had, depending on the role,
12 either a trillion three of balance sheet
13 items, or in the fixed income role, six,
14 seven, eight, nine hundred billion dollars
15 of balance sheet items. And \$25 billion of
16 items considered to be as safe as those,
17 like sovereign instruments or any other
18 triple A corporates, would not have gotten
19 or merited any attention or focus in those
20 days.

21 So, with the benefit of hindsight
22 it would have been nice to have had a
23 different frame of reference and to have
24 come to an understanding that there was a
25 great unexpected and never, an unprecedented

1 Interview - THOMAS MAHERAS
2 never seen before downturn in housing prices
3 which culminated in securities which were
4 universally viewed to be extremely safe and
5 not worthy of attention to being
6 economically vulnerable.

7 So I answer that question in such
8 a long-winded fashion to get across that,
9 not necessarily. We could not be aware at
10 the seniormost levels of the company of
11 every single activity and every single
12 balance sheet item on every trade in the
13 organization, and we certainly weren't
14 focused on that subset of activities that
15 were rated triple A or better on the books
16 of the firm.

17 With the benefit of hindsight it
18 is unfortunate, and I regret that we didn't
19 have a greater appreciation of what turned
20 out to be risk that was unanticipated.

21 Q Prior to 2007, who would you
22 expect in your organization to be aware of
23 the \$25 billion in exposure that the
24 liquidity puts were to Citi?

25 A Can you clarify that?

1 Interview - THOMAS MAHERAS

2 Q Sure. Who is the highest level
3 person at Citi that you would expect to have
4 been aware of the \$25 billion liquidity put
5 exposure prior to 2007? Randy Barker, Geoff
6 Coley?

7 A Certainly the transactors, their
8 supervisors, perhaps the managers, you know,
9 one level higher than that.

10 Q Who is the highest level person
11 in 2006 you would expect to have been aware
12 of this?

13 A How should I understand aware?
14 To varying degrees managers in that chain
15 could have been aware but not focused or
16 concerned, and to other levels of the chain
17 they could simply not have been aware
18 because they were not items that warranted
19 escalation in terms of discussion.

20 So I am not sure how to
21 understand the question.

22 Q I believe you testified that you
23 were not even aware in 2006 of liquidity
24 puts, is that accurate?

25 A Yes.

1 Interview - THOMAS MAHERAS

2 Q Who is the highest level person
3 in your organization that you would expect
4 to be aware of that exposure?

5 A At that time, on those
6 instruments, those deals?

7 Q Yes.

8 A I don't know how much higher I
9 can go in seniority than what I described,
10 which is the transactors and their
11 supervisors.

12 Q Can you give me a name?

13 A The transactors would have been
14 in the structured credit business. The head
15 of the structured credit business, I would
16 expect for them to be aware of all their
17 balance sheet holdings or off balance sheet
18 exposures. Perhaps the heads of the credit
19 markets business, which was the broader
20 grouping, was headed by Chad Leats and Mark
21 Watson.

22 Q As you sit here today, what is
23 your understanding of the reason the
24 liquidity puts were issued?

25 A My understanding came to be that

1 Interview - THOMAS MAHERAS

2 liquidity puts were a variant of creating
3 the seniormost tranche, a variant of the
4 seniormost tranche in the structured CDOs.

5 It happened to be an example that
6 depended on commercial paper markets, in
7 much the same way that corporate commercial
8 paper deals are backed by backup lines of
9 credit, backup facilities. This would have
10 been analogous to that, but in a risk sense
11 or in an exposure sense would have been
12 fungible with super senior funded holdings,
13 you know, super senior bonds or balance
14 sheet items. It was somewhat fungible, but
15 a different variant of something similar.

16 Q When you say it was somewhat
17 fungible, do I understand you correctly that
18 you viewed the risk of the liquidity puts
19 similar to the risk of the super senior
20 tranches retained on Citi's balance sheet?

21 A I can't speak to the specific
22 deals. I am saying the nature of the
23 structure. It depends on the deals; you
24 know, if liquidity puts were supporting or
25 were supported by lower quality collateral

1 Interview - THOMAS MAHERAS

2 than other super seniors, then the opposite
3 would be the case.

4 In the case of Citigroup, it was
5 believed that the liquidity put version of
6 super senior-like exposure was generally
7 viewed to be as good as it got based on the,
8 what was believed or understood to be the
9 underlying collateral.

10 Q From 2003 to 2006, did Citi make
11 money on the liquidity puts?

12 A I don't know.

13 Q You don't have any idea as you
14 sit here today whether Citi made money on
15 the liquidity puts?

16 A I don't. I suspect that as part
17 of larger transactions the liquidity put
18 component would have helped enable the
19 overall structuring profit from a
20 transaction to some degree, or would have
21 been a component of it, but I can't speak to
22 the P and L in those businesses and
23 certainly not the P and L of the individual
24 tranches of those businesses, like liquidity
25 puts.

1 Interview - THOMAS MAHERAS

2 Q I'm not sure I understand what
3 you just said.

4 To hear you correctly, you
5 suspect the liquidity puts had something to
6 do with the economics of issuing the asset-
7 backed commercial paper? I am not sure what
8 you meant by you suspect it had something to
9 do with the greater deal.

10 A I assume that the liquidity puts,
11 like all of the other tranches of a CDO
12 structure, would have attracted a certain
13 portion of the economics of the structure or
14 the origination overall, the deal overall.

15 MS. BUERGEL: I think you may
16 be talking past one another. I think
17 the question may have been from '03 to
18 '06 did Citi make money on the
19 liquidity puts.

20 I think Mr. Maheras understood
21 you to be asking about the liquidity
22 put portion of the entire CDO
23 structure, and I think you may have
24 been asking was Citi making money on
25 those transactions.

1 Interview - THOMAS MAHERAS

2 MS. NORMAN: I was actually
3 asking if there was a separate fee or
4 interest spread associated with the
5 liquidity puts themselves.

6 THE WITNESS: I am sorry, I
7 don't know. I don't know the answer
8 to that question.

9 BY MS. NORMAN:

10 Q And then I was going to get to
11 the second question, which is: Do you have
12 an understanding that the liquidity puts
13 were necessary in order to get an investor
14 to invest in the super senior tranches?

15 A I don't think I understand the
16 question.

17 Q Fair enough.

18 A Because liquidity puts would be a
19 type of super senior.

20 Q Fair enough. Do you understand
21 the liquidity puts to have been a necessary
22 part of the asset-backed commercial paper
23 structure?

24 In other words, do you understand
25 whether, do you have an understanding as to

1 Interview - THOMAS MAHERAS

2 whether investors would have purchased the
3 asset-backed commercial paper but for the
4 liquidity puts?

5 A I think, like commercial paper
6 programs broadly, I think investors look to
7 that added level of coverage. So I suspect
8 the liquidity puts were a necessary
9 component of the commercial paper offerings
10 in a very broad sense, very generally, much
11 as backup lines or facilities were required
12 to sell commercial paper for corporates. I
13 assume. I don't know. I wasn't there at
14 the time involved in these trades.

15 Q Would that be because investors
16 perceived some risk in the asset-backed
17 commercial paper? Presumably there would be
18 no reason to purchase the liquidity puts but
19 for some perception of risk.

20 A I don't know, I don't know that
21 that is necessarily correct. There could
22 have been structural reasons, to meet a
23 certain maturity threshold, to be able to
24 say that you actually have an instrument
25 that is under 180 or 270 or 360 days or

1 Interview - THOMAS MAHERAS
2 however the commercial paper market works,
3 to be able to as an investor say do you have
4 something that qualifies to be a shorter
5 surety even though the underlying assets may
6 be longer. It may be the case it was simply
7 a function of ensuring that the structure
8 was sound, as opposed to it having anything
9 to do with the perception of risk.

10 If I can maybe elaborate or try
11 to, I am close to beyond my depth here, but
12 I will try to be helpful.

13 Commercial paper buyers in many
14 cases have requirements that they own assets
15 that are legitimately short-term, and there
16 are many structuring mechanisms to ensure
17 that you have instruments that are short-
18 term by virtue of having puts attached where
19 the underlying collateral itself is longer
20 term than the duration of those CP
21 instruments.

22 My point is, if I had to guess, I
23 would be more likely to satisfy the
24 structural requirements of ensuring the
25 paper was short than it would be to give

1 Interview - THOMAS MAHERAS

2 comfort to an investor who may have
3 perceived there to be risk, because I don't
4 believe these instruments were perceived to
5 have any risk at the time of their creation.

6 Q But it would be to ensure against
7 a liquidity risk as opposed to a credit risk?

8 A Perhaps.

9 Q As you sit here today you don't
10 know?

11 A That clarification I think is
12 important. I think it is most likely that
13 and highly unlikely that it had anything to
14 do with the perception of credit risk.

15 Q But you know, is liquidity risk
16 real risk?

17 A It depends on one's horizon. To
18 answer that question one would have to know
19 one's horizon.

20 If one buys an instrument that
21 they don't ever need to consider selling,
22 then the liquidity risk is not of any
23 significance. If one buys an instrument
24 where it is not a given that they would be
25 looking to hold it through the maturity of

1 Interview - THOMAS MAHERAS

2 the instrument, then liquidity could be
3 amongst the issues of concern or focus.

4 Q Who would have been responsible,
5 who was responsible as you sit here today,
6 from what you know in retrospect, for
7 evaluating the liquidity puts from a risk
8 management perspective at Citi? Whose
9 accountability would that have been?

10 A Are you asking about the risk
11 management function, the independent risk
12 management group, or are you asking about
13 the people in the business who were focused
14 on their own risk management?

15 Q Would anyone in independent risk
16 management have been accountable for the 25
17 billion in exposure of liquidity puts from
18 2003 to 2006?

19 A Risk management at Citigroup was
20 an independent function that was not managed
21 or directed by the business units. They
22 were led by a senior risk manager who
23 reported to the board of directors.

24 We took in the company risk
25 management very seriously. We had robust

1 Interview - THOMAS MAHERAS
2 architecture around risk, risk limits, risk
3 authority, risk monitoring, and what went
4 along with that was a construct to satisfy
5 our own needs and the other constituencies
6 like shareholders, our regulators, a
7 construct where there was an accountability
8 to having a requisite skill set in all of
9 the independent risk management areas to be
10 able to face off with the business.

11 So it was a whole superstructure
12 of an organization where there would have
13 been individuals assigned to every aspect of
14 trading and balance sheet activity on the
15 business side. There would have been
16 individuals on the independent risk
17 management side to monitor and measure and
18 manage risk. I can't say who the
19 individuals would have been with any
20 responsibility for this specific subset of
21 activity. I don't know.

22 Q Would it have been the
23 responsibility of the business franchise to
24 make independent risk aware of the 25
25 billion in exposure of the liquidity puts?

1 Interview - THOMAS MAHERAS

2 A That would not be likely in our
3 organization.

4 In our organization, risk
5 management got all the information.
6 Information was produced about holdings by
7 the financial division, which is another
8 independent function. So the financial
9 division systems would likely have been the
10 source material for independent risk's
11 understanding of our holdings.

12 In other words, independent risk
13 as a function would never be dependent on
14 the business and limited to information from
15 the business to understand what was held by
16 the business, if I am being clear.

17 Q So you would expect independent
18 risk to be aware of the liquidity puts
19 because the 25 billion in exposure showed up
20 on your credit limits, your balance sheet?

21 A I would expect that independent
22 risk had information about every holding on
23 our balance sheet and was not dependent on
24 the business for communication of that
25 information.

1 Interview - THOMAS MAHERAS

2 Q Did independent risk have any
3 role in evaluating risks prior to them being
4 taken?

5 A Yes, with varying thresholds
6 across varying risk types or asset class
7 types.

8 Q So in the case of liquidity puts,
9 would there have been any expectation of
10 independent risk management to have any role
11 in whether or not the liquidity puts were an
12 appropriate risk for Citi?

13 A To the extent that they created
14 risk limits for every type of activity, they
15 naturally had that responsibility.

16 And I do recall business areas
17 having an authority to own super senior-like
18 risk up to a limit. What that limit was I
19 don't know, but that limit would have been
20 monitored by and regularly reviewed,
21 quarterly or annually, I don't recall, by
22 risk management. This is true for every
23 single type of asset class that the firm
24 engaged in.

25 Q So prior to undertaking the risk,

1 Interview - THOMAS MAHERAS
2 independent risk management wouldn't have
3 any role beyond the risk limit of the
4 liquidity put, the same as the super senior
5 tranches held would be considered the same.

6 A I believe so.

7 Q Did you have any involvement,
8 discussion, vetting role in Citi's decision
9 to stop doing liquidity puts?

10 A Well, I would answer that two
11 parts. I am not aware of Citi ever deciding
12 not to do liquidity puts. And no, I don't
13 recall having any involvement in a business
14 discussion about that either.

15 Q Are you aware in 2006 that many
16 other major U.S. market participants weren't
17 doing liquidity puts, that this was somewhat
18 unique to Citi as a major investment bank?

19 A No, I am not aware of that.

20 Q You are not aware of that as you
21 sit here today?

22 A I am not aware of that as I sit
23 here today, and I certainly wasn't then; or
24 I shouldn't say certainly, I can't say
25 certainly to anything. I highly doubt it.

1 Interview - THOMAS MAHERAS

2 Q We would like you to be as
3 certain as you can.

4 Does that surprise you as you sit
5 here today?

6 A No, not necessarily.

7 Remember, there were many
8 different ways to create a super senior-like
9 tranche for a CDO. It could simply be the
10 case that this was a variant that the Citi
11 team used that differed from other variants
12 used by other originators of CDOs
13 accomplishing the same effect, yielding the
14 same result.

15 So it could be as simple as it
16 was a Citi type of structuring tweak that
17 wasn't being used elsewhere, I don't know.
18 I don't think I ever knew.

19 Q We clarified earlier that at some
20 point in 2007 you became aware of liquidity
21 puts?

22 A Yes.

23 Q When was that? What is your
24 first recollection of liquidity puts?

25 A I can't peg it to a month, Ms.

1 Interview - THOMAS MAHERAS

2 Norman, but I would say -- well, let me
3 take a step back.

4 We were actively engaged at the
5 firm for at least year in bringing down our
6 balance sheet, our total balance sheet, and
7 to optimize the use of our balance sheet, to
8 improve our balance sheet ratios and our
9 return on balance sheet.

10 In the midst of that focus and
11 effort, it came to our attention as part of
12 the broader issue in the investment bank and
13 in Citigroup overall of commercial paper
14 type backup commitments across a lot of
15 areas, well beyond the liquidity puts or
16 subprime related areas. As part of that
17 managing our balance sheet and understanding
18 what commitments were out there that could
19 find their way onto our balance sheet, we
20 came to learn that there were these
21 structures that enabled CP holders, in the
22 event of paper not rolling per whatever
23 standards they did, to put securities or to
24 put their CP onto Citi's balance sheet.

25 So as part of that analysis we

1 Interview - THOMAS MAHERAS
2 came to learn about the existence of these,
3 and I can't say whether it was, you know,
4 which month. My best recollection is it
5 would have been in the middle of the year.
6 It would have probably been the June, July,
7 August type time frame.

8 Q When did Citi first start
9 discussions of reducing its balance sheet?

10 A I mentioned before, and I don't
11 have any more specific recollection, but it
12 feels like it was the '05, '06, probably an
13 '06 time frame. Sometime during calendar
14 year '06 we became increasingly focused on
15 improving our balance sheet metrics.

16 Q Why, what was the driver?

17 A I don't recall. I assume it was
18 good financial housekeeping. It was
19 probably a function of how we compared to
20 our competitors in terms of returns on the
21 balance sheet, balance sheet ratios,
22 regulatory capital ratios. I assume, you
23 know, it felt to me like a typical financial
24 type of objective, for all the right reasons.

25 Citigroup had over a number of

1 Interview - THOMAS MAHERAS
2 years grown its balance sheet, as I recall,
3 at a pace that outstripped our revenue and
4 net income growth, and to the extent that we
5 wanted to be mindful of those metrics and to
6 be best in class, if you will, it was
7 important to have our arms around balance
8 sheet and to be making sure that there were
9 not areas of activity that were inefficient
10 users of balance sheet.

11 So there was just a lot of time
12 and focus dedicated to it for what seemed to
13 me like in excess of a year prior to my
14 leaving the firm, which is why I come up
15 with '06, probably early to mid-'06 is my
16 best guess.

17 Q And prior to the June, July
18 period, did any of the discussions that you
19 recall about balance sheet reduction relate
20 to Citi's CDO business?

21 MR. RICHARDS: June, July of '07?

22 MS. NORMAN: Yes, sorry.

23 THE WITNESS: The reason we
24 were reducing our CDO trade and
25 inventories in '07, which started

1 Interview - THOMAS MAHERAS

2 earlier in '07, was not a function of
3 balance sheet in this case. It was a
4 function of these junior tranches of
5 CDOs were exhibiting price volatility
6 that was not insignificant, and it was
7 causing losses in our trading desks.
8 So we were simply reducing risk,
9 managing down our risks in subprime
10 CDO, certainly junior tranches, from
11 the early part of '07 throughout the
12 year.

13 That piece didn't really relate
14 to the balance sheet efforts because,
15 as I recall, the subprime CDO trading
16 areas were not large users of balance
17 sheet, you know, unlike what we were
18 talking about earlier, which was the
19 super seniors. They were more
20 significant users of balance sheet.

21 So on one hand it was a risk
22 topic, on the other hand super seniors
23 was not a risk topic, it was a balance
24 sheet topic.

25 BY MS. NORMAN:

1 Interview - THOMAS MAHERAS

2 Q When do you first recall super
3 seniors becoming a subject as a balance
4 sheet topic? Would that have been involved
5 in the '06 conversations?

6 A Not that I recall. I don't
7 recall a balance sheet topic until the
8 liquidity puts were perceived to be coming
9 onto our balance sheet, or were actually. I
10 don't know when they came on, but when it
11 was understood that, given the weaknesses in
12 the broader commercial paper market, most
13 asset-backed commercial paper programs just
14 stopped rolling sometime in the summer of '07.

15 So we came to believe that that
16 would likely be the case for our liquidity
17 put-related arrangements as well.

18 Q Let me go back to the balance
19 sheet and the later '07 discussions in a
20 moment.

21 But did you know in 2006 what the
22 risk limits were for the super senior and
23 triple A tranches of the CDO group?

24 A I don't think so.

25 Q Did you receive on an annual

1 Interview - THOMAS MAHERAS

2 basis the annual limits book?

3 A The annual limits book, yes.

4 That was part of what I was referencing
5 earlier, is there was a very robust limit
6 structure and architecture that was created
7 by independent risk management which we were
8 all in the businesses subject to.

9 MS. NORMAN: If we can mark for
10 the record, Citi FCIC 91342, which is
11 the Citi markets and banking market
12 risk management 2007 annual limits
13 book, as Exhibit 1.

14 (Thereupon, Citi FCIC 91342,
15 Citi markets and banking market risk
16 management 2007 annual limits book,
17 was marked TM Exhibit 1 for
18 Identification, as of this date.)

19 BY MS. NORMAN:

20 Q Mr. Maheras, this is the limits
21 book that we have been talking about.

22 Mr. Maheras, are you familiar
23 with Exhibit 1?

24 A I am familiar with the existence
25 of a risk manual which was broad, and a

1 Interview - THOMAS MAHERAS

2 limits book which was broad. I can't say I
3 am familiar with this hard copy version, but
4 I am familiar with the concept.

5 Q To make things easier, I will
6 mark as Exhibit 2, Citi FCIC 91342 and Citi
7 91499, so that you can look specifically at
8 the page related to --

9 MR. RICHARDS: So this is a
10 portion of the first exhibit you
11 marked?

12 MS. NORMAN: It is.

13 If you can mark this as
14 Exhibit 2.

15 (Thereupon, Citi FCIC 91342 and
16 Citi 91499 was marked TM Exhibit 2 for
17 Identification, as of this date.)

18 BY MS. NORMAN:

19 Q Turning your attention to 91499,
20 which is the second page, the page you were
21 looking at, have you seen this before?

22 A I don't think so.

23 Q Looking at the bottom of the
24 middle, super senior limit net, \$30 billion
25 current limit, is that something you were

1 Interview - THOMAS MAHERAS

2 aware of?

3 MR. RICHARDS: I am sorry,
4 where is that?

5 We got it.

6 THE WITNESS: I think I see it.

7 MR. RICHARDS: Thanks.

8 THE WITNESS: I would have been
9 aware of the existence of limits to
10 that asset class type. I don't
11 believe I would have been aware of the
12 specific number.

13 BY MS. NORMAN:

14 Q Were you ever involved in any
15 conversations with anyone at Citi regarding
16 increasing or decreasing that limit at any
17 time?

18 A I suspect I was, but I don't
19 recall any conversations.

20 Q Do you recall --

21 A My reference is more to risk
22 limits in general than this specific limit.
23 I don't recall any conversations about this
24 specific limit, but I suspect I would have
25 been party to them possibly.

1 Interview - THOMAS MAHERAS

2 Q Do you recall, these are the risk
3 limits for, these purport to be the risk
4 limits for December 2006.

5 A Okay.

6 Q Do you recall in early 2007, the
7 February, March period, a request from your
8 business team on the CDO desk to increase
9 the super senior limit from 30 billion to 35
10 billion?

11 A I do not.

12 Q Would a request to increase that
13 limit in February or March of 2007 come to
14 your attention?

15 A It could have, but not
16 necessarily. There were so many risk limits
17 in the overall business that risk limit
18 setting was generally managed between folks
19 in the underlying businesses and their risk
20 management counterparts.

21 Occasionally, limits -- and the
22 reason I am recalling it, occasionally
23 limits like bridge loan limits to leverage
24 corporate borrowers or equity bridge limits
25 would come to my attention, I do recall

1 Interview - THOMAS MAHERAS
2 that. I don't recall this limit request
3 that you are referencing in the early part
4 of '07 coming to me. It doesn't mean it
5 didn't, I just don't recall a conversation
6 about it.

