FINANCIAL CRISIS INQUIRY COMMISSION

Interview of THOMAS MAHERAS

March 10, 2010
1285 Avenue of the Americas
New York, New York
9:30 a.m.
APPEARANCES OF COUNSEL:

FINANCIAL CRISIS INQUIRY COMMISSION
1717 Pennsylvian Avenue NW, Suite 800
Washington, DC  20006
BY: DONNA NORMAN, Senior Counsel
    BRADLEY J. BONDI, Assistant Director and
    Deputy General Counsel (where indicated.)
    Karan Dubas, paralegal

RICHARDS KIBBE & ORBE, LLP
On behalf of the Witness
One World Financial Center
New York, New York  10281
BY: LEE S. RICHARDS, ESQ.
    DANIEL ZINMAN, ESQ.

PAUL, WEISS, RIFKIND, WHARTON & GARRISON, LLP
On behalf of the Witness
1285 Avenue of the Americas
New York, New York  10019
BY: BRUCE BIRENBOIM, ESQ.
    MICHAEL BERGER, ESQ., (where indicated)
    SUSANNA BUERGEL, ESQ.
    ASAD KUDIYA, ESQ. (where indicated)
Interview - THOMAS MAHERAS

BY MS. NORMAN:

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

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


Q    And are you represented by counsel this morning?

A    I am.

Q    Would your counsel identify themselves for the record?

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

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

BY MS. NORMAN:

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

A    Yes.

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

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

BY MS. NORMAN:

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

The Commission is also charged with composing a report of the findings for the President and Congress and the American public which is to be delivered by
Interview - THOMAS MAHERAS


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

A Okay.

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

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

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

A No.
Interview - THOMAS MAHERAS

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

A Okay.

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

A Okay.

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

Could you briefly articulate your
Interview - THOMAS MAHERAS

post secondary education?
A Yes. I graduated from the University of Notre Dame in 1984.

Q Do you hold any professional degrees, licensures?
A Licenses, I am sure I have a few. I can't tell you with great specificity which I have that would still be current, but I had many registrations and series tests along the way. I just can't tell you with any --

Q Trading licenses?
A Yes.

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

Q And to the best of your recollection, the dates can be approximations. We would just like to get an understanding of your background.
Interview - THOMAS MAHERAS

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

Sometime soon thereafter I became a high yield bond trader. A couple of years later I moved to a different trading desk, investment grade trading desk, I believe it was called intermediates at the time. Shortly thereafter I traded utilities, again another trading desk within the investment grade corporate credit department.

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

I continued to do that over the next six or seven years through the iterations of what then became Salomon Smith Barney after the acquisition by Travelers Group of Salomon Brothers, followed by the
creation of Citigroup which was the combination of Citibank and Travelers Group. Through that period until late '03 I was running the growing business of global fixed income to incorporate the parts that came with those various acquisitions and mergers. Then in late '03 or early '04 I became head of what was called global capital markets, which meant I added the responsibility of the equities business globally as well to the prior role of running the fixed income businesses around the world. It was called global capital markets.

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

Q When you were the senior high yield trader at Salomon, did you do high yield bond CDOs?
A Not that I recall.
Q What was your first exposure to
CDO trades at Citi?

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

Q    So, were you ever a CDO trader yourself?

A    No.

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

A    Yes. There was a Treasury committee called Treasury Borrowing Advisory, TBAC, Treasury Borrowing Advisory Committee, which has been in existence for at least 50 or 60 years. It was a committee comprised of banking, sell side we would call it, so individuals from the investment banks and commercial banks, as well as from what we would call the buy side. The buy
Interview - THOMAS MAHERAS

side would be certain large investors, both
traditional investors and alternative
investors. And it was a committee that
advised the Treasury on its borrowing
programs on a quarterly basis.

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

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

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

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

A I was a member for the first five
years or so, and I was the -- I became vice
chairman for 12 to 18 months, and then I was
the chairman of the committee in the last 12
Interview - THOMAS MAHERAS

to 18 months.

Q So you were chairman of the committee in 2006 and 2007, parts of 2007?
A I believe so.

Q And how large was the committee?
A It varied over time, as I recall, but I would say it approximated 12 individuals or more for certain stretches of time.

Q How did you come to be on the committee?
A I replaced a former long-serving member from our firm at the point I started.

Q Who was that?
A Dale Horowitz.

Q Did other major U.S. investment banks have representation on the committee as well --
A Yes.

Q -- during 2006 and 2007?
A Yes.

Q How many seats were reserved for business executives from U.S. investment banks?
A My recollection would be that
Interview - THOMAS MAHERAS

roughly half the committee came from what I refer to as the sell side, and that would mean both the investment banks as well as the commercial banks.

Q    During the 2006 and 2007 time period, do you recall any advice or recommendations that the committee made while you were chairman to the Treasury?
A    No.

Q    Did the topic of subprime lending ever come up in the context of the Treasury advisory committee meetings?
A    I don't recall.

Q    Did the advisory committee submit written reports to the Treasury?
A    We did.

Q    Would that be on a quarterly basis?
A    Yes.

Q    What would be the general substance of said reports?
A    The reports generally started with a discussion of the economic backdrop in this country -- well, actually, perhaps
Interview - THOMAS MAHERAS

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

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

A He would occasionally attend
meetings or gatherings.
meetings or gatherings.

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

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

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

A I don't know. They -- I believe
these were formally released, they were required to be formally released. So, I can't say if Citi kept copies or made an effort to see them. I don't know.

Q So the reports themselves became part of the public record?
A Yes.

Q In 1996 when you became head of global fixed income, according to some press articles that I came across, you were widely credited with turning around Salomon's money-losing mortgage securities business. Is that accurate?
A Is it -- can you clarify the question?
Q Sure.

When you became head of global fixed income, is it fair to say Salomon's mortgage securities business was losing money?
A When I became head of fixed income I do not believe it was, the mortgage business was losing money. When I became head of mortgages in the prior role, I
believe it was losing money.

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

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

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

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

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

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

Q  Would you be more specific about
the environment improving?

A  Sure. In 1994, fixed income
markets had a material dislocation. It was
around the time that the Fed started to raise short-term interest rates, and many mortgage securities saw an erosion in value based on embedded options in the securities, or driven by embedded options in the securities. So the industry as a whole was challenged in mortgage securities trading, as I recall, and things stabilized throughout 1995 and certainly improved thereafter in the markets.

Q: What improvements to risk management systems did you make as head of the mortgages desk at Salomon.
A: I don't recall today.
Q: Can you give me any idea what you meant when you said improvements to risk management systems were made?
A: Well, what I said is I am sure there were improvements. I am sure that there were improvements in the systems in terms of the way we measured the risks in the business. There would have been at that time lessons learned around a very
challenged market environment, but I can't recall specifically any specific changes.

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

A I don't recall.