7 Q Do you recall ever denying a
8 request of your business units to recommend
9 a risk limit increase from the CDO desk?

10 A I don't recall any efforts on
11 their part, so I have a hard time recalling
12 any denials, so, no.

13 Q Fair enough.

14 I want to mark as Exhibit 3, Citi
15 FCICE 909935.

16 (Thereupon, e-mail string from
17 Thomas Maheras to Richard Stuckey on
18 March 13, 2007, Citi FCICE 909935, was
19 marked TM Exhibit 3 for
20 Identification, as of this date.)

21 MS. NORMAN: For the record,
22 this is an e-mail string which went
23 from you to Richard Stuckey on March
24 13, 2007.

25 THE WITNESS: Okay.

1 Interview - THOMAS MAHERAS

2 BY MS. NORMAN:

3 Q Have you had a chance to read the
4 document?

5 A I have read most of it.

6 Q Thank you.

7 A couple of housekeeping items
8 before I ask you what this is.

9 What does AFS refer to? This is
10 the CIB MBS AFS portfolio; what is that?

11 A I assume what they are talking
12 about here is --

13 Q Can you just tell me what the
14 acronyms are, to start with?

15 A Sure. CIB would most likely be
16 corporate and investment bank, so, our part
17 of Citigroup.

18 MBS would most likely be
19 mortgage-backed securities, and AFS would
20 most likely mean available for sale
21 portfolio. It was Treasury terminology,
22 that last one, the AFS was Treasury
23 terminology?

24 Q And what specific portfolio would
25 that be for a nontrader?

1 Interview - THOMAS MAHERAS

2 A I assume what they are talking
3 about is the fact that we held mortgage-
4 backed securities, government-guaranteed
5 mortgage pass-throughs, which would have
6 been based on residential mortgages, prime
7 residential mortgages. We held them in a
8 portfolio at certain points in time in the
9 CIB; I haven't noticed what time frame.

10 Oh, this is March of '07, so it
11 sounds like they are referencing the fact
12 that there was a portfolio of mortgage-
13 backed security pass-throughs held in this
14 part of Citigroup called the CIB in
15 available for sale form.

16 Q At the bottom it refers to a 35-
17 billion-dollar portfolio. So is this
18 related at all to the CDO desk?

19 A No. That I can say with
20 certainty.

21 Q I guess this relates to the
22 overall discussions to reduce the balance
23 sheet at Citi that you were referring to
24 earlier?

25 A It looks to me like there are

1 Interview - THOMAS MAHERAS
2 different folks in Treasury and perhaps risk
3 management looking across the totality of
4 Citigroup's holdings, looking across all of
5 Citigroup to see the total number of
6 mortgage-backed securities that were being
7 held, perhaps with a focus on balance
8 sheeters. It seems like the subtext here
9 could be with a focus on -- yes, I see here,
10 part of the balance sheet reduction exercise.
11 Okay.

12 So it looks to me like one part
13 of Citigroup, the consumer business, had an
14 MBS portfolio. They were reviewing it as
15 part of the balance sheet reduction exercise
16 we were speaking of earlier, and it looks to
17 me like they were saying, hey, you know, the
18 people on the corporate side of the firm,
19 they have mortgage-backed securities also,
20 are you making them reduce their holdings?
21 That is how I read this.

22 Q Who is Richard Stuckey?

23 A Richard Stuckey was, he is a
24 long-term senior professional in the fixed
25 income business at Citigroup, probably been

1 Interview - THOMAS MAHERAS

2 around for 30 years.

3 His role at the time would have
4 probably been, I think at the time he had
5 responsibility for the finance desk and
6 matchbook activities and the Treasury
7 activities within fixed income. Before that
8 time he was an in business risk manager in
9 fixed income, and before that he was
10 involved in a lot of different business
11 units going back to probably 1980 at Salomon
12 Brothers and Citigroup.

13 Q Within fixed income from 2003 to
14 2007, who would be the risk management
15 professionals within fixed income as opposed
16 to independent risk management under the
17 chief risk officer?

18 A We had a very limited number of
19 people dedicated to in business risk, given
20 that there was a very large infrastructure
21 in independent risk, and we thought it would
22 have been perhaps economically wasteful to
23 have total redundancy.

24 That being said, each of the
25 major business units -- and by that I mean

1 Interview - THOMAS MAHERAS
2 the global equities business, global fixed
3 income business -- had a couple or a few,
4 probably no more than that, individuals who
5 did in business risk management.

6 Did I answer your question?

7 Q I don't think so. Who served
8 that role from 2003 to 2007?

9 A For the fixed income business
10 specifically?

11 Q For the fixed income business?

12 A Rick Stuckey would have served
13 that role for some or all of that period at
14 points in time doing that only, and other
15 points in time he may have had other
16 responsibilities as well.

17 I think for the most time he was
18 the head fixed income in business risk
19 manager, and I don't recall him having more
20 than two or three people around the world
21 working for him in that capacity
22 additionally.

23 Q Would the CDO desk have fallen
24 under his internal risk management watch
25 from 2003 to 2007?

1 Interview - THOMAS MAHERAS

2 A I guess in theory, yes, because
3 anything within fixed income would have been.

4 But again, we didn't have an
5 infrastructure for risk in business. We had
6 a person who was generally aggregating and
7 communicating with business heads, a point
8 person often with the independent risk
9 management folks on major issues.

10 So it was more of a facilitation
11 function. It was not a function with
12 authority to set limits, but it was a, he
13 was an individual who had a lot of risk
14 management experience, and so it was very
15 helpful in his role in the terms of
16 efficiencies.

17 Q Did he report to you?

18 A In that period of time? Well, he
19 may have up until '03. From '04 through '07
20 he would not have reported to me. He would
21 have been probably still acting as fixed
22 income business risk manager, in which case
23 he would have been reporting to the fixed
24 income heads.

25 Q Who then would report up through

1 Interview - THOMAS MAHERAS

2 you?

3 A Yes. I am sorry, I thought you
4 were asking about reporting line specifically.

5 Do you mind if I take another
6 minute?

7 Q I do not. We will go off the
8 record at 11:40, approximately.

9 (Break from 11:43 a.m. - 11:53
10 a.m.)

11 (Michael Berger, Esq., not
12 present; Asad Kudiya, Esq., present.)

13 BY MS. NORMAN:

14 Q Mr. Maheras, we will go back on
15 the record. During the break we had no
16 substantive conversations between the FCIC
17 and Mr. Maheras and his counsel.

18 Some of the questions I am going
19 to ask you may appear subsumed in questions
20 I asked you earlier, but to support a clear
21 record and a clear understanding on my part,
22 I am going to take you through a few things
23 again just so we have a clear record and so
24 that some of this makes a little sense to me
25 when I get home.

1 Interview - THOMAS MAHERAS

2 A Okay.

3 Q Hopefully you will forgive me.

4 A I am here to help you.

5 Q From 2003 to the second quarter
6 of 2007, did you have any understanding as
7 to Citi's strategy on the ABS CDO desk in
8 terms of retaining any tranches?

9 A A strategy around retaining, no.

10 Q Did you have any understanding
11 whether -- let me clarify that -- whether
12 Citi had a strategy to structure and
13 distribute everything it could, or whether
14 Citi had a strategy to specifically retain
15 the super senior tranches?

16 A My general understanding would be
17 the former, that they would be in the
18 business of meeting customer demand in
19 either the creation of CDOs or meeting
20 customer demand in the distribution of CDOs,
21 with an objective of selling as much as
22 possible but with an authority to hold as
23 conditions warranted.

24 Q I am just trying to understand,
25 again, the business at Citi at the time. We

1 Interview - THOMAS MAHERAS
2 have heard that Citi had a structure to
3 distribute model on the CDO desk. We also
4 know that they did retain through the
5 liquidity puts and other structures some
6 \$40 billion in exposure.

7 Is that a fair statement? Are
8 you aware of that?

9 A At which point in time?

10 Q By 2007.

11 A I recall that in the summer, fall
12 of '07 we had some number of teens of
13 billions of super seniors and 20-something-
14 billion of liquidity puts, which are
15 similar, totaling approximately 40 billion.

16 Q Given what I think you said, that
17 Citi's model was to structure and
18 distribute, what would be the purpose in
19 Citi retaining the super senior tranches?
20 Would it be primarily just to enable Citi to
21 do the deal? Was it a necessity? Your
22 understanding as you sit here today.

23 A My understanding when I sit here
24 today, what I came to learn in that period,
25 period meaning the end of that period you

1 Interview - THOMAS MAHERAS

2 referenced, was that they would hold
3 tranches occasionally to enable a deal to be
4 completed and with intent to sell thereafter.

5 Q Prior to the period 2007 when
6 Citi started to focus on delevering that
7 business unit, do you recall any
8 conversations about the super senior tranches?

9 A Prior to '07, conversations about
10 super senior in general or subprime super
11 senior?

12 Q Subprime super senior.

13 A No.

14 Q Super senior in general?

15 A Only to the extent that we, you
16 know, that the transactors had an authority
17 to own super senior and used that authority
18 in their day-to-day business, only to the
19 extent that it was a level of, it was a type
20 of tranche of security that they could
21 create and trade and/or hold.

22 (Bradley J. Bondi, Esq., now present.)

23 BY MS. NORMAN:

24 Q Did Citi ever retain any of the
25 equity tranches in the CDOs?

1 Interview - THOMAS MAHERAS

2 A I don't know.

3 Q Do you ever recall any
4 conversations about that?

5 A I vaguely recall that they had
6 equity positions in the trading book;
7 whether they were originated and held or
8 not, how they got there, I don't know.

9 Q We will talk about the secondary
10 desk in a moment.

11 For the record, Brad Bondi just
12 joined, from the Financial Crisis Inquiry
13 Commission.

14 When did Citi begin doing
15 synthetic ABS CDO deals with RMBS components?

16 A I don't know.

17 Q When do you recall first being
18 aware of Citi's entry into that business?

19 A I don't know. I suspect I
20 learned a bit about the business when we
21 dived into it in the summer, fall of '07.

22 Q Prior to the summer and fall of
23 2007, what conversations do you recall about
24 Citi's synthetic CDO business?

25 A None.

1 Interview - THOMAS MAHERAS

2 Q None with anyone?

3 A No.

4 Q Can you explain as you sit here
5 today the economics of a synthetic CDO deal
6 versus the economics of a cash CDO deal?

7 A As I sit here today, I don't know
8 that there is any difference in terms of the
9 economics.

10 I assume by synthetic you mean
11 deals that included, either in the
12 collateral or in the tranches that were
13 sold, synthetic forms of holdings, and the
14 cash would be balance sheet funded cash
15 forms of holdings. Economically, I don't
16 know anything about there being a
17 distinction.

18 Q You don't perceive one as more
19 profitable or less profitable than the
20 other?

21 A No, not as I -- I don't know that
22 I ever knew, but I certainly don't now.

23 Q I have heard that the synthetic
24 CDO deals can be done much faster than cash
25 CDOs. Are you aware of that?

1 Interview - THOMAS MAHERAS

2 A No.

3 Q Have you ever been involved in
4 any conversations about benefits of
5 synthetic CDOs because there was no need for
6 a warehousing phase?

7 A No, I have not.

8 Q How much synthetic CDO business
9 did Citi do from 2003 to 2007?

10 A I have no idea.

11 Q Do you know a general dollar
12 value?

13 A No.

14 Q Do you know a general number of
15 synthetic deals?

16 A No.

17 Q Do you know how Citi's synthetic
18 CDO business compared to its competitors?

19 A No.

20 Q Do you recall any conversations
21 about that in the time period, whether Citi
22 was a market leader or increasing its market
23 space in the synthetic CDO business, any
24 conversations about that?

25 A I don't. It's possible there

1 Interview - THOMAS MAHERAS

2 could have been a conversation I was party
3 to or privy to, but no, I don't have any
4 recollection of anything like that.

5 Q Did Citi do anything differently
6 than its competitors in the synthetic CDO
7 space?

8 A I don't know.

9 Q How would you characterize the
10 risks, as opposed to the profits, of a
11 synthetic CDO deal as opposed to the risks
12 of a cash CDO deal? The risk to Citi,
13 sorry.

14 A As I sit here now, I can't think
15 of there being a distinction. I don't know.
16 I wouldn't be able to characterize it.

17 Q And when did Citi start doing ABS
18 CDO2 deals?

19 A You are really going beyond my
20 depth, I don't know. I have heard the
21 terminology used before. I couldn't even
22 tell what you it means.

23 Q You don't know what a CDO2 is?

24 A Not today. I may have known a
25 few years ago, but I don't know.

1 Interview - THOMAS MAHERAS

2 Q Do you have any understanding
3 whether CDO2 deals are more profitable or
4 less profitable than cash CDOs?

5 A I actually wouldn't have known
6 until you said cash, that they are not cash,
7 that they are not cash deals. No, I don't
8 know.

9 Q How would you characterize the
10 risks of CDO2 deals versus other deals?
11 More risk, less risk?

12 MS. BUERGEL: I should have
13 said something a moment ago.

14 Just to be clear, cash versus
15 synthetic is different from the
16 structured. So you can have a CDO2
17 that is in cash form or synthetic
18 form. They are not, to sort of
19 compare the CDO2 to a cash deal is
20 comparing apples and oranges.

21 MS. NORMAN: Fair enough.

22 BY MS. NORMAN:

23 Q So, how would you compare the
24 risks of a CDO deal to a CDO deal which has
25 other CDO -- to a CDO2 deal with other CDOs

1 Interview - THOMAS MAHERAS

2 referenced as collateral?

3 A I wouldn't be able to
4 characterize it. These are very technical
5 aspects of an activity that was one of many
6 parts of the business I was responsible for,
7 and I don't know these things.

8 Q Do you recall any conversations
9 with senior management in Citi about the
10 synthetic CDO business in 2006 or 2007?

11 A I am sorry, can you repeat the
12 question?

13 Q Sure. Do you recall any
14 conversations with other senior managers at
15 Citi about the synthetic CDO business in
16 2006, 2007 at any time?

17 A I certainly recall conversations
18 in '07 about the structured credit business,
19 and within that we would have certainly
20 talked about our CDO experience and losses.

21 Whether there were any
22 conversations about synthetic versus cash, I
23 simply don't recall.

24 Q We will get to the 2007
25 conversations, but I just wanted to set a

1 Interview - THOMAS MAHERAS
2 framework for if you have any recollection
3 on conversations about synthetic CDOs? You
4 have to answer audibly for the court
5 reporter.

6 A I am sorry. No.

7 Q Or CDO2s?

8 A No.

9 Q Thank you.

10 From 2003 to 2007, who at Citi
11 was responsible for hedging the CDO risks,
12 ABS CDO risks?

13 A I don't know.

14 Q What was Citi's general CDO
15 hedging strategy?

16 A Beyond what we spoke of earlier,
17 I am not aware of any strategy around that
18 specific context or pursuit.

19 What I was referencing from
20 earlier is that they generally had a
21 structure to distribute model, and to the
22 extent they didn't sell, they would be
23 looking to sell in the not distant future.
24 So that is -- and then there might have been
25 hedges in lieu of selling for certain

1 Interview - THOMAS MAHERAS
2 categories of structures, but I am not
3 familiar with them.

4 Q Are you familiar with the
5 Ridgeway Funding 2 deal?

6 A No.

7 MS. NORMAN: Mark for the
8 record a document with no Bates
9 number. It is the offering circular
10 of Ridgeway Court Funding 2, LTD. It
11 is dated August 28, 2007.

12 (Thereupon, offering circular
13 of Ridgeway Court Funding 2, LTD,
14 dated August 28, 2007, was marked TM
15 Exhibit 4 for Identification, as of
16 this date.)

17 BY MS. NORMAN:

18 Q Does Exhibit Number 4 refresh
19 your recollection at all about this deal?

20 A No.

21 Q It is a 144A offering, \$3 billion
22 offering, in which Citi took some CDS
23 protection from Ambac? Does that refresh
24 your recollection at all about this deal?

25 A No. That is not to say that I

1 Interview - THOMAS MAHERAS

2 don't recall hearing of dealings with Ambac,
3 because I do recall hearing of dealings with
4 Ambac, but I don't believe I have ever heard
5 the term Ridgeway or about this deal.

6 Q What is your first recollection
7 of when Citi started buying CDS protection
8 on CDO deals you did?

9 A I don't have one.

10 Q What is your recollection about
11 dealings with Ambac?

12 A I recall that in the summer of
13 '07 when we dove into the events of what was
14 happening in the P and L and our CDO
15 business, hearing about Ambac on a few
16 occasions. So I am assuming that Ambac was
17 a counterparty to insurance and deals.

18 I don't, I wouldn't know anything
19 in detail, but I would have known that Ambac
20 was a counterparty. I just recall that from
21 discussions a few years ago.

22 Q What do you recall from the
23 discussions about counterparties and credit
24 default swaps related to the CDO business?

25 A Nothing. I recall that in the

1 Interview - THOMAS MAHERAS
2 summer of '07, amongst many other areas
3 where we were actively focused as a
4 management team far away from subprime, many
5 other areas of the marketplace which were
6 challenged, which were becoming bereft of
7 liquidity, where we were seeing price
8 volatility in many areas of the market, one
9 area that was topical was the area of these
10 special purpose entity insurers, these
11 Ambacs of the world.

12 So I recall there being concerns
13 about how much counterparty risk we as firm
14 had with insurers like Ambac. That is what
15 I recall. I don't recall any deals with
16 Ambac, I don't recall any individual CDO
17 deals. I was never involved in any of them,
18 so I don't know any of them.

19 Q Do you recall any discussions
20 about how much insurance protection you had
21 prior to those summer '07 conversations?

22 A No.

23 Q Who would have been responsible
24 for those deals, the CDS component prior to
25 the summer of 2007?

1 Interview - THOMAS MAHERAS

2 A Can you clarify? Which deals?

3 Q Who would have been responsible
4 for making the decision to secure protection
5 in credit default swaps and actually
6 executing those deals?

7 A I don't know, but I suspect it
8 was the transactors in those business units.

9 Q Would it have been the CDO
10 syndicate desk or the secondary desk?

11 A I wouldn't know.

12 Q As the head of fixed income for
13 Citi, the secondary CDO desk also reported
14 up through you, is that correct?

15 A Are you asking if the secondary
16 CDO business would have been part of
17 Citigroup's fixed income world?

18 Q Yes.

19 A It would have been somewhere in
20 there.

21 Q Just establishing that it was
22 under your command.

23 A It was, yes. It was there
24 somewhere.

25 Q Okay. How profitable was Citi's

1 Interview - THOMAS MAHERAS

2 secondary trading CDO desk from 2004 to 2007?

3 A I don't know.

4 Q Did you think of it as a
5 profitable business during that time period?

6 A I would have thought of it as a
7 very, very small area of activity in a very,
8 very large broader department, that I would
9 be surprised if it contributed more than a
10 couple of percent, if that much, to the
11 revenues.

12 Q How important was the secondary
13 trading desk to Citi's syndicate CDO desk?

14 A I don't know.

15 Q We have heard that, but for the
16 secondary desk being a market maker, that
17 the primary syndicate desk would not have
18 been able to ramp up the CDO business from
19 2003 to 2007. Do you have any understanding
20 about that?

21 A No. I can speculate.

22 Q What can you tell me about that?

23 A Well, in any area where Citigroup
24 or any investment bank is an underwriter of
25 securities, having a secondary trading area

1 Interview - THOMAS MAHERAS
2 was usually necessary. But I don't know
3 anything about the nature of a relationship
4 between those two respective units.

5 Q Is it fair to say that it is
6 generally necessary for Citi to have market
7 maker presence in order to ensure liquidity
8 in the secondary CDO market, that that would
9 be important in selling CDOs?

10 A I don't know how it worked in the
11 CDO business, not having been familiar or
12 ever involved in that business. But I do
13 know that as a general matter it was
14 important to trade the stocks you underwrote
15 and brought to the market, it was important
16 to trade bonds that you underwrote and
17 brought to the market.

18 Buy side clients would expect you
19 to make markets in the securities that you
20 underwrote. I have no reason to believe it
21 would be any different in this area, but I
22 have no knowledge of, nor do I believe I
23 ever would have had any knowledge of the
24 working relationship between those two units
25 and that area of activity.

1 Interview - THOMAS MAHERAS

2 Q What is your understanding as to
3 the market position of Citi's secondary CDO
4 trading desk from 2004 to 2007?

5 A I don't have any understanding of
6 what, where they were in that business as I
7 sit here today.

8 Q Any understanding if they were in
9 the top three market makers in that space?

10 A I don't.

11 Q As you sit here today, do you
12 have any understanding where they were in
13 2007 in that space?

14 A No.

15 Q Do you recall any discussions
16 about the secondary trading desk with senior
17 managers during any time from 2004 to 2007?

18 A No.

19 Q Who headed the secondary trading
20 desk in 2004 to 2007?

21 A Secondary trading desk of?

22 Q The CDO business, I am sorry?

23 A I don't know.

24 Q Where did Citi get the RMBS that
25 it used in its CDOs? Bearing in mind that

1 Interview - THOMAS MAHERAS

2 there is an asset manager who was pointing
3 out collateral, but where did it come from?

4 A I don't know. Broadly it would
5 have to come from the marketplace.

6 Q Do you have any idea which
7 institutions it came from, if there was any
8 institution that provided more of the RMBS
9 than other institutions?

10 A No.

11 Q How much Citi RMBS ended up in
12 Citi RMBS CDOs?

13 A Are you asking if Citi's consumer
14 business originated RMBS that we then
15 packaged into structures and distributed
16 them, and how much of that flow existed?

17 Q We can ask that question first,
18 the consumer business.

19 A I don't know. I am not sure why
20 I am clarifying.

21 Q What about the securitized credit
22 desk, Perlowitz's desk?

23 A Perlowitz. Perlowitz was one of
24 the co-heads of mortgages, the mortgage
25 department.

1 Interview - THOMAS MAHERAS

2 Q In the investment bank?

3 A Yes. I don't think he originated
4 RMBS.

5 Q Well, securitized?

6 A Yes, they securitized mortgages.

7 Q I am asking how many of the
8 securitized RMBSs from that desk ended up in
9 Citi's CDOs?

10 A I have no idea.

11 Q Do you have any idea on a
12 percentage basis?

13 A No.

14 Q Do you have any idea if any of it
15 did?

16 A No.

17 Q Do you recall any discussions
18 about whether it should?

19 A No.

20 Q I'm just trying to understand the
21 business, and there would be some synergies
22 presumably in CDS RMBS business feeding
23 Citi's CDO business. Do you recall any
24 discussions around that?

25 A I don't recall any discussions,

1 Interview - THOMAS MAHERAS

2 but I would assume that the people in the
3 fixed income department at Citi would have
4 maintained a dialogue across those units,
5 leveraging knowledge and whatnot. They were
6 different business units, but I would
7 suspect that they were encouraged and
8 managed to effect some of that, but I don't
9 know anything about it.

10 Q Did you ever participate in
11 encouraging any such discussions?

12 A In my role during that period, no.

13 MS. NORMAN: I want to mark for
14 the record Citi FCICE 00817487, which
15 is a document entitled End to End
16 Mortgage, which appears to be a
17 product of Mercer Oliver Wyman.

18 (Thereupon, document entitled
19 End to End Mortgage, Citi FCICE
20 00817487, was marked TM Exhibit 5 for
21 Identification, as of this date.)

22 THE WITNESS: Would you like me
23 to read it? I am sorry.

24 MS. NORMAN: Please.

25 MR. ZINMAN: Do you want him to

1 Interview - THOMAS MAHERAS

2 read the whole thing or do you want to
3 direct his attention to a certain page?

4 BY MS. NORMAN:

5 Q My initial question is, do you
6 have any familiarity with this document?

7 A I vaguely recall the topic. I
8 don't have any familiarity with the document.

9 Q Do you remember sometime in the
10 summer of, the spring, summer of 2007 Citi
11 having an engagement with Mercer Wyman to
12 look at potential synergies between the
13 securitization desks within Citi?

14 A Looking at this refreshes my
15 recollection that something along those
16 lines was endeavored.

17 Q Did you participate in these
18 meetings?

19 A I don't know. I am sure I would
20 have heard reports of them. I don't know
21 that I recall actually engaging or seeing
22 the Oliver Wyman people on this topic. It
23 looks like it was happening within the fixed
24 income business, or maybe even below that
25 within the mortgage -- I suspect it was a

1 Interview - THOMAS MAHERAS

2 fixed income topic.

3 Actually, no, this is not a fixed
4 income topic. This references the consumer
5 lending group, so this would have been
6 between the consumer half of Citigroup and
7 Citigroup Global Markets, according to this,
8 which was a legal entity which housed our
9 activities of the investment bank.

10 Q So, this would have been a
11 discussion between the consumer -- about
12 synergies between the consumer lending group
13 and Jim Perlowitz's desk in Citigroup Global
14 Markets, is that accurate?

15 A That is the way would I read
16 this. It is Jeff Perlowitz, and he, that is
17 the way I would --

18 Q Jeff, I am sorry.

19 A -- the way I would recall it.

20 There was a lot of effort in the
21 firm focused on figuring out the optimal
22 structure for Citigroup across the mortgage
23 spectrum: Did it make sense to link more
24 closely the consumer lending area with the
25 distribution areas? And I believe other

1 Interview - THOMAS MAHERAS
2 large banks, B of A and J.P. Morgan, my
3 recollection would be that they and we were
4 focused on that over that period of time,
5 and we may have been observing certain
6 organizational changes with some of our
7 peers which may have led to an outside
8 consulting study. That is my general
9 recollection.

10 Yes, it looks like it is across
11 corporate and consumer halves -- not halves,
12 but close to halves of the firm.

13 Q If you look at 974340, which is
14 marked page three, I think, the executive
15 summary.

16 A I am looking at something that
17 says page two.

18 Q It is on the other side. It is a
19 two-sided document because we are short of
20 funds, conserving your tax dollars.

21 A Thank you.

22 Q If I could direct your attention
23 to the second bullet, and the statement:
24 "To date, informal collaboration has
25 struggled because of different" --

1 Interview - THOMAS MAHERAS

2 A I must be on the wrong page.

3 MR. ZINMAN: Me too.

4 THE WITNESS: The second bullet
5 says "Single point of control"?

6 BY MS. NORMAN:

7 Q Is that page three?

8 A It says three here in the lower
9 right-hand corner.

10 Q It is page two, I am sorry.

11 No, it is a different document.

12 A Page two of the second bullet
13 says CLG and CGM.

14 Q I have some document control
15 issues, so I am going to mark for the record
16 Citi FCICE 974340.

17 (Thereupon, document Citi FCICE
18 974340 was marked TM Exhibit 6 for
19 Identification, as of this date.)

20 MR. ZINMAN: That is one page
21 from a larger document?

22 MS. NORMAN: It is. I am not
23 going mark the larger document since
24 it has my marks on it.

25 MR. RICHARDS: This one does as

1 Interview - THOMAS MAHERAS

2 well.

3 MS. NORMAN: I know, but we
4 will go ahead and use it, because I
5 want to ask him about it. That is
6 fine, it doesn't matter. I have no
7 need to hide where I am going.

8 BY MS. NORMAN:

9 Q What I wanted to ask you about
10 was the second bullet when it refers to the
11 consumer lending business and the global
12 markets group having different business
13 models, misaligned incentives and a lack of
14 trust. Do you recall a conversation around
15 this?

16 A No. What I am seeing is, "To
17 date, informal collaboration has struggled
18 because of different business models." I
19 don't understand, "i.e., a storage and
20 selective moving model versus moving." I
21 assume it means originates a hold on the
22 consumer side versus originates and
23 distribute, that is how I would read that.

24 Misaligned incentives, I assume
25 that means people in the respective business

1 Interview - THOMAS MAHERAS

2 areas were in different parts of Citigroup.

3 Lack of trust, I can't speak to
4 that.

5 Disagreements on how to optimize
6 between consumer lending group and Citigroup
7 Global Markets, I can recall that.

8 Q Do you recall any conversations
9 around misaligned incentives and what that
10 might mean?

11 A No. I recall the end of this
12 bullet point. I recall there being
13 different points of view that our leadership
14 of the firm was trying to work through to
15 arrive at whether or not it made sense to
16 have an integrated mortgage area across all
17 of Citigroup comprised of what had
18 previously been two parts. So I do remember
19 there being different points of view and
20 disagreement on how to optimize.

21 Q You don't recall conversations
22 about misaligned incentives specifically?

23 A No. I take this to mean that by
24 definition incentives were internally mis-
25 aligned because people were part of

1 Interview - THOMAS MAHERAS
2 different business units, had different
3 P and Ls that were very far apart. They
4 were not in alignment, they were not in the
5 same groups.

6 MR. RICHARDS: That is your
7 interpretation. I think you are being
8 asked about your recollection.

9 THE WITNESS: Yes. I don't
10 recall any conversations about that.

11 BY MS. NORMAN:

12 Q Why would the fact that that the
13 P and Ls in different groups, that the
14 P and L reporting structures were different
15 in different groups matter? Why would that
16 be a misalignment of incentive structures?
17 Because it affected people's pay?

18 A Not necessarily. You had
19 different business models, different
20 objectives, people working geographically at
21 different locations, reporting up through
22 completely different management chains.

23 Q Did you view the structure of
24 Citi as an impediment to, in any way, the
25 disparate structure and siloing in Citi, the

1 Interview - THOMAS MAHERAS
2 silos that you mentioned, that they were
3 completely different management structures
4 and completely different P and L chains, was
5 that something that you considered a
6 hindrance at Citi when you were there?

7 A Not necessarily for what would
8 have been the past. As the market was
9 evolving, Citi would always look to align
10 activities as efficiently as possible.

11 So this was a, the objective here
12 was to see if there was a better
13 organizational alignment that could have
14 been more efficient, more worthy, you know,
15 of client usage and more profitable, and it
16 came at a time when the industry was focused
17 on the same type of thing and reorganizing
18 those connections in the other firms.

19 Q Are you aware that there are
20 different underwriting standards among
21 mortgage-backed securities -- RMBS
22 originators, generally?

23 MR. RICHARDS: You mean within
24 Citi or across the industry?

25 MS. NORMAN: Across the

1 Interview - THOMAS MAHERAS
2 industry. I am trying to lay a
3 foundation.

4 THE WITNESS: Generally I would
5 suspect there were.

6 BY MS. NORMAN:

7 Q Are you aware of how Citi's
8 underwriting standards compared to others
9 across the industry as you sit here today?

10 A Are you asking about
11 underwriting, originating mortgages at the
12 consumer level and the consumer bank, or are
13 you asking about the way we would originate
14 mortgages in the corporate bank?

15 Q Let's start with the consumer bank.

16 A I am not familiar with what their
17 standards were.

18 Q And the investment bank?

19 A Other than knowing that they had
20 certain standards in an operating model, I
21 don't know what they were.

22 Q Do you know how they compared to
23 the standards of other market participants?

24 A No.

25 Q Have you ever heard that Citi's

1 Interview - THOMAS MAHERAS
2 RMBS securitization desk had higher
3 underwriting standards than other RMBS
4 sellers in the market?

5 A Not that I recall; I may have a
6 few years ago, but I don't recall anything
7 like that.

8 Q Would that be something that
9 would have mattered to you at the time?

10 MS. BUERGEL: I am totally
11 confused by what higher standards
12 means in this context, because I think
13 you have heard from multiple witnesses
14 that the RMBS desk purchased and then
15 securitized whole loan pools based on
16 the underwriting standards of each
17 respective originator.

18 So I don't know what you mean
19 when you ask the question did Citi
20 have a higher standard for its RMBS
21 versus the industry.

22 MS. NORMAN: I am just trying
23 to establish what Mr. Maheras's
24 understanding is.

25 MS. BUERGEL: I know, but the

1 Interview - THOMAS MAHERAS
2 question from my perspective doesn't
3 make any sense based on all the
4 information that you have gathered and
5 how you know the desk was operated.

6 So I don't think it is fair to
7 pose a question that is not based in
8 the facts as they have been explained
9 to you.

10 MS. NORMAN: Okay.

11 BY MS. NORMAN:

12 Q Are you aware that the standards
13 that Citi's RMBS desk had were any different
14 than the standards of any other desk, any
15 other market participant desk?

16 A I can't speak to what the
17 differences were, but I would be surprised
18 if from firm to firm you didn't have
19 slightly different operating models and
20 underwriting standards.

21 Q Did you ever ask about those
22 standards from 2003 to 2007?

23 A I don't think so. I doubt it.

24 Q You don't recall?

25 A No.

1 Interview - THOMAS MAHERAS

2 Q Looking back, would that affected
3 any decision you made? Would it have
4 mattered to you?

5 A In general, would it have
6 mattered to me? If I was running the
7 mortgage activity, the mortgage business, I
8 would have certainly had a view of that and
9 perhaps an opinion of that, and it would
10 have affected perhaps my decision-making,
11 but I didn't in those years you are
12 referencing have that level of involvement
13 to justify that.

14 So I doubt that I would have
15 asked and I doubt that I would have known.

16 Q How frequently -- from 2004 to
17 2007, did you have contact with Susan Mills?

18 A I knew Susan. I don't recall
19 having any meetings with her in that period.
20 I am sure I would have bumped into her
21 occasionally.

22 Q And were you aware in 2006 that
23 Jeff Perlowitz's and Susan Mills' RMBS desk
24 was reducing its business while the CDO
25 business at Citi was increasing?

1 Interview - THOMAS MAHERAS

2 A No.

3 Q Do you recall any conversations
4 with Susan Mills, Jeff Perlowitz or anyone
5 on that desk about a reduction in the RMBS
6 securitization business of that desk?

7 A No.

8 Q Do you recall any conversations
9 about a surveillance unit being set up by
10 that desk?

11 A No. I didn't mean to nod my
12 head. No, absolutely not.

13 Q Do you recall any discussions
14 about an increase in early payment defaults
15 in the RMBS space at Citi?

16 A I recall that phraseology, early
17 payment defaults. I don't remember anything
18 beyond that. It may be something that I
19 came to learn a little bit about in the
20 middle part of '07, summer of '07.

21 Q Are you aware of any fraud
22 detection efforts in the RMBS securitization
23 desk?

24 A No.

25 Q Do you know who James Xanthos is?

1 Interview - THOMAS MAHERAS

2 A No.

3 Q Did you have any discussions
4 about the securitization desk hiring a
5 consultant to look into early payment
6 defaults?

7 A No.

8 Q Did you hire Michael Raynes?

9 A No.

10 Q Who hired him?

11 A I assume it was the people he
12 reported to. I assume that he would have
13 been hired by Chad Leats or Mark Watson or
14 both.

15 Q Did you have any role when he was
16 being hired?

17 A I recall meeting him.

18 Q Did you have to approve the hire?

19 A I doubt it. I didn't, people
20 didn't come to me for all hires, but I think
21 they did ask me to talk to him.

22 Q Would you have to have approved
23 his compensation package?

24 A He was a high enough paid
25 employee that I am sure I would have had to

1 Interview - THOMAS MAHERAS

2 approve it.

3 Q What was he paid?

4 A I don't recall. I just remember
5 him being an expensive hire.

6 Q Why was he hired?

7 A I believe to run the structured
8 credit business.

9 Q Do you recall any conversations
10 about Michael Raynes increasing the CDO
11 business?

12 A No.

13 Q Would Mr. Barker or Mr. Coley
14 have been involved in that decision at all,
15 to hire Mr. Raynes?

16 A Well, they would have been closer
17 to the situation than myself, so, more than
18 I was. Whether they were more intimately
19 involved or their direct reports, I can't say.

20 Q Did you ever give Michael Raynes
21 any direction as to growing the CDO business
22 or as to the CDO business in general?

23 A No. In fact, my general
24 recollection is that structured credit was
25 that priority we talked about which he was

1 Interview - THOMAS MAHERAS
2 going to run. And we had, per that old,
3 that consultancy report, we had a not fully
4 built out effort there.

5 But my recollection is that the
6 CDO subset of the structured credit business
7 did not fall in that category. It was not a
8 business where we were, you know, second or
9 third tier players, I believe. It was a
10 business where we were among the market
11 leaders.

12 So I doubt that he would have had
13 a mandate to grow the CDO business as much
14 as he had a mandate to build the other parts
15 of structured credit.

16 Q Did you ever discuss the CDO
17 business with Michael Raynes?

18 A Not that I recall. But again,
19 when I was brought into looking into what
20 was going on after a period of losses in
21 CDOs, I came to learn a lot about the
22 business in that summer period, summer into
23 fall period. I am sure he would have been,
24 you know, in a couple or a few meetings that
25 I would have attended, but I don't recall

1 Interview - THOMAS MAHERAS

2 any conversations with him.

3 Q Did you ever discuss the CDO
4 business with Nestor Dominguez?

5 A Not that I recall.

6 If I can be more specific, I am
7 confident I never had any one-on-one
8 discussions with Nestor, but it is certainly
9 possible. He was in a number of meetings
10 that I would have also been in where the
11 topic was being covered.

12 Q A couple more housekeeping topics
13 that may be out of order so that we can
14 focus most of the afternoon on 2007.

15 Were you involved in discussions
16 regarding the acquisition of Argent?

17 A Yes.

18 Q What can you tell me about that?

19 A I just remember the mortgage
20 business having sourced an acquisition
21 candidate by that name and that, you know
22 like we did with any M and A activity, being
23 part of the vetting process around the, you
24 know, the attributes of proceeding.

25 Q Argent was a subprime originator?

1 Interview - THOMAS MAHERAS

2 A I remember them going by the name
3 Ameriquest, but Argent, I remember that
4 name. I am not sure whether it was the name
5 of, what it was referring to specifically,
6 but I recall Ameriquest or ACC.

7 Q You recall it was a subprime
8 originator?

9 A Yes. I don't know if that is all
10 they originated, but I know they were a
11 subprime originator.

12 Q Do you recall discussing the fact
13 that they were a subprime originator in the
14 vetting of the acquisition at Citi?

15 A Again, I don't remember the
16 conversations, but I remember there being
17 conversations about that acquisition, so it
18 would have been a given.

19 Q What was your role in
20 participating in those conversations?

21 A Well, an acquisition was being
22 recommended in the part of Citigroup I was
23 responsible for. Acquisitions were not
24 day-to-day activities that, you know, we did
25 in any great volume, so they were certainly

1 Interview - THOMAS MAHERAS
2 important enough to need to be vetted at all
3 levels of management.

4 So I would have been party to
5 meetings that included people below me and
6 above me in the organization to arrive at
7 the attractiveness and the merits of
8 proceeding, you know, of the acquisition
9 itself.

10 Q Did you have a view as to the
11 merits of proceeding with the Ameriquest
12 acquisition?

13 A I don't recall having a strong
14 view on that, no. I don't recall having a
15 view, I should say.

16 Q Do you recall conversations about
17 potential reputational risks to Citi of
18 acquiring a subprime originator?

19 A Yes.

20 Q Can you expand upon those
21 conversations?

22 A Sure.
23 Citi wouldn't only evaluate the
24 economics or the numbers that would come out
25 of an M and A model around acquisitions. It

1 Interview - THOMAS MAHERAS

2 would certainly evaluate reputational
3 aspects.

4 The subprime originators had
5 gotten a lot of attention in the prior years
6 for their underwriting standards, and I
7 believe Ameriquest was one of a number that
8 had been through a process of being
9 censured. And we spent a lot of time
10 thinking about, as a firm, thinking about
11 the reputational aspects of proceeding with
12 a company that had been through a process
13 like that and where we would run the risk of
14 reputational concerns.

15 Q And how did Citi get comfortable
16 with those reputational risks?

17 A I don't recall exactly. I just
18 remember it being a very thorough and
19 relatively long duration vetting.

20 Q Do you recall ever having any
21 similar conversations about reputational
22 risks in Citi purchasing pools of
23 securitized mortgages that had been
24 originated by subprime originators that had
25 been censured or had poor reputations?

1 Interview - THOMAS MAHERAS

2 A No.

3 Q Did that topic ever come up at
4 Citi?

5 A I am sure it did. I don't recall
6 any conversations.

7 Q Why do you say you are sure it did?

8 A It was topical.

9 Q Do you recall any decisions by
10 Citi not to purchase certain RMBS because of
11 the subprime originator associated with them?

12 A No.

13 Q When did you first become
14 familiar with the seven SIVs that Citi did
15 out of London?

16 MS. BUERGEL: Those were in a
17 totally different business unit than
18 the ones Mr. Maheras ran. We have had
19 testimony --

20 MS. NORMAN: Weren't they in
21 some sense under his command?

22 MS. BUERGEL: Ask him.

23 THE WITNESS: No. The SIVs
24 were conducted, that activity was
25 conducted out of Citigroup alternative

1 Interview - THOMAS MAHERAS
2 investments which was run by different
3 management.

4 BY MS. NORMAN:

5 Q And that was not under CMB?

6 A No.

7 Q You talked a little bit about
8 what your involvement in the CDO desk was
9 and what you were of and not aware of. But
10 can you tell me all of the ways that Citi
11 made money on its CDO desk? Can you walk me
12 through that?

13 A I can't. I can give you a
14 generalized, probably partial answer if that
15 is what you would like, but no, I can't.

16 Q What can you tell me about that?

17 A Like any other business activity,
18 they would have endeavored to profit from
19 originating securities and from trading them
20 in the secondary market. There could have
21 been variants of that or sub-levels of
22 activity beyond that that was outside my
23 knowledge.

24 Q As you sit here today, are you
25 aware of whether or not Citi received

1 Interview - THOMAS MAHERAS
2 placement fees for placing a particular deal
3 with an asset manager?

4 A No. I may have been at one
5 point, but I am not, I don't recall what
6 that construct would be.

7 Q As you sit here today, are you
8 aware that Citi received, that Citi made
9 money on its warehouse financing of CDO
10 structures?

11 A Only by extension. I know they
12 did warehouse financing, and I hope they
13 didn't do it at a loss. So I am aware they
14 must have made some money doing that.

15 Q Can you speak at all to how
16 profitable or unprofitable that was?

17 A No.

18 Q Are you aware, can you tell me
19 how Citi made money at the point of sale of
20 a CDO structure?

21 A In general terms, it would be by
22 selling all the pieces at an aggregate price
23 that was greater than the cost of all the
24 collateral that went into the trust which
25 collateralized the pieces. So, in a sense

1 Interview - THOMAS MAHERAS

2 it would be like an arbitrage.

3 Q Do you know, ballpark, what the
4 arbitrage was? What was Citi's profit on a
5 CDO deal?

6 A No.

7 Q A ballpark percentage of the
8 deal?

9 A No.

10 Q Would it have been a percentage
11 of the deal?

12 A I am sure we would have thought
13 of it or it would have been presented in
14 ways that would have, where you could have
15 backed into that, you know, volume, profit,
16 expectation and all. So it would have
17 converted into some type of percentage
18 figure, but I can't say what the norm was or
19 what they were, you know, had as objectives
20 on deals.

21 Q Any idea if it was more or less
22 than half a percent?

23 A No. Given the nature of the
24 activity, it was more likely more than half
25 a point than less than half a point.

1 Interview - THOMAS MAHERAS

2 Q What do you mean by that, given
3 the nature of the activity? Does that speak
4 to the risk?

5 A No, not the risk. It was the
6 complexity. You had, you know, if you sold
7 an equity deal you made points. If you sold
8 a high yield bond deal you made points. If
9 you sold a convertible bond deal you made
10 points. If you sold an investment grade
11 debt product you usually made a fraction of
12 a point.

13 I would expect that the objective
14 would have been to have made somewhere north
15 of a small fraction of a point and probably,
16 you know, I would expect it would be a
17 little more than half a point, but I don't
18 know that.

19 Q Did Citi make money on the super
20 seniors that it retained?

21 A Very little. As I recall, super
22 seniors traded at a de minimis, near zero
23 spread, and to the extent that they are
24 making money on holding for that spread, it
25 would have been negligible.