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

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

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

A Well, I had the opportunity to observe firsthand that which I had encountered previously in my career, that markets can lose liquidity and react violently from time to time. And that period as I recall was less about mortgages and more about a broader market challenge
Interview - THOMAS MAHERAS

and reduced liquidity across all fixed income areas, including mortgages.

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

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

MS. NORMAN:  I am sorry, Salomon.

THE WITNESS:  It was Salomon Brothers.

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

BY MS. NORMAN:

Q    Absolutely.

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

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

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

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

A    No.

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

A    Yes, I believe it was late 1996.

Q    Who did you report to at that time?

A    After taking that responsibility or before?

Q    After.

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

Q    Can you spell the last name?


Q    What was his title?

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

Q    And in 2004 you became the head of global capital markets and added equity
Interview - THOMAS MAHERAS

and fixed income to your charge, is that correct?

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

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

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

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

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

Q    And in 2003, did the RMBS
Interview - THOMAS MAHERAS

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

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

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

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

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

Q From 2003 to 2007 -- and you can
Interview - THOMAS MAHERAS

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

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

In 2003 and 2004, is that the
question?

Q Yes.

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

Q What was his title at that time?

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

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

A To Chuck Prince.

Q In 2003, 2004 --

A I am sorry. I reported to Chuck
Prince in his role as head of the corporate
and investment bank before I reported to Bob
Druskin in that same role after Chuck's
elevation to become CEO of Citigroup, so I
Interview - THOMAS MAHERAS

may have misspoken.

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

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

A    Yes.

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

A    Are you asking me about the
period before I became head of global
capital markets, which was either late '03
or early '04, or after? It was around that
time I became head of global capital markets.
Q    When you became head of global capital markets, who reported directly to you?
A    The heads of the fixed income business at that time were Geoffrey Coley and Randy Barker; Jamie Forese, who headed our global equities business would have reported to me; Ward Marsh, who ran our municipal securities division, reported to me; Andy Hall, who ran the PHIBRO entity, which was a commodity trading operation.

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

Q    When you became the co-head of CMB, who reported directly to you?
A    Those same individuals largely. I don't think there were many changes in personnel at that level.

Paco Ybarra had become head of or a co-head of fixed income, joining the other
two fellows. I also had responsibility for the functional areas in the investment bank and the regions, so the heads of the regions around the globe in the capital markets and banking, the corporate investment bank activities reported to me. So that would have been comprised of Bill Mills in eastern, in Europe, the Middle East and Africa, what we called EMEA. It would have been Bob Morse in Asia, I think Fernando Quiroz in Mexico, and Latin America would have been Gustavo Marin at that point.

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

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

Q When in 2007 did you become the co-head of CMB?
There were two iterations. In the very beginning of '07 I think we became, my partner and I became co-presidents.

Q Who was your partner?

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

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

A I believe it was January. And then in the next couple of months, I don't know if it was one, two or three months, Bob Druskin decided to give up his title as CEO of the division, where he had also been chief operating officer of Citigroup since that point in early '07. He gave up the role of being head of the Citi markets and banking, or again it may have been called capital markets and banking, to give his full time to being chief operating officer of Citigroup, at which point I became co-head, CEO, of the division with my partner.
Interview - THOMAS MAHERAS

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

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

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

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

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

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

A I would generally not become aware of individual deals.

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

A I am sure I did.

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

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

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

A I don't know.

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

MS. NORMAN: ABS with some RMBS component.

MS. BUERGEL: Understood.

BY MS. NORMAN:

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

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

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

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

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

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

business ever reaching the level of requiring approvals at the level of my role. So, depending on the relative riskiness of a type of commitment that the firm would make, there were different thresholds. An example would be a commitment to take down an equity offering would have a lower threshold than a commitment to take down a triple B bond offering from a corporate issuer would be, you know, would have a higher threshold for a double A corporate bond offering or a sovereign exposure, if you will. So there were thresholds and authorities that were, there was a robust architecture for risk limits and authority limits around all the different activities in the investment bank.

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

Q What do you mean by take down?

A Making commitments, making commitments to buy or commitments to own or
commitments to bridge certain types of activity on behalf of clients.

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

A    Aware of investor inquiry --

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

A    I don't think so.

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

A    Can you repeat the question?

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

MS. BUERGEL: Are you referring to the modeling in the structuring process as opposed to you are saying sort of valuation modeling? There was a process at the end of '07 that is sort of distinct from the ongoing business, just to be clear about what you are asking about.
Interview - THOMAS MAHERAS

MS. NORMAN: Fair enough.

BY MS. NORMAN:

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

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

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

A    None that I recall. Maybe I wasn't very clear. I would have had no involvement unless there was something about a piece of business that required my attention or -- well, my attention, in this example.

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

A    No.

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

A    No.
Interview - THOMAS MAHERAS

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

Q How profitable was the CDO desk in 2003?

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

Q Billions of dollars of revenue for Citi?

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

MS. NORMAN: Profits.

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

BY MS. NORMAN:

Q Do you know what it was in 2006?

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

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

MR. BIRENBOIM: Just for fixed income.
Interview - THOMAS MAHERAS

MS. NORMAN: Yes.

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

MS. NORMAN: Yes.

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

BY MS. NORMAN:

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

A I believe so.

Q Why?

A Well, my recollection is that the structured credit business was an increasingly, it was a growing business in the industry, so there would have been a lot of client demand. And we were always seeking to build our capabilities to serve our clients, and that would have been -- the structured credit business overall would have been a growing business with certain DNA. Assume within it the CDO subset would
Interview - THOMAS MAHERAS

be the same.

Q    What was Citi's ranking among CDO issuers in 2003?
A    I don't know.

Q    Do you know what it was in 2007?
A    I don't know what it was exactly, but I do recall from the events of '07 coming to learn that we were amongst the market leaders.

Q    Do you recall learning in 2003 Citigroup was the sixth largest issuers of CDOs, and that by 2007 Citi was the largest issuer in the world of CDOs?
A    I may have learned that at the time, but I don't recall those rankings.

Q    It is not something you would have been aware of as co-CEO or co-head of CMB?
A    It is something I perhaps would have been aware of at the time. I don't know today what the rankings were in those periods you are referencing.

Q    What specific things accounted for Citi's increased market share during
Interview - THOMAS MAHERAS

that period of time in 2003 to 2007 in the ABS CDO business?

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

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

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

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

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

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

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

A I believe so.

Q Is that a yes?

A Yes.

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

A I don't know.

Q Do you have any idea?

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

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

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

some combination of better attention and
focus, more investment in the business, and
perhaps better execution.

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

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

A    Not that I am aware of.

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

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

BY MS. NORMAN:

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

A    Those numbers, no. But as I
Interview - THOMAS MAHERAS

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

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

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

Q    You don't recall if you were?

A    No.

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

A    I do recall meetings with management around the overall fixed income game plan, the overall fixed income strategy.
Interview - THOMAS MAHERAS

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

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

I don't recall as I sit here today the CDO component of that business being prioritized. I do recall CDOs being part of a larger business unit which was called structured credit at the time which was part of a growth strategy, and some
Interview - THOMAS MAHERAS

investment of resources that was discussed actively at senior management.