1 Interview - THOMAS MAHERAS

2 Q You will forgive me if some of
3 these are a little redundant, but I would
4 like to keep it in one tranche for my own
5 benefit.

6 The CMB in general, how much of
7 Citi's revenues was CMB responsible for,
8 ballpark, in 2006?

9 A Can you restate the beginning of
10 that? I missed the beginning.

11 Q Sure. I am just trying to get a
12 perspective as to how much of Citi's
13 revenues CMB was responsible for in 2006.

14 A My general recollection is that
15 we had around or a little over \$30 billion
16 of revenues in CMB, and my general
17 recollection is that Citigroup would have
18 had high double digits, somewhere in the 70,
19 80 or \$90 billion area. So my best guess
20 would be it accounted for between 30 and 40
21 or 50 percent.

22 Q And how much of that revenue
23 would the CDO desk be responsible for?

24 MR. ZINMAN: Of the CMB revenue?

25 MS. NORMAN: Yes.

1 Interview - THOMAS MAHERAS

2 THE WITNESS: I would -- I
3 don't know, but I would think it would
4 be measured in the low hundreds of
5 millions, perhaps less than or one
6 percent of the CMB revenues, around
7 that area, probably less.

8 MS. NORMAN: The next topic is
9 going to take a little more than five
10 minutes, so if you would like to break
11 for lunch, I think this is probably a
12 good time.

13 THE WITNESS: I defer to you.

14 MS. NORMAN: Why don't we break
15 for lunch. It is one o'clock.

16 (Lunch break from 1:00 p.m. -
17 1:53 p.m.)

18 BY MS. NORMAN:

19 Q Go back on the record. While we
20 were off the record, the FCIC staff did not
21 have any substantive conversations with Mr.
22 Maheras or his counsel.

23 Mr. Maheras, in 2004, what senior
24 management committees did you sit on at
25 Citi, if any?

1 Interview - THOMAS MAHERAS

2 A 2004 I was running Global Capital
3 Markets. I was, I would have at that point
4 most likely been on the management committee
5 and the operating committee.

6 Q And generally, who would be on
7 the management committee, all the business
8 heads or --

9 A No. The management committee was
10 a broader group, which over the years
11 included anywhere from dozens of people,
12 probably not less than 30 or 40, and up to
13 120 to 140 or 150, something like that. So
14 it ranged over the years in the size.

15 It would have included a number
16 of people from each of the businesses
17 Citigroup engaged in and a number of people
18 from each of the controlled units that Citi
19 had in existence.

20 Q How large was the operating
21 committee?

22 A The operating committee over
23 time, to the best of my recollection, ranged
24 from maybe 20-something people to 50-ish.

25 Q And in 2007 when you became

1 Interview - THOMAS MAHERAS
2 co-head or tri-head of CMB, did you serve on
3 any other committees in Citi senior
4 management?

5 A Yes. I was on what was called
6 business heads, which was the seniormost
7 management committee or committee, smallest
8 committee. I would have still been on, to
9 the extent they were still called management
10 committee and operating committee, those
11 committees as well.

12 Q How many individuals were on the
13 business heads committee? I don't need an
14 exact number.

15 A I would say around ten or twelve,
16 ten, less, plus.

17 Q Did David Bushnell sit on the
18 committee?

19 A I think so, yes, he did.

20 Q And Jeff Prince?

21 A Yes.

22 Q Robert Rubin?

23 A Yes.

24 Q How often did the business heads
25 committee meet?

1 Interview - THOMAS MAHERAS

2 A First, let me, I don't think they
3 called it a committee. It was known as the
4 business heads, just to help you. I am not
5 sure if it's relevant or not.

6 Q Thank you.

7 A It was called business heads, and
8 it met, Chuck led a meeting once a week.

9 Q In person?

10 A Yes. And if we were traveling we
11 would call in telephonically, but we were
12 expected to be there, to make every effort
13 to be at the meeting. Chuck generally
14 expected the highest attendance at this
15 meeting of any other meeting in the company.

16 Q And what occurred on a typical
17 basis in the business head meeting?

18 A We would discuss overall firm
19 performance and objectives, plans and
20 budgets.

21 Q How long were the meetings,
22 generally?

23 A I'd say around an hour and a half
24 to two hours.

25 Q Were there formal agendas to

1 Interview - THOMAS MAHERAS

2 these meetings?

3 A I don't recall formal agendas.
4 There may have been occasionally, but not
5 that I recall.

6 Q From 2004 to 2007, how frequently
7 did you discuss risk with David Bushnell?

8 A There wasn't a set frequency.
9 There was a significant ad hoc frequency.

10 In the earlier period, in the
11 earlier part of that period you reference, I
12 would have seen him at the CMB or CIB risk
13 management committee meetings that were
14 either weekly or biweekly; by biweekly I
15 mean twice a month; I don't know if that is
16 bimonthly or biweekly. And in the later
17 part of that period David would have been
18 running all of Citigroup's risk management,
19 which meant he wasn't a regular attendee at
20 the CIB risk management committee, so the
21 frequency would have been more ad hoc.

22 Q When David Bushnell became the
23 chief risk officer, who would attend the
24 risk management meeting for CIB?

25 A For CIB?

1 Interview - THOMAS MAHERAS

2 Q Yes.

3 A When he was promoted, I believe
4 Pat Ryan and BeBe Duke immediately became
5 co-heads to replace him. I don't know if
6 there was an intervening period where that
7 wasn't the case, so I believe they
8 immediately followed his ascension to become
9 heads of risk management for the CIB.

10 Q As co-head of CMB, did you attend
11 the risk management committee meetings
12 generally?

13 A Specifically in 2007?

14 Q Yes.

15 A I attended the meetings, but not
16 with the same frequency I did in my earlier
17 role.

18 Q Would somebody be attending in
19 your stead?

20 A '04 to '06.

21 Q Would somebody be attending in
22 your stead? Would Randy Barker or Geoff
23 Coley?

24 A Well, I believe some of them were
25 members of the committee, so they wouldn't

1 Interview - THOMAS MAHERAS

2 be there in my stead per se. They would be
3 members of the committee.

4 Q Fair enough. Okay.

5 In 2005, did you know the general
6 CMB exposure to subprime?

7 A I don't think so.

8 Q Would you have known it on an
9 annual basis in 2005?

10 A I am sorry; you are asking about
11 the total amount of subprime --

12 Q Exposure that -- well, I guess
13 fixed income had? Would you have been aware
14 of subprime exposure as a topic in your
15 business line?

16 A In 2005 I don't recall, but it
17 probably came up from time to time, you
18 know, aspects of our subprime dealings, not
19 necessarily a report that showed exactly
20 everything that touched on subprime in the
21 business.

22 Q Do you recall any concerns about
23 subprime exposure in 2005 in your business
24 lines?

25 A No.

1 Interview - THOMAS MAHERAS

2 Q Do you recall any concerns about
3 subprime exposure in your business lines in
4 2006?

5 A No.

6 Q Do you recall knowing in 2006
7 what the subprime exposure was in your
8 business lines?

9 A Some aggregated form of it?

10 Q Yes.

11 A No.

12 Q By dollar value?

13 A No.

14 Q Did there come a time when you
15 were specifically tracking the subprime
16 exposure in your business lines?

17 A There came a time when we were
18 actively tracking the risky components of
19 it, the risky portions of it, and actively
20 discussed what was being done to reduce that
21 trading inventory in the early part of '07
22 through the middle of '07.

23 I don't recall there ever being a
24 time where the emphasis was on tracking a
25 total number of all things that touched on

1 Interview - THOMAS MAHERAS
2 subprime in the firm. I don't recall
3 anything like that.

4 Q In what context do you recall
5 conversations of the reduction of subprime
6 exposure? Who were those conversations
7 with, your earliest recollection of that
8 topic?

9 A People more closely associated
10 with the business would have been presenting
11 to parts of my management chain, and perhaps
12 occasionally up to me, their performance
13 against reducing positions in the junior
14 subprime CDOs that were causing some losses
15 in the early part of '07 when the subprime
16 market was dealing with some challenges.
17 Originators were failing, and it was very
18 topical.

19 Subprime discussions were seen in
20 a lot of places, in the press and everywhere
21 for most of that year.

22 Q Do you recall subprime exposure
23 coming up in the risk management committee
24 meetings?

25 A I don't recall it, but I am sure

1 Interview - THOMAS MAHERAS
2 it did. It would have been the type of
3 topic that would have made a longer list of
4 topics in those settings.

5 MS. NORMAN: Mark this for the
6 record.

7 (Thereupon, document Citi 73991
8 to 74007, "Overview of subprime
9 exposure in the global structured
10 credit products business," dated
11 April 2007, was marked TM Exhibit 7
12 for Identification, as of this date.)

13 MS. NORMAN: For the record,
14 this is a document Citi 73991,
15 continuing to 74007. It is called
16 "Overview of subprime exposure in the
17 global structured credit products
18 business," and it looks like a
19 PowerPoint dated April 2007.

20 THE WITNESS: I have scanned
21 it. I haven't read it all in its
22 entirety. If you would like me to, I
23 will be happy to.

24 BY MS. NORMAN:

25 Q Are you familiar with this

1 Interview - THOMAS MAHERAS

2 document? Can you identify it for me?

3 A No.

4 Q Do you know if you have ever seen
5 it before?

6 A I don't know.

7 Q Do you have any recollection,
8 looking at the document, of being involved
9 in its preparation?

10 A I can say with confidence I
11 wasn't involved in its preparation, because
12 it looks like it was prepared by a single
13 unit within the credit markets area, within
14 fixed income. So no, I would not have been
15 a part of its production.

16 Q Do you recall being involved in
17 giving presentations with this?

18 A I doubt that I would have ever
19 used this to give a presentation, I'm
20 confident that I would not have.

21 Q Do you recall this being
22 presented to you in April of 2007?

23 A I don't.

24 Q In looking at page three, it
25 summarizes the CDO equity positions --

1 Interview - THOMAS MAHERAS

2 A Yes.

3 Q -- with Citi, in the warehousing,
4 the primary syndicate book and the CDO
5 trading books?

6 A Yes. I don't know -- I am sorry,
7 I didn't mean to interrupt.

8 Q Please. Go ahead.

9 A But you didn't finish your
10 question.

11 Q Do you recall, does this refresh
12 your recollection at all, do you recall
13 being aware of these positions in April of
14 2007?

15 A No. What I was going to say
16 before is you talked about the equity, CDO
17 equity positions at Citi. I don't read this
18 report that way. I read this as a
19 presentation from the people in the global
20 structured credit products unit only
21 referencing their CDO equity positions.
22 Whether or not similar holdings were seen
23 elsewhere, I don't think this deck
24 references that.

25 Q I am sorry; what do you mean

1 Interview - THOMAS MAHERAS

2 similar holdings were seen elsewhere?

3 A What I thought you said in the
4 question was do I recall -- you referenced
5 this as CDO equity positions at Citi, and
6 all I am saying is this looks like a
7 presentation of CDO equity positions not at
8 Citi but at the subset, this business unit
9 called global structured credit products.

10 I can't speak to whether or not
11 there weren't also CDO equity positions in
12 other units, not part of this presentation.

13 Q So there may have been more?

14 A There may have been.

15 Q The document says CDO equity
16 positions, but do you understand this to be
17 referring to, the 14.8 billion to be
18 referring to the super senior tranches?

19 A No. From looking at this page I
20 wouldn't be able to ascertain that.

21 Q Does this refresh your
22 recollection at all in the April 2000 time
23 period of conversations regarding the
24 subprime exposure in your business units?

25 A Well, it refreshes my

1 Interview - THOMAS MAHERAS
2 recollection that we had a number of
3 conversations and presentations about
4 aspects of our, about parts of our mortgage
5 business, parts of our structured credit
6 business, subprime and other topics. It
7 refreshes my memory that there would have
8 been, you know, that it was topical.

9 Q If you turn to page 11?

10 A Yes.

11 Q On the top of the PowerPoint it
12 says "Excluded from analysis," and it
13 references the super senior book and the
14 liquidity puts?

15 A Yes.

16 Q And discusses the perceived risks
17 of those positions.

18 In the part that is in the center
19 of the page that breaks down Citi's
20 exposure, its super senior exposure, where
21 it talks about the mezzanine ABS term?

22 A I see that.

23 Q Would those be lower graded,
24 would those be the triple B? Would there be
25 triple B tranches underlying the mezzanine ABS?

1 Interview - THOMAS MAHERAS

2 A I don't know what would be
3 underlying these. What I do know is that it
4 looks like it is detailing 14 and a half
5 billion notional value of super seniors, all
6 of which would have been rated triple A or
7 better, triple A plus or better, or they
8 would have, more properly put, these would
9 have been holdings that were senior to more
10 junior triple A rated securities in the same
11 deals.

12 Q And what was the distinction
13 between the high grade ABS term and the
14 mezzanine ABS term?

15 A I don't know.

16 Q You don't have any understanding
17 as to the difference?

18 A I recall the terminology and the
19 jargon, and I recall -- I believe I would
20 have had, I would have been better able to
21 answer that question a few years ago, but I
22 don't know as I sit here where the line
23 would be drawn between defining something as
24 high grade or mezzanine.

25 And I see the CDO2 that you

1 Interview - THOMAS MAHERAS

2 referenced earlier.

3 Q Do you have an understanding as
4 to the difference in risk between the high
5 grade ABS and mezzanine ABS?

6 A No. I recall that at the time
7 from presentations there were aspects of the
8 business that were delineated as being this
9 or that structure, this way or that way, and
10 just being structurally a little different.
11 I don't remember delineations in risk terms.

12 Q Do you have any idea who this was
13 prepared for?

14 A No.

15 Q Back to the CDO desk, when did
16 you first become aware of weaknesses in the
17 CDO market specifically, the ABS RMBS CDO
18 market?

19 A The CDO market. I would have to
20 say it would have been January or February
21 of '07 when there was a lot of attention
22 being paid to the subprime CDO markets and
23 the price volatility.

24 Q What can you tell me, what
25 conversations were you involved in in that

1 Interview - THOMAS MAHERAS
2 January to March '07 period about the CDO
3 business at Citi?

4 A I don't recall any individual
5 conversations.

6 Q You mentioned generally being
7 aware of weaknesses in the market.

8 Were there considerations about
9 whether Citi would be reducing or delevering
10 that business or whether Citi would be
11 increasing that business?

12 A What I recall through the first
13 half of the year, whether it started in
14 January or February or March, April or May I
15 am not sure, but I recall numerous
16 discussions and presentations around efforts
17 to reduce our inventory.

18 We were managing risks all over
19 the trading divisions, and you had
20 increasingly challenged markets throughout
21 the course of that year. We were regularly
22 meeting about many different asset classes
23 where we were seeing some performance
24 volatility, price volatility, with an aim to
25 reduce risks.

1 Interview - THOMAS MAHERAS

2 So I do recall generally that,
3 whether it started in January, February,
4 March, I don't know, that there were
5 numerous conversations on this topic amongst
6 many other topics of areas that were causing
7 us challenges in that year, many other asset
8 classes I mean to say.

9 Q Why would Citi be increasing its
10 risks limits on the CDO desk at the same
11 time it was trying to reduce inventory?

12 A I don't know that they were
13 increasing limits at that time. I do know
14 that they were actively managing down, and I
15 have come to learn a lot more since, about
16 the trajectory of that inventory reduction
17 over the first half of the year.

18 Q We spoke earlier when we looked
19 at the limit book.

20 A Oh, but you were asking about
21 super senior, I am sorry. You were talking
22 about super senior limits being increased.

23 Q Yes. The super senior limits in
24 the January to February to March time period
25 were increased from 30 billion to 35 billion.

1 Interview - THOMAS MAHERAS

2 Why would that happen at the same
3 time that Citi was trying to reduce its
4 inventory?

5 A I don't know that that happened,
6 but I recall from the earlier part of the
7 day that you referenced there was an effort
8 in that regard or a change in that area, but
9 I would say that they are not connected.

10 Super seniors would have been
11 viewed as very different than the areas we
12 were focused on as a risk matter. Super
13 seniors would have certainly at that time
14 have been viewed as just, again, ultra safe
15 holdings that did not bear any credit risk,
16 whereas subprime CDO trading areas trading
17 triple B bonds and the equity pieces and
18 single A's were experiencing a lot of
19 volatility based on a current and real
20 appreciation of there being very real risk
21 in the securities.

22 So I would say they are two
23 different things. I don't view a connection
24 there. But again, I don't recall there
25 being an increase in the limit on the other

1 Interview - THOMAS MAHERAS

2 assets either. I just don't view those two
3 things as conflicting in any way.

4 Q In that first half of 2007, any
5 discussions on, you mentioned that during
6 that time period there was a feeling within
7 Citi that the super seniors were still
8 considered very safe.

9 A Absolutely.

10 Q Any discussion about liquidity
11 risks in the super seniors?

12 A Beyond what we covered this
13 morning in the liquidity puts?

14 Q Yes.

15 A No.

16 Q You mentioned this morning that
17 you had had some prior experiences in your
18 Salomon days with market dislocation and how
19 quickly that could happen and impact
20 liquidity.

21 Similar conversations, even given
22 that color, did anybody ever talk about how
23 a similar market dislocation or any market
24 dislocation could quickly change the risk of
25 the super seniors?

1 Interview - THOMAS MAHERAS

2 MR. BIRENBOIM: What time

3 period are we talking about?

4 MS. NORMAN: The first half of '07.

5 THE WITNESS: I still recall
6 the market exhibiting signs of being
7 liquidity challenged and various parts
8 of the market showing signs of
9 dislocation, very similar to what I
10 had experienced on numerous occasions
11 in my career prior to that period.

12 Historically, all over those
13 occasions, whether it was 1987 or
14 1990, '91 or 1994 or 1998 or in the
15 summer of '02, and I remember all
16 those periods very clearly, those were
17 examples of markets dislocating,
18 liquidity coming out of markets and
19 all, and so I had a lot of familiarity
20 with that type of market action and
21 that type of increased risk and
22 volatility that comes in periods like
23 that.

24 So I guess, to come full
25 circle, in the first half of '07 we

1 Interview - THOMAS MAHERAS
2 were seeing signs that were familiar
3 in terms of the markets looking like
4 they were in another bout of
5 dislocation, indigestion, whatever you
6 want to call it. So we were keenly
7 focused on that.

8 BY MS. NORMAN:

9 Q I guess what I am wondering is,
10 given your prior personal experiences with
11 market dislocations and what you described
12 as the volatile effects they could have on
13 liquidity, wouldn't you have been concerned
14 in the first half of '07 in increasing the
15 limits even on the super senior tranches,
16 just knowing that a market dislocation could
17 affect liquidity very quickly? I am
18 wondering why that wasn't part of your
19 calculus?

20 A Not necessarily, because I
21 think -- maybe I wasn't very clear.

22 I don't recall any of those past
23 cycles becoming examples like we saw in '08
24 and '09 of the market for triple A assets
25 actually selling off in any material way.

1 Interview - THOMAS MAHERAS

2 What I recall is very volatile equity
3 markets and markets with clear credit risk
4 attached, price volatility around those in
5 all the prior cycles.

6 It's not, they are not mutually
7 exclusive. The non-risky portions of the
8 book were not getting attention, they were
9 not being focused on, they would not be
10 viewed in any way to be the same as these
11 junior types of securities that would
12 generally see the most price volatility in
13 events of market dislocation, in those types
14 of periods.

15 Q Did it bear any similarities to
16 the 1994 market dislocation? I think you
17 said earlier that that market dislocation
18 was less about the quality of the mortgages
19 and more about liquidity. If I heard you
20 correctly earlier, you said a similar thing
21 about the 1994 dislocation when you took
22 over the mortgage business.

23 A I think what I said this morning
24 is that in 1994 mortgage securities were
25 volatile, and it was a function of the quick

1 Interview - THOMAS MAHERAS
2 movement higher in the short-term policy rate.

3 The Federal Reserve quickly
4 started to raise rates, and a lot of
5 segments of the mortgage market had embedded
6 interest rate options or embedded prepayment
7 risk that, driven by interest rate
8 movements, changed the value of those
9 structured securities. But I don't recall
10 1994 being a period where triple A assets
11 from a credit point of view saw any credit
12 impairment.

13 I don't know if I am being very
14 clear, but there is a significant
15 distinction there.

16 Q During this period in the first
17 half of '07 when your business line was
18 focused on reducing inventory in the
19 subprime area, were you hiring anyone on
20 your -- was the makeup of the CDO desk
21 staying constant, or were more traders being
22 hired, or were traders being let go yet?

23 A In the first half of '07?

24 Q Yes.

25 A I don't recall traders being let

1 Interview - THOMAS MAHERAS

2 go in the first half of '07. It's certainly
3 possible; I don't recall that.

4 Was there another part of the
5 question? I apologize.

6 Q Sure. Do you know who Raul
7 M-U-R-L-I-L-D-H-A-R-A-N, do you know the
8 name?

9 A Can you spell the last name again?

10 Q Sure. I can even show you the
11 document I am looking at.

12 You can go ahead and mark that
13 Citi FCICE 976026. It is an e-mail from Tom
14 Maheras on April 3rd to Dianne Arber; looks
15 like it is in the HR unit of the investment
16 bank.

17 (Thereupon, Citi FCICE 976026,
18 e-mail from Tom Maheras dated April 3rd
19 to Dianne Arber, was marked TM Exhibit 8
20 for Identification, as of this date.)

21 THE WITNESS: Yes.

22 BY MS. NORMAN:

23 Q I am happy to show you this
24 document. It seems to be seeking your
25 approval to offer a new hire in the CDO

1 Interview - THOMAS MAHERAS

2 desk, Raul Murlildharan, to be hired with a
3 two-year guarantee of \$4.5 million onto the
4 CDO desk.