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

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

Q Before you were co-head of CMB?

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

Q Was that Mercer Oliver Wyman?

A I believe that is right.

Q Do you recall -- let me --

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

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

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

BY MS. NORMAN:

Q It is approximately 10:40 on March 10th, 2010, and we are back on the record after a brief break in which no
Interview - THOMAS MAHERAS

substantive conversations occurred.

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

A    Yes.

Q    And what can you tell me about those conversations?

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

BY MS. NORMAN:

Q    You can answer.

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

There were a number, I don't
recall, but my best recollection it was somewhere between, somewhere mid- to high single digits, numbers of businesses within fixed income that were highlighted and prioritized in that analysis. It was a multi-month strategy analysis aided by an outside consultant.

Amongst the businesses that were recommended for further investment and growth was the structured credit business. The structured credit business was an activity within global credit markets, was one of many businesses that were part of the credit markets unit, and the credits markets unit was one of many businesses that was part of, comprising the global fixed income business. So within fixed income, structured credit again was one of many priorities coming out of that investment analysis, resourcing analysis, review, whatever the right terminology should be.

Structured credit itself was a priority, and I recall clearly that that was discussed at all levels of senior management
as something to invest in. The structured credit business comprised a number of different activities, of which the CDO business was one. I do not recall the CDO business attracting the same attention or having a, or where there was a view that Citigroup was behind scale in that business.

I do recall a view that structured credit warranted investment. I do not recall a view that the CDO activity within structured credit warranted any investment.

Q    Do you recall any discussion of the CDO unit within structured credit at that time?
A    No.

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

Q    To the end of 2006, yes.
A    As I sit here, no. To the extent that it could have possibly come up within the purview of this broader structured
Interview - THOMAS MAHERAS

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

Q    Did you do anything to prepare for today's interview?
A    Yes.

Q    What was that?
A    I met with my counsel on a couple of occasions, and that is it.

Q    Did you review any documents to prepare for today?
A    I was shown a couple of documents, I think just a couple of documents.

Q    What documents were you shown?
A    I don't recall.

Q    Do you recall the nature of those documents?
A    They looked like internal management reports or presentations. And again it was just, I think we only looked at a couple. I would defer to counsel on this because I don't recall exactly what I saw.

I am sorry; I did look at the, I looked at the testimony that I provided two
Interview - THOMAS MAHERAS

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

Q Did you look at any exhibits accompanying that transcript?
A No.

Q How long ago were these preparatory meetings for today?
A In the last week.

Q And you don't recall what documents you saw?
A By name or title, no.

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

Q Did they refresh your recollection at all about your experiences with the CDO business from 2003 to 2007?
A Those documents?

Q The documents and the preparatory sessions that you had for today, reviewing
Interview - THOMAS MAHERAS

the SEC testimony that you gave?

A To the extent that it refreshed

my memory of the testimony of two years ago,

it refreshed my recollection in some areas.

Q Whose responsibility in 2003,

2007 would have been the direct oversight of

the CDO desk at Citi?

A In 2003 to 2007 --

Q Sorry. You can limit that to

2004, if that is helpful.

A At a direct level or at a senior

management level?

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

A Some of the names I recall whose

exact responsibility levels are not clear to

me today, and I am not sure they would have

been to me in those years either, they were

a number of layers down in the organization,

were Janice Warren, Nestor Dominguez; they

were in that business.

Whether they headed it or whether

they were, whether they headed it that whole

time or transactors, I am not sure, but
those two would have been long-term experienced professionals either running part of or running all of that business, as I recall.

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

A My direct reports.

Q Who would you call specifically about the CDO business?

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

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

A In a granular fashion I would not have, but I would expect that through the chain of command they would be the right
Interview - THOMAS MAHERAS

people to start with and to speak to elements of their business.

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

A Yes.

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

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

Q What do you mean by superficial supervisory capacity?

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

Q Would you expect them to be familiar with the risks to Citi's P and L that the desk was incurring, the risk limits of the desk?
Interview - THOMAS MAHERAS

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

Q    On a monthly basis?
A    On any basis.
Q    From 2004 to 2007, do you recall
anyone in the Citi organization being
bearish on the CDO business at Citi?
A    Bearish on the business?
Q    Yes.
A    Not that I recall.

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

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

THE WITNESS: Oh, I recall
significant challenges in subprime
CDOs from the early part of '07
onward, but I thought you were asking
about bearishness about the CDO
Interview - THOMAS MAHERAS

business, meaning the unit, the
quality of professionals.

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

Thanks for the clarification.

BY MS. NORMAN:

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

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

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

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

A    No.

Q    Are you sure?

A    In terms of creating them or
Interview - THOMAS MAHERAS

structuring them?

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

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

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

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

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

Q  As you sit here today, do you
Interview - THOMAS MAHERAS

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

A    Not necessarily.

Q    Can you answer that with a yes or no?

MR. BIRENBOIM: His answer is what

his answer is.

BY MS. NORMAN:

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

A    With the benefit of hindsight?

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

A    Not necessarily.

Q    What do you mean by that?

A    What I mean is that these were extremely safe instruments, or perceived to be. With the benefit of hindsight we have come to learn that the catastrophic downturn in housing led to housing prices going down by such an, to such an order of magnitude that ended up turning these extremely safe
Interview - THOMAS MAHERAS

or viewed to be extremely safe exposures
into economic, you know, into having some
economic vulnerability. But at the time
they were put on, I am highly confident as I
sit here today there would have been a
perception that they, these were riskless,
virtually riskless assets.

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

So, with the benefit of hindsight
it would have been nice to have had a
different frame of reference and to have
come to an understanding that there was a
great unexpected and never, an unprecedented
never seen before downturn in housing prices
which culminated in securities which were
universally viewed to be extremely safe and
not worthy of attention to being
economically vulnerable.

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

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

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

A Can you clarify that?
Interview - THOMAS MAHERAS

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

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

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

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

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

A    Yes.
Interview - THOMAS MAHERAS

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

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

Q Yes.

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

Q Can you give me a name?

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

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

A My understanding came to be that
Interview - THOMAS MAHERAS

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

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

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

A I can't speak to the specific deals. I am saying the nature of the structure. It depends on the deals; you know, if liquidity puts were supporting or were supported by lower quality collateral
Interview - THOMAS MAHERAS

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

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

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

A I don't know.

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

A I don't. I suspect that as part of larger transactions the liquidity put component would have helped enable the overall structuring profit from a transaction to some degree, or would have been a component of it, but I can't speak to the P and L in those businesses and certainly not the P and L of the individual tranches of those businesses, like liquidity puts.
Interview - THOMAS MAHERAS

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

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

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

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

I think Mr. Maheras understood you to be asking about the liquidity put portion of the entire CDO structure, and I think you may have been asking was Citi making money on those transactions.
Interview - THOMAS MAHERAS

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

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

BY MS. NORMAN:

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

A    I don't think I understand the question.

Q    Fair enough.

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

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

A    In other words, do you understand whether, do you have an understanding as to
 Whether investors would have purchased the asset-backed commercial paper but for the liquidity puts?

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

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

A I don't know, I don't know that that is necessarily correct. There could have been structural reasons, to meet a certain maturity threshold, to be able to say that you actually have an instrument that is under 180 or 270 or 360 days or
Interview - THOMAS MAHERAS

however the commercial paper market works, to be able to as an investor say do you have something that qualifies to be a shorter surety even though the underlying assets may be longer. It may be the case it was simply a function of ensuring that the structure was sound, as opposed to it having anything to do with the perception of risk.

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

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

My point is, if I had to guess, I would be more likely to satisfy the structural requirements of ensuring the paper was short than it would be to give
Interview - THOMAS MAHERAS

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

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

A Perhaps.

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

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

Q But you know, is liquidity risk real risk?

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

If one buys an instrument that they don't ever need to consider selling, then the liquidity risk is not of any significance. If one buys an instrument where it is not a given that they would be looking to hold it through the maturity of
Interview - THOMAS MAHERAS

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

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

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

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

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

We took in the company risk management very seriously. We had robust
Interview - THOMAS MAHERAS

architecture around risk, risk limits, risk authority, risk monitoring, and what went along with that was a construct to satisfy our own needs and the other constituencies like shareholders, our regulators, a construct where there was an accountability to having a requisite skill set in all of the independent risk management areas to be able to face off with the business.

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

Q Would it have been the responsibility of the business franchise to make independent risk aware of the 25 billion in exposure of the liquidity puts?
Interview - THOMAS MAHERAS

A  That would not be likely in our organization.

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

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

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

A  I would expect that independent risk had information about every holding on our balance sheet and was not dependent on the business for communication of that information.
Interview - THOMAS MAHERAS

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

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

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

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

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

Q    So prior to undertaking the risk,
Interview - THOMAS MAHERAS

independent risk management wouldn't have
any role beyond the risk limit of the
liquidity put, the same as the super senior
tranches held would be considered the same.

A  I believe so.

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

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

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

A  No, I am not aware of that.

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

A  I am not aware of that as I sit
here today, and I certainly wasn't then; or
I shouldn't say certainly, I can't say
certainly to anything. I highly doubt it.
Interview - THOMAS MAHERAS

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

Does that surprise you as you sit here today?

A  No, not necessarily.

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

So it could be as simple as it was a Citi type of structuring tweak that wasn't being used elsewhere, I don't know.

I don't think I ever knew.

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

A  Yes.

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

A  I can't peg it to a month, Ms.
Interview - THOMAS MAHERAS

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

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

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

So as part of that analysis we
Interview - THOMAS MAHERAS

came to learn about the existence of these, and I can't say whether it was, you know, which month. My best recollection is it would have been in the middle of the year. It would have probably been the June, July, August type time frame.

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

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

Q Why, what was the driver?

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

Citigroup had over a number of
years grown its balance sheet, as I recall,  
at a pace that outstripped our revenue and  
net income growth, and to the extent that we  
wanted to be mindful of those metrics and to  
be best in class, if you will, it was  
important to have our arms around balance  
sheet and to be making sure that there were  
not areas of activity that were inefficient  
users of balance sheet.  

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

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

MR. RICHARDS: June, July of '07?  

MS. NORMAN: Yes, sorry.  

THE WITNESS: The reason we  
were reducing our CDO trade and  

inventories in '07, which started
Interview - THOMAS MAHERAS

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

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

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

BY MS. NORMAN:
Interview - THOMAS MAHERAS

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

A Not that I recall. I don't recall a balance sheet topic until the liquidity puts were perceived to be coming onto our balance sheet, or were actually. I don't know when they came on, but when it was understood that, given the weaknesses in the broader commercial paper market, most asset-backed commercial paper programs just stopped rolling sometime in the summer of '07. So we came to believe that that would likely be the case for our liquidity put-related arrangements as well.

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

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

A I don't think so.

Q Did you receive on an annual
Interview - THOMAS MAHERAS

basis the annual limits book?

A  The annual limits book, yes.

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

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

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

BY MS. NORMAN:

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

Mr. Maheras, are you familiar with Exhibit 1?

A  I am familiar with the existence of a risk manual which was broad, and a
Interview - THOMAS MAHERAS

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

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

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

MS. NORMAN: It is.

If you can mark this as
Exhibit 2.

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

BY MS. NORMAN:

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

A    I don't think so.

Q    Looking at the bottom of the
middle, super senior limit net, $30 billion
current limit, is that something you were
MR. RICHARDS: I am sorry, where is that?
We got it.
THE WITNESS: I think I see it.
MR. RICHARDS: Thanks.
THE WITNESS: I would have been aware of the existence of limits to that asset class type. I don't believe I would have been aware of the specific number.

BY MS. NORMAN:
Q Were you ever involved in any conversations with anyone at Citi regarding increasing or decreasing that limit at any time?
A I suspect I was, but I don't recall any conversations.
Q Do you recall --
A My reference is more to risk limits in general than this specific limit. I don't recall any conversations about this specific limit, but I suspect I would have been party to them possibly.
Q    Do you recall, these are the risk limits for, these purport to be the risk limits for December 2006.

A    Okay.

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

A    I do not.

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

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

Occasionally, limits -- and the reason I am recalling it, occasionally limits like bridge loan limits to leverage corporate borrowers or equity bridge limits would come to my attention, I do recall
Interview - THOMAS MAHERAS

that. I don't recall this limit request
that you are referencing in the early part
of '07 coming to me. It doesn't mean it
didn't, I just don't recall a conversation
about it.

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

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

Q    Fair enough.

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

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

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

THE WITNESS:  Okay.
Interview - THOMAS MAHERAS

BY MS. NORMAN:

Q    Have you had a chance to read the document?

A    I have read most of it.

Q    Thank you.

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

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

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

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

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

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

Q    And what specific portfolio would that be for a nontrader?
Interview - THOMAS MAHERAS

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

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

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

A No. That I can say with certainty.

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

A It looks to me like there are
Interview - THOMAS MAHERAS

different folks in Treasury and perhaps risk management looking across the totality of Citigroup's holdings, looking across all of Citigroup to see the total number of mortgage-backed securities that were being held, perhaps with a focus on balance sheeters. It seems like the subtext here could be with a focus on -- yes, I see here, part of the balance sheet reduction exercise.

Okay.

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

Q Who is Richard Stuckey?

A Richard Stuckey was, he is a long-term senior professional in the fixed income business at Citigroup, probably been
Interview - THOMAS MAHERAS

around for 30 years.

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

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

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

That being said, each of the major business units -- and by that I mean
Interview - THOMAS MAHERAS

the global equities business, global fixed income business -- had a couple or a few, probably no more than that, individuals who did in business risk management.

Did I answer your question?