5 A He was being paid 4.5 per year or
6 over two years?

7 Q Over two years.

8 A That is a name I can say I've
9 never heard before.

10 But to answer your question,
11 there were thresholds that were dictated by
12 senior management or the board, I don't
13 recall what level, that required senior
14 management approval of every hire over a
15 certain compensation threshold, the point
16 being that the firm was very actively
17 focused on managing expenses.

18 This was not typical of the full
19 cycle, over the whole cycle, but it was,
20 during periods of cost reduction efforts it
21 was typical, it was not uncommon to see that
22 hiring authorities were constrained to have
23 to get a signature on every single hire in
24 the unit. This is a name I have never heard
25 of before, but by definition I have seen

1 Interview - THOMAS MAHERAS

2 this e-mail in the past. I don't recall
3 this hire or this name.

4 Q My question is, why in the first
5 half of 2007 would your business line be
6 hiring on the CDO desk while it was trying
7 to reduce inventory?

8 A Well, again there is nothing
9 inherently conflicted there.

10 You may recall from the earlier
11 conversation today that the structured
12 credit business was one of the area of focus
13 at Citigroup coming out of that external
14 consultant report. It had ascertained a
15 budget for investment, which meant it was
16 going to invest in systems, operations, risk
17 management personnel, to build out a
18 business activity, structured credit, over a
19 period of time to become, to have more of a,
20 to have the effect of becoming a relevant
21 player in the market or a market leader.

22 So, for the business unit to be
23 continuing with its investment and
24 resourcing of one of the priority
25 businesses, in this case the structured

1 Interview - THOMAS MAHERAS

2 credit business, they were doing just that.

3 MS. BUERGEL: I think you also
4 heard from witnesses that the CDO area
5 of securitized loans, securitized
6 other assets, it is not clear from
7 this that this person would be hired
8 to even work in the business where
9 they may have undertaken an effort to
10 reduce inventory.

11 THE WITNESS: I agree with that.

12 MS. NORMAN: I am not implying
13 anything. I am on a fact-finding
14 mission here.

15 MS. BUERGEL: I am saying that
16 it was a much broader business than
17 just the subprime or --

18 BY MS. NORMAN:

19 Q I am just trying to understand
20 what Citi was doing strategically in the
21 first half of '07 about its CDO business,
22 and it looks like they were still doing a
23 lot of CDO business in the first half of
24 2007?

25 A My recollection is they were

1 Interview - THOMAS MAHERAS
2 trying very actively to sell -- by "they" I
3 mean the transactors, the people in the
4 business units -- they were actively trying
5 to sell, and they did just that, to de-risk
6 as much as possible their books into a
7 period of market volatility.

8 But that was just one of probably
9 dozens of trading areas in the firm that
10 were doing exactly that, based on what was a
11 changed market dynamic or an evolving market
12 dynamic.

13 Q And in the first half of 2007 you
14 mentioned the attempts to reduce inventory
15 in the subprime arena and in the CDO desk
16 specifically. Can you tell me more about
17 when those conversations escalated?

18 A Conversations of reducing risks?

19 Q Did you ever discuss the subprime
20 exposure in the CDO desk with David Bushnell?

21 A In this first half of '07?

22 Q Ever with David Bushnell? We can
23 talk about 2007.

24 A I am sure we did during 2007, I
25 am sure we did. I don't recall any

1 Interview - THOMAS MAHERAS

2 discussions.

3 Q When do you first recall
4 discussing it with the chief risk officer,
5 subprime exposure?

6 A I don't recall when.

7 What I do know with confidence is
8 he was apprised as I was apprised from the
9 internal reporting of matters related to
10 subprime with significant frequency over the
11 first half or first three quarters of 2007.

12 Q Do you recall conversations with
13 Chuck Prince about subprime exposure?

14 A Specific conversations?

15 Q Yes.

16 A I recall that we had
17 conversations. I don't recall any of them,
18 but I recall we had numerous conversations.

19 Q What is your earliest
20 recollection of discussing subprime exposure
21 with Chuck Prince at the CEO level with Citi?

22 A I don't have one.

23 Q What were the defcon calls at Citi?

24 A That name, I am quite sure,
25 referred to the daily calls that Chuck led

1 Interview - THOMAS MAHERAS
2 in the summer and fall of 2007, usually at
3 the end of a business day, lasting for
4 anywhere from half an hour or an hour to two
5 hours every day for some period of time.

6 Q What was the purpose of those calls?

7 A I can't speak for Chuck, but my
8 belief would be that he wanted to ensure
9 that senior management was discussing quick
10 changing market developments and the impact
11 from those developments on our underlying
12 businesses on a real time basis in the midst
13 of significant market mayhem.

14 Q Who was on the daily defcon calls?

15 A I can't speak with perfect
16 precision, but I would say Chuck, Dave
17 Bushnell, Bob Rubin, probably Lou Kaden, one
18 or both of the heads of the consumer
19 business, Steve Freiberg, Ajay Banga, myself
20 and Michael Klein, Vikram Pandit and John
21 Havens, and occasionally others that
22 reported to us to speak on certain topics.

23 Q Was some subprime --

24 A I left out Bob Druskin, probably
25 Gary Crittendon. Attendance would and could

1 Interview - THOMAS MAHERAS

2 vary.

3 Q Was the CDO desk exposure ever a
4 topic on the defcon calls, specifically the
5 CDO desk?

6 A I don't recall, but I would be
7 surprised if they weren't.

8 Q But you don't recall any specific
9 conversations about that?

10 A No. It would have one of the
11 many areas discussed or covered given market
12 movements and market realities.

13 Q I think you said in the first
14 half of 2007 there was not a recognition,
15 that the super senior tranches were still
16 considered very safe within Citi?

17 A Yes.

18 Q Was there any discussion about
19 reducing those prior to July of '07 that you
20 recall?

21 A I don't know. There may have
22 been in the businesses, but I don't know.

23 Q When do you first recall hearing
24 discussion that the super senior tranches
25 should be reduced or were a significant risk

1 Interview - THOMAS MAHERAS

2 to Citi?

3 A While I was employed there I
4 don't ever recall them being viewed as a
5 significant risk to Citi, but in my last
6 month or two at the firm we were dealing
7 with a process to mark them to market.

8 Again, because of liquidity
9 challenges in the market they were not
10 trading much, so we thought it prudent to
11 take a markdown to some degree to reflect,
12 again, these liquidity challenges in the
13 market. But during that period of focusing
14 on that and arriving at methodologies to
15 value and all, there was no operating
16 assumption that these were risky securities
17 that would ultimately deliver losses, but
18 that they would have short-term mark to
19 market P and L movements.

20 So I don't recall there ever
21 being a belief that the super seniors were
22 inherently risky and would lead to
23 impairment at any point in my career.

24 Q Do you recall at any point prior
25 to October 11th conversations that the

1 Interview - THOMAS MAHERAS
2 liquidity puts would have an impairment to
3 Citi?

4 MR. ZINMAN: October 11, '07?

5 MS. NORMAN: Yes. Your
6 termination.

7 THE WITNESS: I include
8 liquidity puts, just generally when I
9 reference super seniors as a risk
10 matter, liquidity puts were discussed --
11 again as we covered this morning,
12 liquidity puts were discussed largely
13 because they required deployment of
14 balance sheet, the precious balance
15 sheet resources we had, at a tough
16 time in the markets in the summer when
17 we were trying to reduce balance
18 sheets.

19 So it was a balance sheet
20 topic, not a risk topic that would
21 have been discussed around liquidity
22 puts.

23 BY MS. NORMAN:

24 Q So your answer is the same for
25 liquidity puts as super seniors?

1 Interview - THOMAS MAHERAS

2 A Yes, the answer with reference to
3 risk.

4 Q Do you recall a meeting in 2007
5 where Chuck Prince became upset with you
6 about the exposures on the CDO desk?

7 A No.

8 Q Do you recall a meeting where
9 Chuck Prince became upset with you about
10 anything?

11 MR. RICHARDS: At any time?

12 MS. NORMAN: In 2007.

13 THE WITNESS: No.

14 BY MS. NORMAN:

15 Q Do you recall a meeting where
16 Robert Rubin became upset with you in 2007?

17 A No.

18 Q Do you recall an in-person
19 meeting with Chuck Prince and others about
20 the write-downs on the CDO desk?

21 A I recall that we had a number of
22 meetings, in-person meetings, to discuss the
23 performance of the fixed income business in
24 the third quarter of '07, to discuss our
25 economic performance and to discuss the

1 Interview - THOMAS MAHERAS

2 leadership.

3 In one or two of the meetings out
4 of a series of meetings, the structured
5 credit business, amongst other businesses,
6 was reviewed and the quarterly losses and
7 the year to date loses in our CDO business
8 were reviewed and discussed.

9 Q What was discussed? How did that
10 discussion go?

11 A I don't recall the specifics of
12 the discussion. I recall that we had a
13 meeting with Chuck, Bob Rubin, Bob Druskin
14 and myself on number of occasions, and one
15 of those occasions was dedicated for an hour
16 or two to discussing the losses that we were
17 taking in the credit markets businesses,
18 which would have included leveraged finance,
19 credit trading areas, and also the subprime
20 CDO business.

21 The reason I recall it is I can
22 visualize the room, and we had a number of
23 attendees from the credit markets business
24 in that meeting. As to the specifics of the
25 discussion, other than the generalities I

1 Interview - THOMAS MAHERAS

2 have already given, I can't be more clear.

3 Q Where was the meeting?

4 A Those meetings were generally
5 held at 399 Park.

6 Q In the library?

7 A It was, that room was referenced
8 as the library. It was an office adjacent
9 or in between Chuck Prince and Bob Rubin's,
10 a conference room I should say.

11 Q On the occasion that you had the
12 conversation about the fixed income losses
13 that included losses on the CDO desk, did
14 you provide written materials?

15 A No. People in our business
16 probably did.

17 MS. NORMAN: I would like to
18 mark for the record Citi FCIC 99654,
19 which is, looks like a PowerPoint
20 presentation entitled "CEO discussion
21 on global credit markets," dated
22 September 12, 2007.

23 (Thereupon, Citi FCIC 99654, a
24 PowerPoint presentation entitled "CEO
25 discussion on global credit markets,"

1 Interview - THOMAS MAHERAS
2 dated September 12, 2007, was marked
3 TM Exhibit 9 for Identification, as of
4 this date.)

5 MR. ZINMAN: Do you want him to
6 look at the whole document or a
7 specific page?

8 MS. NORMAN: I want him to look
9 at it and tell me if he knows what
10 this is first.

11 BY MS. NORMAN:

12 Q Do you recognize this document,
13 Mr. Maheras?

14 A I don't, but it looks like a deck
15 that would have been presented. It is in
16 the same time period and it is on the topic
17 we were just discussing, most likely in one
18 of those library meetings.

19 Q You mentioned people in your
20 business line would have been responsible
21 for preparing materials like this for that
22 meeting. Looking at this document as you
23 sit here today, can you tell me who would
24 have been responsible for preparing 99658?

25 A Does that refer to this whole

1 Interview - THOMAS MAHERAS

2 deck?

3 Q No, it is a specific page. It is
4 labeled two, but it is maybe the fifth page in.

5 A Given the nature of the discussion,
6 the best I could do is assume this was
7 prepared by the heads of the credit markets
8 area, which was a unit within fixed income.
9 So if I had to guess I would say Chad Leats
10 and Mark Watson, but I don't know that.

11 Q Would those be the people you
12 spoke with about this information to prepare
13 you to talk to Chuck Prince?

14 A This was not my presentation. I
15 was an attendee in listening to the
16 presentation with the others in the room.

17 I can't even say that because I
18 don't recall the exact meeting. I recall
19 having meetings, I don't recall this
20 necessarily being the deck. I don't recall
21 the deck, but it looks like it would have been.

22 Q Do you recall being in a meeting
23 with Chuck Prince and Robert Rubin where
24 Chad Leats and Mark Watson made a
25 presentation about the losses in the global

1 Interview - THOMAS MAHERAS

2 structured credit group?

3 A Yes.

4 Q In the September 2007 time period?

5 A Yes.

6 Q Did you have a speaking role in
7 that meeting?

8 A A formal role to present? As I
9 recalled earlier, most likely not. I assume
10 I chimed in, I assume I was a part of a
11 conversation, but I don't recall the meeting
12 so I can't say that with certainty.

13 Q Whether it was that meeting or a
14 meeting very much like that, it sounds like
15 there were a few meetings that discussed the
16 topic of the losses in the global structured
17 credit division with senior management.

18 Do you recall yourself ever
19 discussing it with Chuck Prince, saying
20 anything about it?

21 A I am sure I did. I just don't
22 recall any one-off discussions.

23 Q Looking at page two on Exhibit 9,
24 what is marked as page two --

25 A I don't see any numbers.

1 Interview - THOMAS MAHERAS

2 Q It is about page five. It just
3 happens to have a two on it. Sorry, it is
4 very confusing.

5 A Okay.

6 Q Do you specifically recall that
7 the second bullet, "Citi responds to market
8 meltdown," do you recall these specific
9 topics coming up in that meeting, the
10 suspension of opening new warehouses,
11 reduction of warehouses?

12 A I don't recall the commentary, no.

13 Q Does this refresh your
14 recollection at all about the second-to-last
15 bullet in that section, the purchase
16 protection on a large bespoke trade with
17 Ambac?

18 A Well, it confirms what I thought
19 I remembered this morning in the
20 conversation about Ambac, that they were a
21 counterparty to insurance-like or CDS
22 protection-like transactions.

23 Q Any further recollection about
24 that?

25 A No, other than Ambac and the

1 Interview - THOMAS MAHERAS

2 other insurers at the time as counter-
3 parties warranted discussion, given their
4 perceived to be weakened state.

5 Q Under lessons learned, the third
6 bullet down, it says that global structured
7 credit has implemented significant changes
8 to risk management in January.

9 Were you part of that process?

10 A No. It looks to me like they are
11 referencing actions that were taken in the
12 trading areas, in the trading area of this
13 unit, so it would have been handled by
14 people closer to that line of business.

15 Q Do you recall in that time period
16 implementing any changes to risk management
17 of that line of business?

18 A I want to be careful not to
19 answer risk management -- this reads to me
20 like their reference to risk management here
21 is the trading desk. Based on the names in
22 parentheses, they are referencing traders
23 and structurers, they are not referencing
24 risk management personnel per se.

25 So this looks to me to be a

1 Interview - THOMAS MAHERAS

2 bullet point designed to convey that the
3 business had made some changes with respect
4 to people transacting for them. That is how
5 I read this.

6 Q In that September time period in
7 the discussions that you had with Chuck
8 Prince and Robert Rubin that you had or
9 participated in or were in the room when
10 they were had, what was your response to the
11 losses.

12 A I was equally as bothered by them,
13 you know. We weren't in the business to
14 lose money. It was something we took very
15 seriously, both our performance as well as
16 our relative performance as well as our risk
17 management.

18 I don't recall any one-off
19 responses, but we were all on the same team,
20 feeling the same way about an unfortunate
21 series of setbacks across a lot of different
22 trading areas and financing areas and
23 banking areas across the corporate
24 investment bank.

25 Q Of the losses that were being

1 Interview - THOMAS MAHERAS
2 discussed in that time period, what
3 percentage of those losses was the CDO desk
4 responsible for?

5 A My vague recollection is that we
6 had two and a half to three billion dollars
7 of losses or revenue hits, however you want
8 to call it, relative to our budget for the
9 third quarter. And of that amount, my
10 recollection is that the subprime-related
11 components of that would have been between
12 five hundred million and a billion, so a not
13 insignificant percentage of what were our
14 challenges in the third quarter -- of what
15 were our losses or challenges on the revenue
16 line in the third quarter of '07.

17 In the third quarter of '07
18 overall, the CIB actually delivered a profit
19 on the bottom line, but we had losses
20 relative to our plan in these businesses
21 that require an explanation, and of those
22 losses subprime was, if I had to guess,
23 between 25 percent and a third of the total,
24 possibly a little more, a little less, but
25 in that Zip code.

1 Interview - THOMAS MAHERAS

2 Q What was your explanation?

3 A To?

4 Q You said you had to deliver an
5 explanation for those losses.

6 A No, I was saying of the losses
7 that we were explaining to various
8 constituencies.

9 Q The five hundred million to one
10 billion in losses, did there come a time
11 when you understood those losses to be
12 significantly more to Citi, the losses from
13 the CDO businesses? Did there come a time
14 when you understood them to be closer to
15 20 billion dollars in write-downs?

16 A I am certainly familiar with the
17 fact that in the months and years after I
18 was employed there, very significant losses
19 were taken, yes.

20 Q What was the full extent of,
21 approximately the full extent of the losses
22 in the CDO business that you were aware of
23 on October 11, 2007, when you left Citi?

24 A That which had been -- that
25 amount which had been seen in our P and L

1 Interview - THOMAS MAHERAS
2 until that date, which would have been in
3 the area of about a billion, a billion and
4 change.

5 MR. RICHARDS: We have been
6 going for a little more than an hour,
7 so if this is a good time to take a
8 break, we might consider it.

9 MS. NORMAN: This is a great
10 time to take a break. We will go off
11 the record, approximately three
12 o'clock.

13 (Break from 2:56 - 3:11 p.m.)

14 BY MS. NORMAN:

15 Q Housekeeping, I am going to go
16 through a few more topics and then I think I
17 am going to turn it over to my colleague,
18 Mr. Bondi, and I think 5:30 is looking good.

19 A Thank you.

20 Q I wouldn't stand between you and
21 your charitable endeavors.

22 A It is actually my marriage. It
23 is her endeavor. I am co-hosting.

24 Q One thing we didn't, you
25 mentioned earlier that as co-head of CMB you

1 Interview - THOMAS MAHERAS

2 needed to approve compensation levels above
3 a certain amount in your business line.

4 A At points of time in the cycle,
5 when the company was on a cost-cutting wave,
6 the best way to discourage hiring was to
7 require that every single hire went to the
8 head of a division. It created poor
9 efficiencies and a reason for people to be
10 prepared to answer any questions, and it got
11 in the way of significant headcount boosts
12 at a time when they were not encouraged.

13 So it was certainly not through
14 long stretches of time.

15 Q I am going to ask you a little
16 bit about the compensation structures around
17 the CDO desk. Again, we are trying to
18 understand all aspects of the CDO business.

19 Do you recall how much you made
20 in 2006, yourself?

21 A Yes.

22 Q How much was that?

23 A I was paid a salary of either 200
24 or 250,000. I got a cash bonus in the upper
25 teens, like 18 or 19 million, and then I got

1 Interview - THOMAS MAHERAS
2 a deferred stock bonus that would have been
3 paid out to me over three or four years. In
4 terms of number of shares, it would have
5 equated to about 12, 12 and change million
6 dollars.

7 Q I am not trying to tax your
8 memory here. I think one of your counsel
9 has provided us with some compensation
10 figures, and the figure we have is
11 \$34.9 million in total compensation in 2006.

12 A I won't quibble, but that would
13 be probably putting value on things that
14 were not given as a function of my not
15 staying at the firm. But, you know, it was
16 a little bit ahead of 30 in total.

17 Q So you believe your total
18 compensation to have been more than 30
19 million in 2006?

20 A Yes, if you valued the stock at
21 those prices. It is clearly a lot less
22 today.

23 Q Fair enough.

24 A My point is the stock was
25 deferred over multiple years.

1 Interview - THOMAS MAHERAS

2 Q So, as co-head of CMB you made
3 something in the vicinity of \$30 million in
4 2006. We also know from your counsel that
5 Randy Barker made in the neighborhood of
6 \$20 million in 2006. Does that sound right?

7 A It sounds certainly in the right
8 ballpark.

9 Q Did you have any role in setting
10 Randy Barker or Geoff Coley's compensation?

11 A Yes.

12 Q What was that role?

13 A I would make a recommendation to
14 my boss and the head of HR, and they would
15 invariably come back with a response and
16 then conclude themselves what the right
17 number was. But I had a role in assessing
18 performance and in putting forth
19 recommendations.

20 Q And did you have a role in
21 putting forth recommendations for the
22 compensation packages of Michael Raynes?

23 A No.

24 Q Who would have made that
25 recommendation?

1 Interview - THOMAS MAHERAS

2 A At each level of management, the
3 managers responsible for the units that were
4 below them would recommend individual
5 numbers as well as total amounts that they
6 thought they needed to pay their businesses
7 to reflect performance in the market and
8 what have you. So for Michael Raynes, I
9 suspect the heads of credit markets would
10 have recommended his numbers and then been --

11 Q Would that be Chad Leats and Mark
12 Watson?

13 A Yes, and then they would have
14 been dealing with their bosses to get
15 further support or approval.

16 Q Would you have to approve those
17 recommendations?

18 A At the individual levels, in some
19 cases I would have to speak to them in
20 reviews during the compensation process, but
21 generally in my role I was working toward
22 arriving at a full pool for the whole CMB,
23 negotiating the total pool amount, and then
24 allocating amongst divisions below amounts
25 that made sense to me.

1 Interview - THOMAS MAHERAS

2 It was an iterative process that
3 consisted of many levels of management being
4 actively involved over an extended period of
5 time to get at the right and fair
6 conclusions on the appropriate numbers.

7 Q But would you ultimately have to
8 approve the total compensation package,
9 recommendation, for Michael Raynes?

10 A Michael was a different example
11 because I would believe, since he came in
12 from the outside, he was probably on a
13 contract. But people like Michael would be,
14 their numbers would be determined by their
15 management chains, and I would have the
16 ability to probe individuals, but we had
17 over 40-some to 50,000 employees in the
18 division I was responsible for, so we
19 didn't, I didn't spend too much time on
20 every individual.

21 Q Did you spend any time on Nestor
22 Dominguez?

23 A Not that I recall.

24 Q Do you know what Nestor Dominguez
25 made in 2006, his total compensation package?

1 Interview - THOMAS MAHERAS

2 A No.

3 Q Do you know if it was more or
4 less than \$10 million?

5 A I would be surprised if it was
6 not less. I would believe it would be less.

7 Q Do you know if it was more or
8 less than \$5 million?

9 A No.

10 Q Do you know what the managing
11 directors made on a CDO desk?

12 A Today, no. I would have had some
13 familiarity with general levels for most
14 managing director functions in the firm,
15 general levels, not exact numbers. And I
16 would have had the ability to vet, with
17 others, individuals as part of this broader
18 and extended compensation cycle every year.