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

A    For the fixed income business specifically?

Q    For the fixed income business?

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

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

Q    Would the CDO desk have fallen under his internal risk management watch from 2003 to 2007?
Interview - THOMAS MAHERAS

A     I guess in theory, yes, because anything within fixed income would have been. But again, we didn't have an infrastructure for risk in business. We had a person who was generally aggregating and communicating with business heads, a point person often with the independent risk management folks on major issues.

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

Q     Did he report to you?

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

Q     Who then would report up through
Interview - THOMAS MAHERAS

you?

A Yes. I am sorry, I thought you were asking about reporting line specifically. Do you mind if I take another minute?

Q I do not. We will go off the record at 11:40, approximately. (Break from 11:43 a.m. - 11:53 a.m.) (Michael Berger, Esq., not present; Asad Kudiya, Esq., present.)

BY MS. NORMAN:

Q Mr. Maheras, we will go back on the record. During the break we had no substantive conversations between the FCIC and Mr. Maheras and his counsel. Some of the questions I am going to ask you may appear subsumed in questions I asked you earlier, but to support a clear record and a clear understanding on my part, I am going to take you through a few things again just so we have a clear record and so that some of this makes a little sense to me when I get home.
Interview - THOMAS MAHERAS

A  Okay.

Q  Hopefully you will forgive me.

A  I am here to help you.

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

A  A strategy around retaining, no.

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

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

Q  I am just trying to understand, again, the business at Citi at the time. We
Interview - THOMAS MAHERAS

have heard that Citi had a structure to
distribute model on the CDO desk. We also
know that they did retain through the
liquidity puts and other structures some
$40 billion in exposure.

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

A At which point in time?

Q By 2007.

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

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

A My understanding when I sit here
today, what I came to learn in that period,
period meaning the end of that period you
Interview - THOMAS MAHERAS

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

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

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

Q Subprime super senior.

A No.

Q Super senior in general?

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

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

BY MS. NORMAN:

Q Did Citi ever retain any of the
equity tranches in the CDOs?
Interview - THOMAS MAHERAS

A  I don't know.

Q  Do you ever recall any conversations about that?

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

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

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

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

A  I don't know.

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

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

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

A  None.
Interview - THOMAS MAHERAS

Q None with anyone?

A No.

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

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

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

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

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

Q I have heard that the synthetic CDO deals can be done much faster than cash CDOs. Are you aware of that?
Interview - THOMAS MAHERAS

Q  Have you ever been involved in any conversations about benefits of synthetic CDOs because there was no need for a warehousing phase?
A  No, I have not.

Q  How much synthetic CDO business did Citi do from 2003 to 2007?
A  I have no idea.

Q  Do you know a general dollar value?
A  No.

Q  Do you know a general number of synthetic deals?
A  No.

Q  Do you know how Citi's synthetic CDO business compared to its competitors?
A  No.

Q  Do you recall any conversations about that in the time period, whether Citi was a market leader or increasing its market space in the synthetic CDO business, any conversations about that?
A  I don't. It's possible there
Interview - THOMAS MAHERAS

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

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

A I don't know.

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

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

Q And when did Citi start doing ABS
CDO2 deals?

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

Q You don't know what a CDO2 is?

A Not today. I may have known a
few years ago, but I don't know.
Interview - THOMAS MAHERAS

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

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

Q    How would you characterize the risks of CDO2 deals versus other deals?

More risk, less risk?

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

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

MS. NORMAN: Fair enough.

BY MS. NORMAN:

Q    So, how would you compare the risks of a CDO deal to a CDO deal which has other CDO -- to a CDO2 deal with other CDOs
Interview - THOMAS MAHERAS

referenced as collateral?

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

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

A    I am sorry, can you repeat the question?

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

A    I certainly recall conversations in '07 about the structured credit business, and within that we would have certainly talked about our CDO experience and losses. Whether there were any conversations about synthetic versus cash, I simply don't recall.

Q    We will get to the 2007 conversations, but I just wanted to set a
Interview - THOMAS MAHERAS

framework for if you have any recollection on conversations about synthetic CDOs? You have to answer audibly for the court reporter.

A    I am sorry. No.
Q    Or CDO2s?
A    No.
Q    Thank you.

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

A    I don't know.
Q    What was Citi's general CDO hedging strategy?

A    Beyond what we spoke of earlier, I am not aware of any strategy around that specific context or pursuit.
What I was referencing from earlier is that they generally had a structure to distribute model, and to the extent they didn't sell, they would be looking to sell in the not distant future.
So that is -- and then there might have been hedges in lieu of selling for certain
Interview - THOMAS MAHERAS

categories of structures, but I am not familiar with them.

Q Are you familiar with the Ridgeway Funding 2 deal?

A No.

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

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

BY MS. NORMAN:

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

A No.

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

A No. That is not to say that I
Interview - THOMAS MAHERAS

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

Q What is your first recollection of when Citi started buying CDS protection on CDO deals you did?
A I don't have one.

Q What is your recollection about dealings with Ambac?
A I recall that in the summer of '07 when we dove into the events of what was happening in the P and L and our CDO business, hearing about Ambac on a few occasions. So I am assuming that Ambac was a counterparty to insurance and deals.

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

Q What do you recall from the discussions about counterparties and credit default swaps related to the CDO business?
A Nothing. I recall that in the
summer of '07, amongst many other areas where we were actively focused as a management team far away from subprime, many other areas of the marketplace which were challenged, which were becoming bereft of liquidity, where we were seeing price volatility in many areas of the market, one area that was topical was the area of these special purpose entity insurers, these Ambacs of the world.

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

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

A  No.

Q  Who would have been responsible for those deals, the CDS component prior to the summer of 2007?
Interview - THOMAS MAHERAS

A      Can you clarify? Which deals?
Q      Who would have been responsible for making the decision to secure protection in credit default swaps and actually executing those deals?
A      I don't know, but I suspect it was the transactors in those business units.
Q      Would it have been the CDO syndicate desk or the secondary desk?
A      I wouldn't know.
Q      As the head of fixed income for Citi, the secondary CDO desk also reported up through you, is that correct?
A      Are you asking if the secondary CDO business would have been part of Citigroup's fixed income world?
Q      Yes.
A      It would have been somewhere in there.
Q      Just establishing that it was under your command.
A      It was, yes. It was there somewhere.
Q      Okay. How profitable was Citi's
Interview - THOMAS MAHERAS

secondary trading CDO desk from 2004 to 2007?
A I don't know.
Q Did you think of it as a profitable business during that time period?
A I would have thought of it as a very, very small area of activity in a very, very large broader department, that I would be surprised if it contributed more than a couple of percent, if that much, to the revenues.
Q How important was the secondary trading desk to Citi's syndicate CDO desk?
A I don't know.
Q We have heard that, but for the secondary desk being a market maker, that the primary syndicate desk would not have been able to ramp up the CDO business from 2003 to 2007. Do you have any understanding about that?
A No. I can speculate.
Q What can you tell me about that?
A Well, in any area where Citigroup or any investment bank is an underwriter of securities, having a secondary trading area
Interview - THOMAS MAHERAS

was usually necessary. But I don't know anything about the nature of a relationship between those two respective units.