19 Q Do you know what directors
20 made --

21 A No.

22 Q -- on the CDO desk?

23 Do you know what vice presidents
24 made on the CDO desk?

25 A No.

1 Interview - THOMAS MAHERAS

2 Q Sales associate on the CDO desk?

3 A No.

4 Q Do you know what the analysts on
5 the CDO desk made?

6 A No.

7 Q Do you have any idea what the
8 directors, vice presidents, associates or
9 analysts made on the CDO desk?

10 A On that desk, no, but I would
11 have had a general familiarity with ranges
12 for the director title across the entire
13 division, ranges for the managing director
14 title, ranges for an associate and VP
15 titles, because we spent a lot of time
16 trying to get those numbers into the right
17 place vis-à-vis the performance of the firm,
18 the individuals, the competition, the market.

19 Q Would they be comparable on the
20 CDO desk to your other business lines?
21 Would the director, the managing directors
22 on the CDO desk be comparable to managing
23 directors in other business lines in fixed
24 income?

25 A The managing director title,

1 Interview - THOMAS MAHERAS
2 there would have been a lot more variability
3 in comps. So on average an MD in the CDO
4 business would have been either higher or
5 lower than the average for MDs, because the
6 MD title is a more senior title and it would
7 have, what would have come with that is a
8 much broader range of high to low, if you
9 will, for that title.

10 As for CDOs versus other business
11 units in the firm, I can't speak to whether
12 they would have been on average higher or
13 lower than the average at that title in
14 other business areas.

15 Q What is the average range for the
16 title of managing director in the 2006 time
17 frame?

18 A It could have been, in the full
19 range it could have been anywhere from
20 salary only on the low end to the managing
21 director level into the, north of my own
22 pay. So it was a very wide range in the
23 company for a managing director, from
24 200,000 salary or perhaps less to there were
25 a couple of individuals who got paid a lot

1 Interview - THOMAS MAHERAS

2 more.

3 Q Do you have any idea in 2006 what
4 the highest pay level was on the CDO desk, a
5 number?

6 A No.

7 Q And how was the comp set on the
8 CDO desk beyond the salary? There was a
9 salary plus some total compensation package.
10 What impacted them?

11 A You would have to ask the heads
12 of that business to articulate that, given
13 that they would have had -- you would have
14 quantitative metrics, the individual's
15 performance, you would have qualitative, how
16 did they perform relative to the expectation
17 relative to the value of the seat, if you
18 will. They sat in a business area which
19 would have been expected to produce a
20 certain amount of performance.

21 There would have been market,
22 competitive type components to it, and there
23 would have been, the individual managers
24 would have assessed performance in the
25 context of what those individuals were asked

1 Interview - THOMAS MAHERAS
2 to do. And that would have happened a few
3 levels below my role, so I can't speak to it
4 with any great specificity.

5 Q Was it related to the P and L
6 impact that their business line had?

7 A In general from year to year,
8 yes, amongst a number of other things.

9 Q Was your own compensation related
10 to the P and L impact that your business
11 lines had for Citi?

12 A I don't know how my compensation
13 was ever arrived at. I was never privy to
14 those discussions.

15 I can say that there was
16 certainly no formula. I believe I got paid
17 in the context of the market for people
18 performing roles like mine, and that senior
19 management who made those decisions would
20 have worked with information along those
21 lines, in addition to forming their own
22 conclusions about my qualitative
23 performance. But all I can say with
24 certainty is it was not formulaic.

25 Q I believe from looking at the

1 Interview - THOMAS MAHERAS
2 numbers that were provided to us that from
3 2004 to 2006 you made over \$96 million with
4 Citi, and more than 95 million, something in
5 the neighborhood of 95 million of that was
6 in bonus compensation. Is that accurate?

7 A Again, without getting into the
8 details I alluded to earlier, those numbers
9 would all be inclusive of extra shares I
10 would have gotten had I stayed with the
11 firm, which I didn't get, and they would all
12 be pricing the stock at the previously much
13 more elevated levels.

14 So, with those two caveats it
15 sounds right. It is larger than the actual,
16 but at the time the actual was in that Zip
17 code.

18 Q Did you have an express
19 understanding during those years from 2004
20 to 2006 and 2007 that when fixed income
21 business made more money, you personally
22 would make more money probably? Did you
23 have that express understanding?

24 A No. We could have had a dip in
25 fixed income but a much better qualitative

1 Interview - THOMAS MAHERAS
2 performance which could have enabled a
3 higher pay, and vice versa; we could have
4 had a pickup in fixed income economic
5 performance while achieving a loss in market
6 relevance, a loss in market share, and
7 things that would have certainly mattered to
8 the firm in its evaluation of its franchise
9 business.

10 So it is not a given that pay
11 goes up or down specifically tied to
12 economic performance. There were other
13 factors. Economic performance was certainly
14 an important one, but it was not fully
15 explanatory.

16 Q But you understood it to be an
17 important factor of your compensation
18 package?

19 A In a very general sense, yes; I
20 should say other things being equal.

21 Q Have you ever considered giving
22 any of your compensation back to Citi?

23 A No.

24 Q Have you ever been asked to?

25 A No.

1 Interview - THOMAS MAHERAS

2 I would add that in 2007 when our
3 performance was less positive, while I was
4 there we were profitable, I got no bonus.

5 Q What was your understanding as to
6 why you got no bonus in 2007?

7 A It was a function of the
8 environment and the performance dropping off
9 significantly.

10 Q That was fairly dramatic, from 30
11 million to zero?

12 A No, not while I was there.

13 Q Sorry?

14 A Not while I was there. While I
15 was there --

16 Q The change in your compensation,
17 I am sorry.

18 A Oh, yes. I thought you said 30
19 billion. I thought you were talking about
20 firm revenues. I apologize.

21 Q No, talking about your personal
22 revenues.

23 A It was dramatic.

24 Q Did it surprise you?

25 A No. Our interests were aligned,

1 Interview - THOMAS MAHERAS
2 you know, employees and the firm's
3 performance. We lived with an understanding
4 that a certain part of our pay was cash and
5 a certain part of pay aligned our interest
6 with the shareholder. And we did not
7 deliver a performance worthy of a bonus to
8 shareholders in '07, so I was not surprised.

9 Q Did you make any recommendations
10 as to bonuses for Randy Barker and Geoff
11 Coley in 2007? Did you have the opportunity
12 to do that?

13 A I believe that there were no
14 bonuses in either case. Randy was
15 terminated, so I am aware of the fact that
16 he was not given a bonus.

17 Geoffrey left in the aftermath of
18 my departure and Randy's departure, and I
19 believe he did not get any bonus either, but
20 I can't say that with certainty. He may have.

21 Q But you didn't make a
22 recommendation one way or the other?

23 A No.

24 Q Before I get to October 11th,
25 what meetings did you have with regulators

1 Interview - THOMAS MAHERAS
2 in 2006 and 2007, if any?

3 A With regulators. We had
4 scheduled -- we had meetings with a certain
5 frequency with our examiners at the OCC, I
6 recall that. I think I recall a lower
7 frequency of meetings with our examiners at
8 the Federal Reserve.

9 I recall settings where I was in
10 the midst of folks from the SEC, but not in
11 a scheduled or regularized, not with a set
12 frequency. So in '06 and '07 I would assume
13 that I met with regulators on at least a
14 handful of occasions or more.

15 Q In the meetings with the OCC
16 examiners in 2006 and 2007, did the OCC ever
17 express any concerns about risk management
18 with Citi in meetings that you participated in?

19 MS. BUERGEL: Tom can answer
20 that if knows yes or no, but he can't
21 get into the substance at this point.

22 And I haven't received a call,
23 so there is no way until we get the
24 call.

25 MR. BONDI: Check with Brad.

1 Interview - THOMAS MAHERAS

2 MS. BUERGEL: I am aware.

3 MR. RICHARDS: You can answer
4 yes or no.

5 THE WITNESS: I have to ask you
6 to restate the question, or repeat the
7 question.

8 (Thereupon, the record was read
9 back by the reporter as recorded above.)

10 THE WITNESS: Not that I recall.

11 BY MS. NORMAN:

12 Q Did they ever express any
13 concerns about, to the CDO desk in its
14 business line?

15 A Not that I recall, but I would
16 say as a --

17 MR. RICHARDS: You'd better be
18 careful here, Tom. There is a
19 privilege attached.

20 MS. BUERGEL: The way the
21 question is being posed, and it is my
22 fault, I am not even sure he can say
23 yes or no if they expressed concerns.

24 But you could ask if he ever
25 had discussions with them about the

1 Interview - THOMAS MAHERAS
2 CDO desk, to the extent that Mr.
3 Maheras recalls.

4 BY MS. NORMAN:

5 Q Did you ever discuss the CDO desk
6 with the OCC examiners?

7 THE WITNESS: Susanna, I have
8 to give a broader answer to get to an
9 answer to that question. Is that okay?

10 MR. RICHARDS: Want to take a
11 break?

12 MS. BUERGEL: Yes, maybe for a
13 second.

14 (Break taken at 3:40 p.m.)

15 BY MS. NORMAN:

16 Q We are back on the record after
17 Mr. Maheras has had a chance to confer with
18 his counsel about the nature of the OCC
19 privilege, and can we reask the question?
20 In fact, I will just restate the question.

21 Did you have any conversations
22 with the OCC examiners about the CDO
23 business in 2006 and 2007?

24 MS. BUERGEL: I am not sure Mr.
25 Maheras can answer that in light of

1 Interview - THOMAS MAHERAS
2 the bank examiner privilege that is
3 still applicable here.

4 MS. NORMAN: For the time
5 being, I believe his lawyers are
6 directing him not to answer.

7 MS. BUERGEL: That is correct.

8 MR. BONDI: Are you following
9 that advice, Mr. Maheras?

10 THE WITNESS: There is nothing
11 apparent to me, there is no issue here
12 to me. I am just taking the advice
13 and learning that there is a privilege
14 that I don't know about.

15 MR. BIRENBOIM: We will take
16 that as a yes.

17 MR. RICHARDS: You paused,
18 giving the Paul, Weiss lawyers a heart
19 attack, but it is okay.

20 BY MS. NORMAN:

21 Q Would you like to confer with
22 your other counsel?

23 MR. RICHARDS: I would have to
24 give him the same advice.

25 BY MS. NORMAN:

1 Interview - THOMAS MAHERAS

2 Q During the 2006, 2007 time
3 period, did you have any conversations with
4 the Fed regarding the CDO business?

5 A I remember conversations --

6 MS. BUERGEL: This you can
7 again respond yes or no to without
8 describing the substance.

9 MR. RICHARDS: There is a
10 similar privilege.

11 MR. BIRENBOIM: The question is
12 simply whether you had any conversations.

13 BY MS. NORMAN:

14 Q Specifically with regard to the
15 CDO desk?

16 A Not that I recall.

17 Q And you mentioned that you had
18 some meetings with the SEC. Which division
19 or entity within the SEC were you meeting
20 with? Was it with regard to the CSE
21 program, the consolidated supervisory entity
22 program?

23 A Possibly. They were broader in
24 general. I don't recall the meeting agendas.

25 Q Do you recall who you were

1 Interview - THOMAS MAHERAS

2 meeting with at the SEC?

3 A No.

4 Q Do you recall what you were
5 meeting about?

6 A No.

7 Q In the 2006-7 time period?

8 A No.

9 Q What were the circumstances
10 surrounding your departure from Citi?

11 A I was asked to a meeting with our
12 CEO, Chuck Prince, that was immediately
13 followed or immediately following a similar
14 meeting that he had with my co-head.

15 Q Michael Klein?

16 A Yes, where he described -- I am
17 sorry -- where he described to both of us
18 that he had been thinking about making a
19 significant move, an important
20 reorganization of business lines.

21 He concluded he wanted to combine
22 the investment bank with what was then
23 called CAI, Citigroup Alternative
24 Investments, and create a new entity called
25 the Institutional Client Group. He was

1 Interview - THOMAS MAHERAS
2 asking Michael and me to continue on as
3 co-heads of the investment bank, but to
4 report no longer to him, to report to the
5 new head of the ICG, Vikram Pandit. And I
6 was not comfortable with that change in
7 reporting lines and I expressed that, and
8 within 30 minutes of the meeting started we
9 concluded that I should leave.

10 Q Was this meeting on October 11th
11 or prior to?

12 A Yes, it was on October 11th.

13 Q What was your understanding of
14 what you would, other than you would be
15 reporting to Vikram Pandit, would your
16 responsibilities for your business lines
17 remain the same?

18 A Yes.

19 Q And you mentioned Mr. Klein had a
20 similar conversation with Mr. Prince?

21 A Yes.

22 Q What happened with Mr. Klein?

23 A I wasn't in the room. I recall
24 him telling me he was not inclined to stay,
25 he was thinking about it, he was going to

1 Interview - THOMAS MAHERAS
2 leave, and then later that evening he
3 concluded that he would stay and accept that
4 change in reporting line and continue with
5 the firm.

6 Q Prior to October 11th, had you
7 had any indication that you might be asked
8 to step down from your position, or your
9 position might be restructured?

10 A No.

11 Q Prior to October 11th, were you
12 asked to make any adjustments in your
13 downward reporting line?

14 A As I mentioned earlier, we had
15 numerous discussions about the fixed income
16 business, the game plan there as well as the
17 leadership, where variants of organizational
18 change and personnel responsibility changes
19 were discussed on a few occasions.

20 Q A poorly worded question. Prior
21 to your departure on October 11th, did you
22 terminate anyone in your business lines
23 related to the losses that were incurred in
24 the third quarter of 2007?

25 A My last act was to terminate

1 Interview - THOMAS MAHERAS
2 Randy Barker while in my role, within
3 minutes of concluding that I was leaving the
4 firm.

5 Q Was that a decision you made?

6 A The Randy Barker decision?

7 Q Yes.

8 A No.

9 Q Who asked you to terminate Randy
10 Barker?

11 A Chuck concluded in the prior
12 meeting that Randy had to go, and asked me
13 if he should do it or if I should do it.
14 And I said I think I should do it.

15 Q Did you agree with Chuck Prince
16 that Randy Barker should be terminated?

17 A There was no discussion.

18 Q Did you agree with Chuck Prince
19 that Randy Barker should be terminated?

20 A Are you asking if I believed at
21 the time it was warranted --

22 Q Yes.

23 A -- or are you asking -- I thought
24 termination was an aggressive outcome of the
25 discussion about Randy's performance.

1 Interview - THOMAS MAHERAS

2 Q Was the discussion of Randy's
3 performance in that meeting?

4 A No.

5 Q When was the discussion of
6 Randy's performance?

7 A Amongst other people, there were
8 discussions of his performance in that
9 series of meetings I described with what we
10 called the group of four.

11 Q What was said about Randy
12 Barker's performance in those meetings?

13 A I don't recall.

14 Q In those meetings, was it
15 determined that anyone else should be
16 terminated in the CDO product line other
17 than Randy Barker?

18 MS. BUERGEL: Mr. Barker wasn't
19 in the CDO product line.

20 MS. NORMAN: Fair enough. In
21 fixed income.

22 THE WITNESS: In those meetings
23 nothing was determined. A lot of
24 different possible approaches to
25 changing the business plan and

1 Interview - THOMAS MAHERAS
2 changing the leadership of those
3 businesses were vetted.

4 BY MS. NORMAN:

5 Q Ms. Buerger has raised a fair
6 point. Let me restate my question.

7 In these meetings, was it
8 determined that the reason Randy Barker was
9 being fired, because he was being held
10 accountable for some of the losses in the
11 third quarter of '07?

12 A I don't think so. I think it was
13 more about overall direction and his
14 attributes for the broader role that most of
15 the conversations I recall were around. The
16 single quarterly performance was not a
17 rationale for abruptly losing confidence in
18 him.

19 Q What was the rationale for losing
20 confidence in him? What was the driver
21 behind terminating Mr. Barker?

22 A You would have to ask Chuck. I
23 don't know. I do know that there was, in
24 the group of four there was not a full
25 support of -- there was not full support

1 Interview - THOMAS MAHERAS
2 for, coming out of the process, keeping him
3 in that specific role. There were
4 discussions about him doing something
5 different, more specialized.

6 Q But ultimately it was determined
7 that he should be terminated?

8 A At some point preceding my
9 meeting with Chuck on the 11th, Chuck
10 concluded -- and how he arrived there I
11 don't know, I am not privy to his movements
12 there, or his full rationale -- but he
13 concluded it and shared that conclusion with
14 me in the meeting that we had that, where he
15 was also sharing -- he was going to make
16 that night a broad announcement about
17 Citigroup, and he was also going to be
18 expressing a changed leadership in fixed
19 income.

20 And I am not sure if he had other
21 things that were also being done on a
22 coincident basis, but those are two things
23 that I remember. And --

24 Q Was Geoff Coley part of those
25 discussions? Was Geoff Coley discussed in

1 Interview - THOMAS MAHERAS

2 those discussions, not was he there?

3 A In the prior discussions?

4 Q Yes. Was Geoff Coley --

5 A Yes, Randy and Geoffrey were both
6 discussed equally.

7 Q And was Geoff Coley terminated?

8 A Geoff Coley was going to be
9 terminated from his role in leading fixed
10 income, but not terminated from the firm as
11 Randy was being terminated from the firm.

12 Q What was your understanding as to
13 why Randy was going to be terminated and
14 Geoff was not going to be terminated?

15 A I can't say I ever had one.

16 Q Did you suggest to Chuck Prince
17 that Randy shouldn't be terminated?

18 A I gave my recommendations for
19 both individuals, and in neither case did my
20 recommendations include terminating them
21 from the firm, but in a few variants of
22 recommendations over a multi-week period we
23 were talking about reassignments.

24 Q Why were you recommending that
25 Randy Barker be reassigned?

1 Interview - THOMAS MAHERAS

2 A I was being asked for my opinion
3 and my recommendations.

4 Q What was it based on? Was it
5 based on any performance that Randy Barker
6 had had in fixed income? Was it based at
7 all in fixed income unit taking significant
8 losses in that time period?

9 A Not much.

10 Well, let me restate that. Can
11 you repeat the question? I apologize.

12 Q I am just trying to figure out
13 why, what your recommendation to remove
14 Randy Barker from head of fixed income was
15 based on. Did you hold Randy Barker
16 accountable in any way for the losses in
17 fixed income?

18 A As a rationale for believing that
19 he should be reassigned?

20 Q Did you hold him accountable? In
21 your mind was Randy Barker responsible for
22 those losses in any way?

23 A No more than the rest of our
24 management team. He was not the person who
25 bought, probably not the person who approved

1 Interview - THOMAS MAHERAS

2 the securities that resulted in, the
3 holdings that resulted in losses in the
4 third quarter.

5 I felt at the time that a change
6 in leadership of fixed income could have
7 been positive, that Geoffrey could be
8 reassigned, reassigned to a role that I
9 thought he would be very good at, and Randy
10 could be reassigned to a role that he would
11 be very good at, and that we would be
12 reorganizing the capital markets businesses
13 in putting both of them to roles that they
14 would be highly qualified for and that would
15 have resulted in a reorganized management
16 team, but with the same members, for the
17 capital markets business.

18 Changing people's assignments
19 from time to time was not uncommon, and it
20 felt like the appropriate juncture for that.

21 Q Were there discussions at that
22 time period? You mentioned that Randy
23 Barker was no more responsible than anyone
24 else on the management team for the actual
25 trading losses. Were there discussions of

1 Interview - THOMAS MAHERAS

2 firing the people that were responsible for
3 those decisions?

4 A There were certainly discussions
5 down a couple of levels from my role about
6 which people were distinguishing themselves
7 positively and which were distinguishing
8 themselves negatively in that whole period,
9 and there were certainly discussions about
10 which of them should be demoted or let go or
11 given no bonuses or any of the above.

12 Those discussions would have been
13 led by people who were running those
14 businesses and would have been expected to
15 be led by them, and their recommendations
16 would have been expected by us, you know, in
17 the different ranks.

18 Q Were you involved in recommending
19 that anyone else be terminated?

20 A Not that I recall. I would have
21 been party to conversations where other
22 people and possible terminations were
23 discussed, but I don't recall personally
24 making any recommendation about individuals.

25 Q Is there anyone in particular

1 Interview - THOMAS MAHERAS
2 that you in hindsight think should have been
3 terminated during that period?

4 A On the whole we didn't think the
5 department did a bad job. There were
6 losses, but it was a changed environment.

7 So no, I didn't think with
8 possibly consideration of terminations at
9 the leveled of transactors who actually
10 engaged in the trades and took the
11 positions. Beyond that level there was not
12 much sentiment at the time that the fixed
13 income business was doing particularly a bad
14 job in the context of the environment. You
15 had a market period that caused some losses.
16 You had some very competent and experienced
17 professionals who largely did a good or a
18 very good job throughout the period.

19 Q Why do you think other market
20 participants fared better than Citi on CDO
21 losses, as you sit here today?

22 A For only one reason: Those that
23 fared better simply had fewer of the safest,
24 theoretically safest holdings that ended up
25 costing a lot of money in '08, '09. So, you

1 Interview - THOMAS MAHERAS
2 know, most of the areas that Citi was risk
3 managing in the trading businesses
4 throughout the period, most of the areas
5 were quite well dealt with.

6 This one area unfortunately, with
7 the benefit of hindsight, there were too
8 many notional holdings in an asset class
9 that was never considered to be risky at the
10 point of inception or for the next number of
11 months or quarters thereafter, and then
12 suddenly, with the onset of a fully
13 unanticipated, cataclysmic drop in housing
14 values, these holdings that logically
15 attracted no focus in the prior period due
16 to their perceived level of lack of
17 riskiness, perceived lack of riskiness, all
18 of a sudden became vulnerable.