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

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

Buy side clients would expect you to make markets in the securities that you underwrote. I have no reason to believe it would be any different in this area, but I have no knowledge of, nor do I believe I ever would have had any knowledge of the working relationship between those two units and that area of activity.
Interview - THOMAS MAHERAS

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

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

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

A    I don't.

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

A    No.

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

A    No.

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

A    Secondary trading desk of?

Q    The CDO business, I am sorry?

A    I don't know.

Q    Where did Citi get the RMBS that it used in its CDOs? Bearing in mind that
there is an asset manager who was pointing out collateral, but where did it come from?

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

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

A No.

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

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

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

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

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

A Perlowitz. Perlowitz was one of the co-heads of mortgages, the mortgage department.
Interview – THOMAS MAHERAS

Q In the investment bank?

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

Q Well, securitized?

A Yes, they securitized mortgages.

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

A I have no idea.

Q Do you have any idea on a percentage basis?

A No.

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

A No.

Q Do you recall any discussions about whether it should?

A No.

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

A I don't recall any discussions,
Interview - THOMAS MAHERAS

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

Q    Did you ever participate in
encouraging any such discussions?

A    In my role during that period, no.

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

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

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

MS. NORMAN: Please.

MR. ZINMAN: Do you want him to
Interview - THOMAS MAHERAS

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

BY MS. NORMAN:

Q    My initial question is, do you
have any familiarity with this document?
A    I vaguely recall the topic. I
don't have any familiarity with the document.
Q    Do you remember sometime in the
summer of, the spring, summer of 2007 Citi
having an engagement with Mercer Wyman to
look at potential synergies between the
securitization desks within Citi?
A    Looking at this refreshes my
recolletion that something along those
lines was endeavored.
Q    Did you participate in these
meetings?
A    I don't know. I am sure I would
have heard reports of them. I don't know
that I recall actually engaging or seeing
the Oliver Wyman people on this topic. It
looks like it was happening within the fixed
income business, or maybe even below that
within the mortgage -- I suspect it was a
Interview - THOMAS MAHERAS

fixed income topic.

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

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

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

Q  Jeff, I am sorry.

A  -- the way I would recall it.

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

large banks, B of A and J.P. Morgan, my recollection would be that they and we were focused on that over that period of time, and we may have been observing certain organizational changes with some of our peers which may have led to an outside consulting study. That is my general recollection.

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

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

A    I am looking at something that says page two.

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

A    Thank you.

Q    If I could direct your attention to the second bullet, and the statement: "To date, informal collaboration has struggled because of different" --
Interview - THOMAS MAHERAS

A I must be on the wrong page.

MR. ZINMAN: Me too.

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

BY MS. NORMAN:

Q Is that page three?

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

Q It is page two, I am sorry.

No, it is a different document.

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

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

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

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

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

MR. RICHARDS: This one does as
Interview - THOMAS MAHERAS

well.

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

BY MS. NORMAN:

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

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

Misaligned incentives, I assume that means people in the respective business
Interview - THOMAS MAHERAS

areas were in different parts of Citigroup. Lack of trust, I can't speak to that.

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

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

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

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

A    No. I take this to mean that by definition incentives were internally misaligned because people were part of
Different business units, had different P and Ls that were very far apart. They were not in alignment, they were not in the same groups.

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

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

BY MS. NORMAN:

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

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

Q Did you view the structure of Citi as an impediment to, in any way, the disparate structure and siloing in Citi, the
Interview - THOMAS MAHERAS

silos that you mentioned, that they were completely different management structures and completely different P and L chains, was that something that you considered a hindrance at Citi when you were there?

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

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

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

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

MS. NORMAN: Across the
Interview - THOMAS MAHERAS

industry. I am trying to lay a foundation.

THE WITNESS: Generally I would suspect there were.

BY MS. NORMAN:

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

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

Q Let's start with the consumer bank.

A I am not familiar with what their standards were.

Q And the investment bank?

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

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

A No.

Q Have you ever heard that Citi's
Interview - THOMAS MAHERAS

RMBS securitization desk had higher
underwriting standards than other RMBS
sellers in the market?

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

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

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

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

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

MS. BUERGEL: I know, but the
Interview - THOMAS MAHERAS

question from my perspective doesn't make any sense based on all the information that you have gathered and how you know the desk was operated.

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

MS. NORMAN: Okay.

BY MS. NORMAN:

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

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

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

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

Q You don't recall?

A No.
Interview - THOMAS MAHERAS

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

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

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

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

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

Q  And were you aware in 2006 that Jeff Perlowitz's and Susan Mills' RMBS desk was reducing its business while the CDO business at Citi was increasing?
Interview - THOMAS MAHERAS

A    No.

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

A    No.

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

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

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

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

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

A    No.

Q    Do you know who James Xanthos is?
Interview - THOMAS MAHERAS

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

A No.

Q Did you hire Michael Raynes?

A No.

Q Who hired him?

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

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

A I recall meeting him.

Q Did you have to approve the hire?

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

Q Would you have to have approved his compensation package?

A He was a high enough paid employee that I am sure I would have had to
Interview - THOMAS MAHERAS

Q    What was he paid?
A    I don't recall. I just remember him being an expensive hire.

Q    Why was he hired?
A    I believe to run the structured credit business.

Q    Do you recall any conversations about Michael Raynes increasing the CDO business?
A    No.

Q    Would Mr. Barker or Mr. Coley have been involved in that decision at all, to hire Mr. Raynes?
A    Well, they would have been closer to the situation than myself, so, more than I was. Whether they were more intimately involved or their direct reports, I can't say.

Q    Did you ever give Michael Raynes any direction as to growing the CDO business or as to the CDO business in general?
A    No. In fact, my general recollection is that structured credit was that priority we talked about which he was
going to run. And we had, per that old, that consultancy report, we had a not fully built out effort there.

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

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

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

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

any conversations with him.

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

A Not that I recall.

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

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

Were you involved in discussions regarding the acquisition of Argent?

A Yes.

Q What can you tell me about that?

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

Q Argent was a subprime originator?
Interview - THOMAS MAHERAS

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

Q    You recall it was a subprime originator?

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

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

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

Q    What was your role in participating in those conversations?

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

important enough to need to be vetted at all levels of management.  
So I would have been party to meetings that included people below me and above me in the organization to arrive at the attractiveness and the merits of proceeding, you know, of the acquisition itself.

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

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

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

A    Yes.

Q    Can you expand upon those conversations?

A    Sure.  
Citi wouldn't only evaluate the economics or the numbers that would come out of an M and A model around acquisitions.  It
Interview - THOMAS MAHERAS

would certainly evaluate reputational aspects.