19 It was not within, certainly not
20 within our frame of reference, and I would
21 say that you could say it is largely true
22 for the whole industry, largely the whole
23 industry. It was not within anyone's frame
24 of reference that housing was going to drop
25 on a national aggregate level by 30 percent

1 Interview - THOMAS MAHERAS
2 over a year or two, given that in the 40
3 years of prior historical data there had
4 never been a single fraction of a percentage
5 point drop, there had never been a negative
6 print.

7 The firm expected, understood
8 there were challenges in housing, understood
9 that it was likely that housing could suffer
10 HPA drops, home price appreciation drops
11 that would have been on an order of
12 magnitude of zero to two or three, four
13 percent potentially. That was the stress
14 scenario. It certainly looked stressed
15 relative to historical experience.

16 I am giving you a long answer.
17 Citi looked different with respect to super
18 seniors only to the extent that it had more
19 than most, if not all, most of the other
20 firms; I don't know that it had more than
21 all of them.

22 Q Why do you think other firms had
23 less exposure to super seniors than Citi?
24 As you sit here today, do you have any
25 understanding as to why other firms didn't

1 Interview - THOMAS MAHERAS

2 take on as much exposure as Citi did?

3 A I don't know.

4 Q As you sit here today, do you
5 think you made any mistakes as co-head of
6 CMB related to CDO business?

7 A I am glad you narrowed the
8 question because I certainly made a lot of
9 mistakes over the years.

10 With respect to the CDO business,
11 I've spent untold hours, days, months,
12 wondering what could I have done better,
13 what was avoidable, what was not. I took
14 great pride in the performance of our team.
15 I took great pride in my career as a risk
16 manager, and spent a lot of time wondering
17 how did this happen.

18 And I did not appreciate, I
19 clearly again in retrospect did not
20 appreciate that something as significant as
21 what happened in the housing industry could
22 possibly happen. In the absence of that
23 coming to pass, all of the other areas that
24 were risk managed and where we perceived the
25 risks and we dealt with the risks as risks,

1 Interview - THOMAS MAHERAS

2 I thought were dealt with in a very solid
3 manner. But this was one area out of dozens
4 where we clearly as a team, as an industry
5 and I myself, just missed it, and I regret it.

6 Q Do you think you missed it in any
7 way because people were not, people in your
8 reporting line were not presenting you with
9 information that you needed?

10 A No.

11 Q Do you think, had you had a more
12 hands-on role in the CDO line of business
13 along the way, you would have done anything
14 differently?

15 A I don't think it could have been
16 possible for me to have a hands-on role in a
17 business as small as that. It would have
18 been an impossible task given the number of
19 businesses we were in. It clearly in
20 hindsight did not, we all understand it did
21 not rank as an area with significant risks
22 in it, so it didn't get much of our focus or
23 attention either.

24 If you are asking if things would
25 have been different if I was running that

1 Interview - THOMAS MAHERAS
2 desk as a lower level manager, I can't speak
3 to that. I don't know what assumptions they
4 were working with. If you are asking if I
5 should have been -- I was a hand-on manager
6 in general. If you are asking if I should
7 have been day-to-day hands-on on a business
8 as small as that in our mix, the answer is
9 that would not have been possible.

10 So I don't know how to answer
11 that question.

12 Q Looking back, do you think that
13 there is anything you should have done
14 differently vis-à-vis the risk management of
15 that business? Should there have been
16 more -- you mentioned that Richard Stuckey
17 was, and after Richard Stuckey, BeBe Duke
18 and Pat Ryan were your internal business
19 risk folks. Should they have been more
20 ahead of the curve on this? Should they
21 have done anything differently?

22 A Actually, let me clarify
23 something. Rick Stuckey was an in business
24 risk manager. BeBe Duke and Pat Ryan were
25 the two heads of independent risk management

1 Interview - THOMAS MAHERAS
2 replacing David Bushnell after his ascension
3 to that role at the Citigroup level.

4 Q I realized after I said that, but
5 in terms of your in business risk assessment
6 looking back, was that a mistake? Should
7 there have been more focus on risk
8 management within the business unit?

9 A There was a tremendous focus on
10 risk management at all times in the business
11 and across the full array of risks.

12 What I am not doing a good job
13 probably of conveying is that the area that
14 ultimately led to the biggest chunk of
15 losses for the CIB happened to be an area
16 that was not appreciated as being a risky
17 area at all at the time of the inception of
18 those trades or until the end of '07, the
19 very end of '07, early part of '08 when the
20 market eroded dramatically further than it
21 had before the time of my departure.

22 So again, there was diligent and
23 robust risk management at all levels in the
24 company, on the business side as well as in
25 the independent risk management function,

1 Interview - THOMAS MAHERAS
2 and I don't think it would be fair to single
3 out risk management as a function that
4 missed it. I think collectively the
5 industry, the financial system, we at
6 Citigroup, our team collectively, we missed
7 something that was just not there or in any
8 way something that could be anticipated.

9 Q As you sit here today, looking
10 back, do you think there were any signs? Do
11 you think you should have missed it, to ask
12 it a different way? I know you have been
13 saying that, but I just want to be clear if
14 during your postmortems and your thinking
15 about this if there is anything that you
16 have come across in your mind that you
17 think, you know, I should have done this
18 differently, I should have noticed that the
19 securitization desk was ramping down and
20 that maybe that would have collateral
21 consequences, ripples maybe, if mortgages
22 started defaulting in the securitized
23 mortgages and maybe they --

24 A Well, you ask very good question.
25 The hard thing to imagine was

1 Interview - THOMAS MAHERAS

2 that everyone expected housing was in the
3 doldrums or worse throughout '07, certainly
4 while I was still there, and everyone would
5 have had expectation that the great rise in
6 values of homes in the U.S. was slowing down
7 or coming to a stop.

8 There had been a lot of finance
9 around it, there had been what sounded like
10 untoward lending practices with the
11 originator companies in the business. This
12 was all fully out there.

13 What wasn't out there was in any
14 sense a belief that those bad practices
15 could lead to a 30 percent decline in value
16 at the national aggregate level of housing,
17 something that had never, something that ten
18 percent of that amount had never happened
19 before at the national aggregate level, let
20 alone the full amount. So, that is what was
21 missed.

22 And I don't know -- I mean, you
23 know, with the benefit of hindsight if we
24 didn't hold those things or if someone would
25 have gotten up one day and said, you know,

1 Interview - THOMAS MAHERAS

2 we don't want you holding anything that is
3 low yielding on the balance sheet, that
4 would have been a lesson learned, that why
5 let people hold things that were not
6 yielding much on the balance sheet.

7 That was an immediate observation
8 of mine in the summer of '07: What are we
9 holding things that aren't yielding anything
10 for? We are under balance sheet pressure,
11 so let's get positions down. But that
12 hadn't, it wouldn't have had to do with risk
13 assessments, it would have had to do with
14 let's just not hold anything that is low
15 yielding.

16 As a risk matter it just was,
17 this was orders of magnitude beyond what was
18 within any of our or any of the industry's
19 frame of reference.

20 Q Do you feel like if there had
21 been more communication between the units at
22 Citi that were directly involved in mortgage
23 origination and mortgage securitization that
24 really knew that business inside and out, if
25 they had had more communication with the CDO

1 Interview - THOMAS MAHERAS
2 desk that there might have been a different
3 outcome?

4 A I recall that being a lesson
5 learned in the junior CDO piece, that, you
6 know, the losses that were occurring in the
7 first half of the year.

8 I recall coming to a conclusion
9 with others that there was not a significant
10 enough amount of expertise about subprime
11 mortgage collateral embedded within the
12 structured credit unit within the credit
13 markets of fixed income, while at the same
14 time within GSM, global securitized markets
15 within fixed income in Citigroup, there was
16 a lot more knowledge about subprime as an
17 asset class, the subprime origination
18 standards and all.

19 So I believe in the first half of
20 the year, some portion of those losses in
21 the first half of the year in those junior
22 risky securities could have possibly been
23 avoided, possibly, if there was a more
24 significant business linkage and
25 communication between those two units. But

1 Interview - THOMAS MAHERAS

2 I don't believe there would have been any
3 difference down the road with the super
4 senior piece because there wouldn't have
5 been anyone who would have had, again, that
6 point of view or belief that those super
7 senior securities bore risk.

8 So it was a lesson learned for
9 that very small fraction of what we
10 ultimately lost, the junior risky
11 securities. I do think that that is one of
12 a number of lessons learned in a postmortem
13 type analysis that we determined.

14 Q Do you think the explosion of the
15 CDO market contributed to the financial crisis?

16 A That is tough for me to say.
17 That was one, perhaps it was one of many
18 symptoms of over-ebullience, cheap, easy
19 money, led to a -- the fact that you had
20 very, very low risk premia and you had very,
21 very cheap money just in terms of low rates
22 for numerous years, and you had this
23 burgeoning investor class, this fast-growing
24 investor class seeking yield, seeking higher
25 and higher yield and securities with

1 Interview - THOMAS MAHERAS
2 specific yield characteristics, led to a
3 very fast growth in products that over time
4 went further and further out the risk curve.

5 But subprime was one of many
6 examples of that. You saw it in commercial
7 lending, you saw it in leveraged lending,
8 you saw it in LBOs, you saw it in any of the
9 structured products areas away from those,
10 including subprime or even mortgages as
11 collateral. It was rampant, the
12 proliferation of new products, the cheap
13 money and the cheap financing with which to
14 purchase these, the leverage in the system,
15 the financial system. So I think it is a
16 much broader story.

17 Q The losses at Citi were primarily
18 in the CDO business, and that ultimately led
19 to \$45 billion in taxpayer money through the
20 TARP program being given to Citi. Do you
21 feel like -- I guess I am going to ask the
22 question again: Do you feel like the
23 ramp-up of that business at Citi contributed
24 to the financial crisis?

25 A Well, the losses associated with

1 Interview - THOMAS MAHERAS
2 subprime CDOs certainly contributed to a
3 much larger total amount of losses at Citi,
4 but losses are only part of the story.

5 Investors had, there was a loss
6 of confidence exhibited in the way that Citi
7 stock was trading that went well beyond, in
8 late '08 and early '09, that went well
9 beyond what had preceded it by at least a
10 year, this subprime CDO issue. There were
11 many other currently losing areas at Citi.

12 There were strategy questions
13 about Citi: Was it too big in the emerging
14 markets, is it too global? There were all
15 kinds of strategic questions about Citi.
16 There was basically an investor run on the
17 name. I do not believe that that was very
18 largely or significantly driven by one part
19 of the losses that occurred much earlier in
20 that period as well.

21 (Break from 4:17 - 4:26 p.m.)

22 MR. BONDI: Mr. Maheras, do you
23 mind if I ask you questions from this
24 angle?

25 THE WITNESS: Sure. Whatever

1 Interview - THOMAS MAHERAS

2 works for you all.

3 MS. NORMAN: Let's go back on
4 the record.

5 BY MR. BONDI:

6 Q Mr. Maheras, my name is Brad
7 Bondi. I am the assistant director and
8 deputy general counsel of the Financial
9 Crisis Inquiry Commission in Washington. I
10 apologize for arriving to your interview
11 here late. I had a commitment in
12 Washington.

13 I have a few questions, and
14 forgive me, some of these I think are just
15 defining. You mentioned a group of four;
16 who is part of that group of four? Who was
17 part of the group of four?

18 A I believe you are referencing
19 when I was talking about a series of
20 meetings that I had with Chuck Prince, Bob
21 Rubin, Bob Druskin and myself, which was
22 that set of meetings that Chuck called for
23 which was to review, do a bit of a deep dive
24 into the performance, the business plan, and
25 the leadership of our fixed income unit.

1 Interview - THOMAS MAHERAS

2 Q When did those meetings first
3 begin?

4 A I know they were occurring
5 throughout September, and I would assume
6 they started in late August. It seemed like
7 a four- to six-week period with a handful of
8 meetings starting more likely in August than
9 in September.

10 Q That is 2007?

11 A Yes, I am sorry.

12 Q How frequently did they occur?

13 A Probably about once a week.

14 Q Where did they occur?

15 A They occurred I believe every
16 time in that library room we mentioned
17 before, which was a conference room on the
18 second or third floor of 399 Park.

19 I second say second or third
20 because the executive offices changed floors
21 at one point in the last few years, and it
22 was a conference room in between Chuck
23 Prince and Bob Rubin's offices.

24 Q In 2007, how often did you see
25 Mr. Rubin in the office?

1 Interview - THOMAS MAHERAS

2 A In 2007, he -- first let me say
3 that I was part of the downtown operation.
4 The investment bank had its headquarters
5 really down on Greenwich Street in Tribeca.
6 Corporate headquarters, where our seniormost
7 leadership team largely resided, was 399
8 Park, so I was not in that office every day.
9 Some days I was there two or three times a
10 day, other days I would go once, other days
11 I wouldn't be there at all.

12 My point is that I wouldn't be
13 able to say what the frequency of Bob's
14 attendance was, but he was a full-timer. He
15 was, you know, I don't believe he was there
16 in any other fashion than five days a week.

17 Q Prior to the summer of 2007, how
18 frequently would you interact personally
19 with Mr. Rubin?

20 A I would see him in the weekly
21 business heads meetings -- I am sorry, did
22 you say during '07?

23 Q Prior to summer of 2007?

24 A Prior to summer of 2007. So, for
25 the first half of the year I would have seen

1 Interview - THOMAS MAHERAS
2 him in this business heads meeting on a
3 weekly basis, I would have seen him at other
4 ad hoc called for meetings of senior
5 management from time to time, I would have
6 seen him at management off-sites, management
7 committee and operating committee meetings,
8 and then I would see him at the occasional
9 client meeting is my recollection.

10 Q In 2003 through December 31,
11 2006, so from 2003 to 2006, were those
12 interactions with Mr. Rubin about the same
13 as what you have described?

14 A Yes, with the exception of I was
15 not on the business heads, I was not in the
16 business heads group until around 2007. So
17 I would have seen him at all those other
18 things I mentioned in the prior three years,
19 but not in the business heads meeting.

20 Q Would you ever have any
21 conversations prior to 2007 with Mr. Rubin
22 where he would call you up on the phone?

23 A Sure.

24 Q How often would he call you up on
25 the phone?

1 Interview - THOMAS MAHERAS

2 A I don't recall exactly. He would
3 call occasionally about markets, he would
4 call occasionally with questions. I can't
5 put a frequency or a number on it.

6 Q Would you say he was involved in
7 management?

8 A Yes.

9 Q Would you say he was hands-on?

10 A Well, let me clarify.

11 He was in the office of the
12 chairman and he was on the business heads,
13 he was a very significant and important
14 contributor in the firm, but he didn't have
15 line responsibility for any particular
16 businesses, if that's clear.

17 Q Would you ever seek Mr. Rubin's
18 advice?

19 A I am sure I did occasionally.

20 Q About business matters?

21 A Perhaps.

22 Q Would Mr. Rubin give you his
23 opinions and advice about business matters?

24 A He was generous with his
25 thinking, he was a very thoughtful man with

1 Interview - THOMAS MAHERAS
2 great experiences who had previously run a
3 Wall Street firm, so he would give his
4 opinions in broader management meetings and
5 he would give his opinions in smaller
6 meetings and in one-on-one conversations.

7 Q Do you ever remember having any
8 conversation with Mr. Rubin prior to the
9 summer of 2007, any time prior to the summer
10 of 2007, about CDOs?

11 A No.

12 Q When was the earliest
13 conversation that you remember having with
14 Mr. Rubin about CDOs?

15 A I don't know.

16 Q Can you give me a ballpark year,
17 at least?

18 A Well, he would have heard all of
19 our planning around the investments in the
20 fixed income businesses we were targeting in
21 that '05, '06 time frame. Whether or not we
22 spoke about the subset of CDOs within the
23 much talked about priority of structured
24 credit I don't recall, but I suspect we
25 spoke about CDOs in those meetings, those

1 Interview - THOMAS MAHERAS

2 broader groups on numerous occasions.

3 Q How early would that have been?

4 A Conversations about structured
5 credit as one of the top investment
6 priorities for the fixed income build-out, I
7 believe those meetings were taking place in
8 '05 and '06. I am not sure, but I believe
9 it was that time frame.

10 Q Do you ever remember Mr. Rubin
11 saying in form or substance that he believed
12 Citigroup needed to take on more risk?

13 A In form and substance.

14 Q Or substance?

15 A In form and substance, I observed
16 him opine on the fact that Citi could
17 increase its risk-taking activities given
18 the advantages of our presence globally, our
19 distribution, and our capital strengths.

20 Q When was that conversation?

21 A I don't recall a single
22 conversation. I recall that being a topic
23 that I would have observed, discussed, on a
24 number of occasions.

25 Q A number of occasions? How often?

1 Interview - THOMAS MAHERAS

2 A I don't know.

3 Q More than ten?

4 A I can't say.

5 Q And how early do you recall,
6 either year or month and year, if you
7 remember, that being a topic that Mr. Rubin
8 raised?

9 A I don't recall.

10 Q You don't recall the year even?

11 A No. There was nothing formal
12 about this. He I believe expressed an
13 opinion that I think made sense, that the
14 organization could increase activities in
15 certain areas for profit in an intelligent
16 fashion, leveraging the strengths and
17 resources of the firm relative to what he
18 and the rest of us would have observed
19 taking place around the competition.

20 Q And did that expression that he
21 had with respect to taking on more risk
22 include the fixed income business?

23 A Probably. I don't recall any
24 specific conversations or detail. Fixed
25 income was the largest trading organization

1 Interview - THOMAS MAHERAS
2 in Citigroup.

3 Q But do you recall it involving
4 the investment bank that you oversaw?

5 A Well, most trading related risk-
6 taking in the firm was embedded within the
7 investment bank, within the capital markets
8 subset of the investment bank.

9 Q And if I heard correctly earlier,
10 within fixed income is the CDO business, is
11 that true?

12 A Yes.

13 Q Did anyone disagree with that
14 position that Mr. Rubin expressed, to your
15 knowledge?

16 A Not that I am aware of.

17 Q What specifically, Mr. Maheras,
18 do you recall Mr. Rubin saying about growing
19 the fixed income business at Citigroup?

20 A Nothing.

21 Q What do you recall Mr. Rubin
22 saying about growing the investment bank
23 business at Citigroup?

24 A Nothing.

25 Q Do you remember any general

1 Interview - THOMAS MAHERAS
2 conversations about growing the investment
3 banking business at Citigroup that Mr. Rubin
4 had?

5 A He was an advocate of the review,
6 engaging the outside consultant to look at
7 opportunities for fixed income, the gap
8 analysis. He was an advocate of any
9 resulting recommendations that required
10 Citigroup to increase its resourcing and
11 investment into some of the businesses where
12 we were not yet, where we hadn't yet
13 attained market leadership position.

14 We felt he was appropriately
15 advocating or focusing on ensuring that the
16 fixed income business at Citi, which had
17 been a dominant contributor and a market
18 leader in many of its areas, would continue
19 to be that for the next generation. That's
20 the context of what I recall in terms of his
21 point of view.

22 Q Is there any recommendation that
23 you made at any time in your career that was
24 overruled by anyone because it was viewed as
25 being too risky?

1 Interview - THOMAS MAHERAS

2 A Any time in my career?

3 Q Any time in your career at
4 Citigroup?

5 A Well, as a trader I am sure I
6 would have been told to increase or decrease
7 positions with frequency.

8 Q Outside of your role as being a
9 trader, since 2003, let's just say since
10 2003.

11 A So as a senior manager.

12 Q As a senior manager at Citigroup,
13 did anyone overrule or object to any
14 decision that you recommended or any action
15 that you recommended on the grounds that it
16 was too risky?

17 A I am sure they did.

18 Q What decision was that? What do
19 you recall?

20 A We at one point sought to bid for
21 the oil and gas power trading -- the gas and
22 power trading business at the bankrupt
23 Enron, and there were discussions around
24 that. In the early discussions we were told
25 no, that's too many risks with a deal like

1 Interview - THOMAS MAHERAS

2 that.

3 There was a time when we proposed
4 building up, building into or getting into a
5 business that many of our competitors had
6 gotten into, which was in the area of
7 reinsurance. It was becoming a hot growth
8 area in certain firms. We made a proposal
9 to get into that business and were turned
10 down.

11 I am just giving you a couple; I
12 am sure there were numerous examples of
13 areas that we would have been interested in
14 pursuing that would have attracted a
15 skeptical or negative answer, and either we
16 either got through that or we didn't,
17 depending on the situation.

18 Q Let me try to narrow that
19 question down. Was there any action that
20 you wanted to take with respect to the fixed
21 income business that someone expressed
22 concern or objection due to risk concerns?

23 A While I was head of fixed income
24 or while I was in my --

25 Q At either time.

1 Interview - THOMAS MAHERAS

2 A -- head of the investment bank?

3 Q At either time.

4 A I am sure there were a number of
5 activities that somewhere along the line
6 within the chain, business was turned down
7 by people who reported to me, and there
8 would have been many occasions where
9 business was presented to me for approval
10 and I would have turned it down, and there
11 could have been examples of business that we
12 were seeking to do that would have been
13 turned down that I was a part of advocating
14 by either senior management or by risk
15 management, independent risk management.

16 There would be many examples of
17 that type of outcome at different levels of
18 fixed income over the years.

19 Q At any time, either as head of
20 fixed income or head of the investment bank,
21 did Mr. Bushnell say to you not to do a
22 certain activity because it was too risky?

23 A There were probably a number of
24 examples, certainly some, I don't know how
25 many, where risk management said no to us in

1 Interview - THOMAS MAHERAS
2 the business on certain pieces of business.
3 There were examples of the investment
4 bankers getting a no from us in the
5 business, the trading management side, and
6 then appealing those decisions up to risk
7 management.

8 There were a lot of examples or
9 variants of examples of types of business or
10 of specific trades being propped or
11 advocated and being turned down for a whole
12 array of reasons.

13 Q And what would happen in those
14 circumstances? Could that decision or
15 recommendation by risk management be
16 appealed higher, to, say, the CEO or the
17 board of directors? Could risk management's
18 recommendation not to do a certain action be
19 overruled by anyone higher up the chain?

20 A I don't recall any examples of that.

21 Q You testified earlier about being
22 offered a new reporting position to Mr.
23 Pandit and that you turned that offer down.
24 Why did you turn it down?

25 A I thought the investment bank at

1 Interview - THOMAS MAHERAS
2 Citigroup was one of the two largest
3 businesses in the company, and that the
4 reporting line from the head of that to the
5 CEO was warranted.

6 Q What is your view of Chuck Prince
7 as CEO?

8 A Chuck is a very smart man. He
9 was a quick study. He had, to varying
10 degrees significant and in other areas less
11 significant, background for certain aspects
12 of the role, but as a quick study that was
13 perfectly fine. He was decisive. He tried
14 to surround himself with competent
15 professionals and was focused on the team.

16 Q Do you believe he made any
17 mistakes as CEO?

18 A I don't think there is a role in
19 corporate America where CEOs don't make
20 mistakes, so I think by definition he must
21 have made some mistakes. I can't think of any.

22 Q What was his most significant
23 mistake, in your view?

24 A Nothing comes to mind.

25 Q Mr. Maheras, I act as an adjunct

1 Interview - THOMAS MAHERAS
2 professor and so I have to give students
3 grades. So, my question to you is: If you
4 had to give a grade, a letter grade, to Mr.
5 Prince as CEO of Citigroup, what would that
6 grade have been?

7 A That is not for me to say. I am
8 not that comfortable with the idea of
9 assigning grades, given the fact that I
10 don't have a pre-existing comfort level with
11 that as you do.

12 Chuck was a very competent guy
13 and he was very, very smart, thoughtful. To
14 the extent that we all missed this crisis
15 that we did not anticipate for that aspect
16 of our day-to-day roles, I would say we all
17 get a poor grade for that part of it. And
18 then there are broad swaths of what he did
19 or others did in the organization where the
20 job done was extraordinary and very good.

21 I can't, I wouldn't be able to
22 assign a letter grade.

23 Q What was your biggest mistake as
24 head of the investment bank?

25 A With the benefit of hindsight, I

1 Interview - THOMAS MAHERAS

2 missed and I very much regret missing that
3 disaster that came to pass.

4 Q What involvement did you have in
5 setting the limits of the positions that
6 Citigroup could hold, either in warehousing
7 or in super senior tranches of CDOs? What
8 involvement did you have?

9 A I didn't have any specific role
10 with respect to that beyond -- well, let's
11 take a step back.

12 Business units would regularly
13 size what they thought they needed for
14 limits and would put them forth, and they
15 would engage with the risk management
16 counterparts in the independent chain, and
17 there would either be agreement or there
18 would be some lack of agreement. To the
19 extent that there was a lack of agreement,
20 things would get escalated within the
21 respective chains to force a higher level of
22 discussion.

23 So I would say my involvement
24 would be, would have been in areas where
25 very significant commitments were being

1 Interview - THOMAS MAHERAS
2 taken, very large risks like committing to a
3 bridge loan to a leveraged buyout sponsor,
4 and working within the parameters of risk
5 constructs. If appeal needed to be made to
6 address limits, I would be brought into
7 those from time to time.

8 If risk management had a point of
9 view that they wanted to be sure that the
10 senior business people were aware of those
11 requests that were being made of them in
12 risk, they would occasionally inform us of
13 limit requests being made.

14 So there was a myriad of ways
15 where I would be involved. I didn't have
16 any specific role, but I would occasionally
17 be a person that would get in the way of a
18 recommendation or often be a person who
19 would be an advocate or a person in support
20 of what I heard when asked, but I didn't
21 have a role in risk limit setting.

22 The process really worked between
23 the business units and the risk chain all
24 the way up to the top. It was something
25 they were accountable to, and they also

1 Interview - THOMAS MAHERAS

2 documented it and monitored very robustly
3 all the individual limits as well as the
4 clusters, the larger groupings.

5 Q Speaking specifically of limits
6 on CDOs, CDO positions, what role would you
7 have had in the setting of those limits?

8 A I don't believe I would have had
9 any.

10 Q Did you know at the end of 2006
11 what the limits were on CDOs and the CDO
12 positions that Citigroup held?

13 A At the time it is possible I
14 would have known some or all of what were
15 viewed to be the risky positions if they had
16 been presented to me. I don't know if I
17 knew at that point in time.

18 I am confident I wouldn't have
19 known all the underlying risk limits because
20 I am sure that business like all the other
21 businesses had pages of line item detail,
22 specific amounts that they had authorities
23 for. I would not have known that. It is
24 highly unlikely that I would have known that
25 detail.

1 Interview - THOMAS MAHERAS

2 Q Who is Murray Barnes?

3 A That name rings a bell. I
4 believe he was a risk manager in independent
5 risk.

6 Q Have you ever had a meeting with
7 Mr. Barnes?

8 A Not that I am aware of, but I
9 have certainly heard the name over the
10 years, so he could have been in meetings
11 that I attended. But I wouldn't, if he was
12 sitting right here I wouldn't know him by
13 name.

14 Q Have you ever spoken to Mr. Barnes?

15 A I don't know.

16 Q Did you ever have any discussions
17 at any time that you can recall with anyone
18 concerning the appropriate limit to have
19 with respect to any CDO position?

20 A I don't know. Not that I recall.

21 The broader limit for super
22 senior, away from the underlying other CDOs,
23 but the broader limit for super senior I
24 recall being discussed once or twice over
25 the years, just the topic, and then the

1 Interview - THOMAS MAHERAS
2 detail level line item by line item, CDO
3 type limits that would have come from a
4 report like the one I was shown earlier, I
5 would have had occasion to see from time to
6 time possibly but not with any certainty.

7 Q Has anyone in senior management
8 at Citigroup or on the board of directors of
9 Citigroup ever criticized you for your
10 performance?

11 A No.

12 Q Has any investor to your
13 knowledge -- and let me, since there are
14 many investors in Citigroup, let me say we
15 will say an investor with a larger than one
16 percent stake in Citigroup, a significant
17 shareholder, has any significant shareholder
18 to your knowledge criticized you for your
19 performance?

20 A No.

21 Q Were you on call in the fall of
22 2007 with the Abu Dhabi Investment Authority?

23 A I don't think so.

24 Q Do you recall any call in the
25 fall of 2007 with the Abu Dhabi Investment

1 Interview - THOMAS MAHERAS

2 Authority?

3 A No, I don't think I have ever met
4 anyone from there or spoken to anyone from
5 there.

6 Q Have you ever spoken to the
7 prince of Saudi Arabia?

8 A No.

9 Q Are you aware that he was an
10 investor in Citigroup?

11 A Yes.

12 Q Have you ever attended any
13 meetings where he was present?

14 A My co-head did. I did not.

15 Q When was that?

16 A I don't know. I just recall him
17 telling, giving accounts of one or two
18 meetings with the prince. I have never met
19 the man.

20 Q Mr. Maheras, do you ever recall
21 Mr. Bushnell ever warning anyone about a
22 potentially dangerous market event on the
23 horizon?

24 A No.

25 Q Do you ever recall Mr. Bushnell

1 Interview - THOMAS MAHERAS
2 ever giving any general warnings about
3 market events that might be on the horizon?

4 A Well, let me try to be clear in
5 my answer, or I should say understand your
6 question. In his role as risk manager, he
7 would regularly comment on clouds, if you
8 will, just to use, or risks that were out
9 there.

10 So I am sure I heard him comment
11 with some frequency, as I did myself with
12 some frequency, about risk factors or
13 potential risks to the system. But I don't
14 recall any specific events, any
15 conversations or any specific events of
16 warnings or any of the like.

17 Q Do you recall any warnings by him
18 with respect to mortgages or housing?

19 A No.

20 Q What is your view of Mr. Bushnell
21 as the chief risk officer of Citigroup?

22 A I thought David was an
23 exceedingly experienced and bright guy for
24 that role. He had 20-plus years of business
25 experience in a number of areas. He brought

1 Interview - THOMAS MAHERAS

2 that experience to bear in a way that was
3 very, very positive.

4 I have seen a lot of risk
5 managers at our place and other firms over
6 the years, and I thought he compared very
7 favorably. I thought he was a very strong
8 example of a senior risk manager.

9 Q In your opinion, do you believe
10 that he had the appropriate resources and
11 tools needed for that position? Do you
12 know?

13 A Well, as someone who was
14 allocated a bill from risk management, I
15 would say he had very, very significant
16 resources.

17 The resources given to risk
18 management over my last five years at the
19 firm grew dramatically faster than the rest
20 of our expenses, and certainly faster than
21 our revenues, because I was receiving
22 allocations that were quite sizable.

23 Q Did you have a role at all in
24 commenting or setting or contributing to Mr.
25 Bushnell's compensation?

1 Interview - THOMAS MAHERAS

2 A No.

3 Q Did anyone ask your opinion when
4 it came to compensating Mr. Bushnell?

5 A Not that I recall.

6 Q How often would you yourself
7 appear before the board of directors?

8 A In my last year or two at the
9 firm I would have appeared at least once a
10 quarter to present to the audit committee,
11 be part of a presentation of presenting
12 groups to the audit committee. That was set
13 by the board's schedule.

14 We were at our level of
15 management, the business heads group, we
16 were invited to all of the board dinners
17 that coincided with the two-day board
18 meetings, four or five times year, so we met
19 with the board at those dinners. We had
20 annual off-sites, strategy off-sites that
21 lasted for a few days with the board of
22 directors in different locations annually.

23 And in addition to that, there
24 were occasions for presenting plans that we
25 would be called to do by our senior

1 Interview - THOMAS MAHERAS
2 management on an ad hoc basis with some
3 frequency. So, an example would be that
4 fixed income business review and investment
5 plan; that required a couple of one-off
6 board meeting presentations.

7 Q Do you ever remember in your
8 interaction with the board, the board or any
9 board member ever expressing concern about
10 the level of risk that the investment bank
11 was taking on?

12 A No.

13 Q I came in while you were being
14 asked a lot of questions about your
15 knowledge of CDOs, and what I would like to
16 get a sense from you is, let's take 2006 as
17 an example.

18 In 2006, if you had to draw a pie
19 chart, a big circle of a pie chart, what
20 percentage of that pie chart would have been
21 devoted to you thinking about CDOs,
22 specifically about CDOs or anything related
23 to CDOs? What percentage of your time, in
24 other words, in 2006 was devoted to you
25 thinking about issues relating to CDOs?

1 Interview - THOMAS MAHERAS

2 A It is certainly under one
3 percent, but I would assume it is not
4 immaterially below one percent.

5 Q Would that less than one percent
6 figure be --

7 A A small fraction of one percent.

8 Q Would that small fraction of that
9 figure be a fair assessment of the time you
10 spent in 2005?

11 A Probably.

12 Q What about 2004?

13 A The same.

14 Q 2003?

15 A My guesses are getting older.

16 In 2003 I was still running fixed
17 income, so maybe it was marginally higher,
18 one percent.

19 Q What about in 2002 when you were
20 running fixed income, how much time would
21 you spend in that year thinking about CDOs
22 or anything related to CDOs?

23 A It was very, very far at that
24 time from the core activity. It was
25 actually through that whole period very far

1 Interview - THOMAS MAHERAS
2 from the core activity, so it would have
3 been a very limited amount of time.

4 Q I am going to ask the same
5 questions in 2007, but I want to divide 2007
6 up. January, starting January 1st, 2007, to
7 June 30, 2007, how much time did you devote
8 to thinking about CEOs in that time period
9 of the total percent?

10 A It is a tough question. Probably
11 a couple, two, three, four percent, probably
12 the lower end of the range. Somewhere in
13 that area would be my best guess.

14 Q July 1st, 2007, through your last
15 day at the firm, your last day at Citigroup,
16 how much percent of your time did you devote
17 to thinking about CDOs or issues related to
18 CDOs?

19 MS. BUERGEL: Do you really
20 think this is a useful question?

21 MR. BONDI: I do.

22 THE WITNESS: I am just
23 thinking in terms of the long list of
24 fires we were grappling with at the
25 time. It was one of many, and then

1 Interview - THOMAS MAHERAS
2 part of the day was dedicated to other
3 things as well as just the fires.

4 So my best guess would be a
5 few, up to five percent at the most.

6 MR. RICHARDS: I take it these
7 are rough estimates.

8 THE WITNESS: These are very
9 crude guesses. I am thinking in terms
10 of hours per week of meetings, I am
11 thinking of the many areas in the firm
12 where we were dealing with very
13 challenged markets, of which the CDO
14 business was just one of many.

15 BY MR. BONDI:

16 Q Mr. Maheras, I do appreciate that
17 hindsight is always 20/20, but we are trying
18 to get at obviously the causes of the
19 financial crisis and issues that caused
20 difficulties at Citigroup and looking
21 forward to the future as well.

22 And my question to you is, in
23 hindsight, what could you have done
24 differently to have minimized or reduced the
25 losses associated with the CDO business?

1 Interview - THOMAS MAHERAS

2 A In theory I could have decided
3 that we are not in the business and sell
4 everything, just get out of the business.
5 That wouldn't get past theory, though,
6 because it was one of the, it was a business
7 within one of the priority areas of fixed
8 income which had recently been, or was being
9 in process of being invested in.

10 I could have found myself with a
11 certain amount of prescience to see what was
12 coming that was not within our frame of
13 reference and acted on that, again in theory.

14 I can't think of many things I
15 could have done other than -- to avoid what
16 ultimately came to pass as very, very large
17 losses; you know, the market eroded much
18 more significantly after I was gone. To
19 have gotten in the way of those later losses
20 I would have had to have had an ability
21 which, this was not within our frame of
22 reference in terms of possibilities, to see
23 this cataclysmic turn in housing.

24 Q Were there any tools in hedging
25 that you could have utilized to reduce your

1 Interview - THOMAS MAHERAS
2 exposures on CDOs?

3 A Our people were availing
4 themselves of all the tools at their
5 disposal to do just that. The game plan was
6 to reduce all the risky CDO trading areas'
7 exposures from much earlier in the year, so
8 that was in motion.

9 There was no focus on these areas
10 that were perceived to be part of that 1.3
11 to \$1.4 trillion balance sheet for which we
12 and the investment bank were responsible.
13 This super senior piece of it was a
14 relatively small piece of what was probably
15 a trillion-plus of the total, which was
16 triple A or better in quality. It just
17 didn't get any attention. It was not viewed
18 to be attention-worthy or area of risk.

19 But the areas that were
20 understood to be risky tied up most of our
21 time, and they would have been that smaller
22 subset of the entire balance sheet that
23 attracted a lot of attention in terms of
24 time spent trying to sell, time spent trying
25 to hedge, you know, directives from

1 Interview - THOMAS MAHERAS
2 different levels of management below me in
3 our chain to do such.

4 Q One name I didn't ask about, BeBe
5 Duke; how often would you have interacted
6 with Ms. Duke during your course as co-head
7 of the investment bank?

8 A Probably a few times a week.

9 Q And what were the nature of those
10 interactions?

11 A She would have attended some of
12 our CMV management committee meetings. She
13 would have -- BeBe, Pat and I had a
14 regularly scheduled monthly meeting, if I
15 remember correctly, just for the three of us
16 and no one else present, to ensure that, you
17 know, any observations were being raised
18 that were worthy of discussion away from the
19 broader settings.

20 I would see her occasionally in
21 the weekly or biweekly CIB risk management
22 committee meeting, and then again any
23 additional ad hoc items that would have been
24 coming from me or from her.

25 Q Did you have any supervisory role

1 Interview - THOMAS MAHERAS

2 over Ms. Duke?

3 A She was part of the independent
4 chain. To the extent that she participated
5 in CIB management, I guess I would have had
6 an indirect relationship to be able to call
7 meetings that she would attend or things
8 like that. But I was not responsible for
9 paying her, and she and her co-head reported
10 to David Bushnell in the independent chain.

11 Q Did you ever have any
12 interactions with anyone from New Century, a
13 mortgage company?

14 A I know who they are. I am trying
15 to distinguish them from some of the other
16 subprime lenders.

17 I know our firm did business with
18 them. I don't recall ever having met
19 personnel from there, but it is possible
20 over 20 years. I am confident it never
21 happened in the last few years.

22 Q In your role in fixed income or
23 as co-head of the investment bank, what
24 subprime originators do you remember having
25 meetings with, you personally?

1 Interview - THOMAS MAHERAS

2 A None. I don't think I met
3 personally with the individuals from that
4 entity that we were acquiring, either.

5 Q Did you have any role in the
6 establishment of warehouse funding lines to
7 subprime originators?

8 A No, not directly.

9 Q Do you recall any meetings
10 following New Century's bankruptcy
11 concerning the mortgages that Citigroup may
12 have purchased from New Century?

13 A No.

14 Q Do you recall any meetings that
15 you attended concerning or around New
16 Century's bankruptcy?

17 A Not knowing as I sit here today
18 what our exposure was to them, if we had an
19 exposure and they went through bankruptcy, I
20 could have been invited to a meeting or at a
21 meeting where that was discussed. I don't
22 recall any events with New Century that
23 would have impacted us, so I don't recall.

24 Q What was the first time you, Mr.
25 Maheras, became concerned with the exposure

1 Interview - THOMAS MAHERAS

2 that Citigroup had to CDOs?

3 A When I started seeing, I suspect
4 it was when I started seeing volatility and
5 P and L losses around the first quarter,
6 around that time.

7 Q The first quarter of 2007?

8 A Of 2007, I am sorry.

9 Q A little housekeeping matter, Mr.
10 Maheras. Have you ever given testimony or a
11 deposition before?

12 A Yes.

13 Q In what context?

14 A I recall being witness to a probe
15 by the SEC with respect to Citigroup. I
16 recall being deposed in certain civil
17 lawsuits, a couple over the 23 years that I
18 was there. I recall being deposed in a
19 marital case involving an employee in our
20 division.

21 Q Are you currently named as a
22 defendant in any litigation?

23 A I believe I am named in a handful
24 of civil suits. And that is the depth of my
25 understanding, so I defer to counsel to

1 Interview - THOMAS MAHERAS

2 explain more.

3 Q Fair enough.

4 Where do you work now?

5 A I am managing my own small
6 investment fund.

7 Q Do you have any interactions with
8 Citigroup on a professional level?

9 A Yes.

10 Q What are those interactions?

11 A They are one of many dealer
12 counterparties that I engage with in
13 transacting trades.

14 Q And what is your title and role
15 at the firm you are with now?

16 A I am the owner, founder, I guess
17 managing member of the entity, the
18 management company, and, practically
19 speaking, the CIO, chief investment officer.

20 Q What is the name of that firm? I
21 am sorry?

22 A It is not well-branded yet.
23 Tegean Capital Management.

24 Q I won't ask the origin of the
25 name.

1 Interview - THOMAS MAHERAS

2 Mr. Maheras, is there anything
3 that you were expected to be asked today
4 that you weren't asked?

5 A No, and I didn't really have much
6 of a feeling about what to expect. I
7 haven't been involved in a situation like
8 this before, so I --

9 Q Mr. Maheras, my last question is,
10 is there anything with respect to the
11 financial crisis or with respect to what
12 happened with Citigroup that you feel that
13 we ought to know that we haven't discussed
14 today?

15 A I feel like we have discussed a
16 lot that is important, at least from my
17 perspective. I feel we have been on a lot
18 of important topics. Away from that, no.

19 MS. NORMAN: As a housekeeping
20 matter, if you think of additional
21 things that you think we should know
22 or that would help us in our charge,
23 please let your counsel know and he
24 will let us know, because we are going
25 to continue in our work. We are

1 Interview - THOMAS MAHERAS

2 certainly open to that.

3 Counsel, want to add anything?

4 MR. RICHARDS: No. No, thank
5 you. Thanks for the opportunity.

6 MR. BONDI: Mr. Maheras, our
7 inquiry is confidential in nature, and
8 so we would ask outside of your
9 lawyers if you don't discuss what we
10 talked about here today.

11 THE WITNESS: I appreciate
12 that. I was curious about that.
13 Thank you.

14 (Time noted: 5:18 p.m.)

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1 Interview - THOMAS MAHERAS

2 E X H I B I T S

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4 PAGE

5 Citi FCIC 91342, Citi markets and 77

6 banking market risk management

7 2007 annual limits book, was

8 marked TM Exhibit 1

9

10 Citi FCIC 91342 and Citi 91499 78

11 was marked TM Exhibit 2

12

13 E-mail string from Thomas Maheras 81

14 to Richard Stuckey on March 13,

15 2007, Citi FCICE 909935, was

16 marked TM Exhibit 3

17

18 Offering circular of Ridgeway 99

19 Court Funding 2, LTD, dated

20 August 28, 2007, was marked TM

21 Exhibit 4

22

23 Document entitled End to End 108

24 Mortgage, Citi FCICE 00817487,

25 was marked TM Exhibit 5

1 Interview - THOMAS MAHERAS
2 Document Citi FCICE 974340 was 112
3 marked TM Exhibit 6
4
5 Document Citi 73991 to 74007, 144
6 "Overview of subprime exposure in
7 the global structured credit
8 products business," dated
9 April 2007, was marked TM
10 Exhibit 7
11
12 Citi FCICE 976026, e-mail from 159
13 Tom Maheras dated April 3rd to
14 Dianne Arber, was marked TM
15 Exhibit 8
16
17 Citi FCIC 99654, a PowerPoint 171
18 presentation entitled "CEO
19 discussion on global credit
20 markets," dated September 12,
21 2007, was marked TM Exhibit 9
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Interview - THOMAS MAHERAS
CERTIFICATION

I, JESSICA R. BERMAN, a Notary Public
for and within the State of New York, do
hereby certify:

That the witness whose testimony as
herein set forth, was duly sworn by me; and
that the within transcript is a true record
of the testimony given by said witness.

I further certify that I am not related
to any of the parties to this action by
blood or marriage, and that I am in no way
interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set
my hand this 16th day of March, 2010.

JESSICA R. BERMAN