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

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

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

Q. Do you recall ever having any similar conversations about reputational risks in Citi purchasing pools of securitized mortgages that had been originated by subprime originators that had been censured or had poor reputations?
Interview - THOMAS MAHERAS

A: No.

Q: Did that topic ever come up at Citi?

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

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

A: It was topical.

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

A: No.

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

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

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

MS. BUERGEL: Ask him.

THE WITNESS: No. The SIVs were conducted, that activity was conducted out of Citigroup alternative
BY MS. NORMAN:

Q    And that was not under CMB?

A    No.

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

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

Q    What can you tell me about that?

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

Q    As you sit here today, are you aware of whether or not Citi received
placement fees for placing a particular deal
with an asset manager?

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

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

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

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

A No.

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

A In general terms, it would be by
selling all the pieces at an aggregate price
that was greater than the cost of all the
collateral that went into the trust which
collateralized the pieces. So, in a sense
Interview - THOMAS MAHERAS

it would be like an arbitrage.

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

A    No.

Q    A ballpark percentage of the deal?

A    No.

Q    Would it have been a percentage of the deal?

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

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

A    No. Given the nature of the activity, it was more likely more than half a point than less than half a point.
Interview - THOMAS MAHERAS

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

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

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

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

A    Very little. As I recall, super seniors traded at a de minimis, near zero spread, and to the extent that they are making money on holding for that spread, it would have been negligible.
Interview - THOMAS MAHERAS

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

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

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

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

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

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

MR. ZINMAN: Of the CMB revenue?

MS. NORMAN: Yes.
Interview - THOMAS MAHERAS

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

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

THE WITNESS: I defer to you.

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

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

BY MS. NORMAN:

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

Mr. Maheras, in 2004, what senior management committees did you sit on at Citi, if any?
Interview - THOMAS MAHERAS

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

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

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

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

Q How large was the operating committee?

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

Q And in 2007 when you became
Interview - THOMAS MAHERAS

c o-head or tri-head of CMB, did you serve on any other committees in Citi senior management?

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

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

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

Q Did David Bushnell sit on the committee?

A I think so, yes, he did.

Q And Jeff Prince?

A Yes.

Q Robert Rubin?

A Yes.

Q How often did the business heads committee meet?
Interview - THOMAS MAHERAS

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

Q Thank you.

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

Q In person?

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

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

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

Q How long were the meetings, generally?

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

Q Were there formal agendas to
Interview - THOMAS MAHERAS

these meetings?

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

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

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

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

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

A    For CIB?
Interview - THOMAS MAHERAS

Q    Yes.

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

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

A    Specifically in 2007?

Q    Yes.

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

Q    Would somebody be attending in your stead?

A    '04 to '06.

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

A    Well, I believe some of them were members of the committee, so they wouldn't
Interview - THOMAS MAHERAS

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

Q    Fair enough. Okay.

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

A    I don't think so.

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

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

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

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

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

A    No.
Interview - THOMAS MAHERAS

Q    Do you recall any concerns about subprime exposure in your business lines in 2006?
A    No.

Q    Do you recall knowing in 2006 what the subprime exposure was in your business lines?
A    Some aggregated form of it?
Q    Yes.
A    No.
Q    By dollar value?
A    No.
Q    Did there come a time when you were specifically tracking the subprime exposure in your business lines?
A    There came a time when we were actively tracking the risky components of it, the risky portions of it, and actively discussed what was being done to reduce that trading inventory in the early part of '07 through the middle of '07.
I don't recall there ever being a time where the emphasis was on tracking a total number of all things that touched on
Interview - THOMAS MAHERAS

subprime in the firm. I don't recall anything like that.

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

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

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

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

A I don't recall it, but I am sure
Interview - THOMAS MAHERAS

it did. It would have been the type of topic that would have made a longer list of topics in those settings.

MS. NORMAN: Mark this for the record.

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

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

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

BY MS. NORMAN:

Q Are you familiar with this
Interview - THOMAS MAHERAS

document? Can you identify it for me?
A  No.
Q  Do you know if you have ever seen it before?
A  I don't know.
Q  Do you have any recollection, looking at the document, of being involved in its preparation?
A  I can say with confidence I wasn't involved in its preparation, because it looks like it was prepared by a single unit within the credit markets area, within fixed income. So no, I would not have been a part of its production.
Q  Do you recall being involved in giving presentations with this?
A  I doubt that I would have ever used this to give a presentation, I'm confident that I would not have.
Q  Do you recall this being presented to you in April of 2007?
A  I don't.
Q  In looking at page three, it summarizes the CDO equity positions --
Interview - THOMAS MAHERAS

A    Yes.

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

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

Q    Please. Go ahead.

A    But you didn't finish your question.

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

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

Q    I am sorry; what do you mean
Interview - THOMAS MAHERAS

similar holdings were seen elsewhere?

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

I can't speak to whether or not there weren't also CDO equity positions in other units, not part of this presentation.

Q    So there may have been more?
A    There may have been.

Q    The document says CDO equity positions, but do you understand this to be referring to, the 14.8 billion to be referring to the super senior tranches?
A    No. From looking at this page I wouldn't be able to ascertain that.

Q    Does this refresh your recollection at all in the April 2000 time period of conversations regarding the subprime exposure in your business units?
A    Well, it refreshes my
Interview - THOMAS MAHERAS

recolletion that we had a number of conversations and presentations about aspects of our, about parts of our mortgage business, parts of our structured credit business, subprime and other topics. It refreshes my memory that there would have been, you know, that it was topical.

Q    If you turn to page 11?
A    Yes.

Q    On the top of the PowerPoint it says "Excluded from analysis," and it references the super senior book and the liquidity puts?
A    Yes.

Q    And discusses the perceived risks of those positions.

In the part that is in the center of the page that breaks down Citi's exposure, its super senior exposure, where it talks about the mezzanine ABS term?

A    I see that.

Q    Would those be lower graded, would those be the triple B? Would there be triple B tranches underlying the mezzanine ABS?
Interview - THOMAS MAHERAS

A I don't know what would be underlying these. What I do know is that it looks like it is detailing 14 and a half billion notional value of super seniors, all of which would have been rated triple A or better, triple A plus or better, or they would have, more properly put, these would have been holdings that were senior to more junior triple A rated securities in the same deals.

Q And what was the distinction between the high grade ABS term and the mezzanine ABS term?

A I don't know.

Q You don't have any understanding as to the difference?

A I recall the terminology and the jargon, and I recall -- I believe I would have had, I would have been better able to answer that question a few years ago, but I don't know as I sit here where the line would be drawn between defining something as high grade or mezzanine.

And I see the CDO2 that you
Interview - THOMAS MAHERAS

Q    Do you have an understanding as to the difference in risk between the high grade ABS and mezzanine ABS?

A    No. I recall that at the time from presentations there were aspects of the business that were delineated as being this or that structure, this way or that way, and just being structurally a little different. I don't remember delineations in risk terms.

Q    Do you have any idea who this was prepared for?

A    No.

Q    Back to the CDO desk, when did you first become aware of weaknesses in the CDO market specifically, the ABS RMBS CDO market?

A    The CDO market. I would have to say it would have been January or February of '07 when there was a lot of attention being paid to the subprime CDO markets and the price volatility.

Q    What can you tell me, what conversations were you involved in in that
Interview - THOMAS MAHERAS

January to March '07 period about the CDO business at Citi?

A    I don't recall any individual conversations.

Q    You mentioned generally being aware of weaknesses in the market.

Were there considerations about whether Citi would be reducing or delevering that business or whether Citi would be increasing that business?

A    What I recall through the first half of the year, whether it started in January or February or March, April or May I am not sure, but I recall numerous discussions and presentations around efforts to reduce our inventory.

We were managing risks all over the trading divisions, and you had increasingly challenged markets throughout the course of that year. We were regularly meeting about many different asset classes where we were seeing some performance volatility, price volatility, with an aim to reduce risks.
Interview - THOMAS MAHERAS

So I do recall generally that, whether it started in January, February, March, I don't know, that there were numerous conversations on this topic amongst many other topics of areas that were causing us challenges in that year, many other asset classes I mean to say.

Q    Why would Citi be increasing its risks limits on the CDO desk at the same time it was trying to reduce inventory?

A    I don't know that they were increasing limits at that time. I do know that they were actively managing down, and I have come to learn a lot more since, about the trajectory of that inventory reduction over the first half of the year.

Q    We spoke earlier when we looked at the limit book.

A    Oh, but you were asking about super senior, I am sorry. You were talking about super senior limits being increased.

Q    Yes. The super senior limits in the January to February to March time period were increased from 30 billion to 35 billion.
Interview – THOMAS MAHERAS

Why would that happen at the same time that Citi was trying to reduce its inventory?

A I don't know that that happened, but I recall from the earlier part of the day that you referenced there was an effort in that regard or a change in that area, but I would say that they are not connected.

Super seniors would have been viewed as very different than the areas we were focused on as a risk matter. Super seniors would have certainly at that time have been viewed as just, again, ultra safe holdings that did not bear any credit risk, whereas subprime CDO trading areas trading triple B bonds and the equity pieces and single A's were experiencing a lot of volatility based on a current and real appreciation of there being very real risk in the securities.

So I would say they are two different things. I don't view a connection there. But again, I don't recall there being an increase in the limit on the other
Interview - THOMAS MAHERAS

assets either. I just don't view those two things as conflicting in any way.

Q In that first half of 2007, any discussions on, you mentioned that during that time period there was a feeling within Citi that the super seniors were still considered very safe.

A Absolutely.

Q Any discussion about liquidity risks in the super seniors?

A Beyond what we covered this morning in the liquidity puts?

Q Yes.

A No.

Q You mentioned this morning that you had had some prior experiences in your Salomon days with market dislocation and how quickly that could happen and impact liquidity.

Similar conversations, even given that color, did anybody ever talk about how a similar market dislocation or any market dislocation could quickly change the risk of the super seniors?
MR. BIRENBOIM: What time period are we talking about?

MS. NORMAN: The first half of '07.

THE WITNESS: I still recall the market exhibiting signs of being liquidity challenged and various parts of the market showing signs of dislocation, very similar to what I had experienced on numerous occasions in my career prior to that period.

Historically, all over those occasions, whether it was 1987 or 1990, '91 or 1994 or 1998 or in the summer of '02, and I remember all those periods very clearly, those were examples of markets dislocating, liquidity coming out of markets and all, and so I had a lot of familiarity with that type of market action and that type of increased risk and volatility that comes in periods like that.

So I guess, to come full circle, in the first half of '07 we
Interview - THOMAS MAHERAS

were seeing signs that were familiar
in terms of the markets looking like
they were in another bout of
dislocation, indigestion, whatever you
want to call it. So we were keenly
focused on that.

BY MS. NORMAN:

Q    I guess what I am wondering is,
given your prior personal experiences with
market dislocations and what you described
as the volatile effects they could have on
liquidity, wouldn't you have been concerned
in the first half of '07 in increasing the
limits even on the super senior tranches,
just knowing that a market dislocation could
affect liquidity very quickly? I am
wondering why that wasn't part of your
calculus?

A    Not necessarily, because I
think -- maybe I wasn't very clear.
I don't recall any of those past
cycles becoming examples like we saw in '08
and '09 of the market for triple A assets
actually selling off in any material way.
What I recall is very volatile equity markets and markets with clear credit risk attached, price volatility around those in all the prior cycles.

It's not, they are not mutually exclusive. The non-risky portions of the book were not getting attention, they were not being focused on, they would not be viewed in any way to be the same as these junior types of securities that would generally see the most price volatility in events of market dislocation, in those types of periods.

Q: Did it bear any similarities to the 1994 market dislocation? I think you said earlier that that market dislocation was less about the quality of the mortgages and more about liquidity. If I heard you correctly earlier, you said a similar thing about the 1994 dislocation when you took over the mortgage business.

A: I think what I said this morning is that in 1994 mortgage securities were volatile, and it was a function of the quick
Interview - THOMAS MAHERAS

movement higher in the short-term policy rate. The Federal Reserve quickly started to raise rates, and a lot of segments of the mortgage market had embedded interest rate options or embedded prepayment risk that, driven by interest rate movements, changed the value of those structured securities. But I don't recall 1994 being a period where triple A assets from a credit point of view saw any credit impairment. I don't know if I am being very clear, but there is a significant distinction there.

Q During this period in the first half of '07 when your business line was focused on reducing inventory in the subprime area, were you hiring anyone on your -- was the makeup of the CDO desk staying constant, or were more traders being hired, or were traders being let go yet?

A In the first half of '07?

Q Yes.

A I don't recall traders being let
Interview - THOMAS MAHERAS

go in the first half of '07. It's certainly possible; I don't recall that.

Was there another part of the question? I apologize.

Q    Sure. Do you know who Raul M-U-R-L-I-L-D-H-A-R-A-N, do you know the name?

A    Can you spell the last name again?

Q    Sure. I can even show you the document I am looking at.

You can go ahead and mark that Citi FCICE 976026. It is an e-mail from Tom Maheras on April 3rd to Dianne Arber; looks like it is in the HR unit of the investment bank.

(Thereupon, Citi FCICE 976026, e-mail from Tom Maheras dated April 3rd to Dianne Arber, was marked TM Exhibit 8 for Identification, as of this date.)

THE WITNESS: Yes.

BY MS. NORMAN:

Q    I am happy to show you this document. It seems to be seeking your approval to offer a new hire in the CDO
Interview - THOMAS MAHERAS

desk, Raul Murlildharan, to be hired with a
two-year guarantee of $4.5 million onto the
CDO desk.

A  He was being paid 4.5 per year or
over two years?

Q  Over two years.

A  That is a name I can say I've
never heard before.

But to answer your question,
there were thresholds that were dictated by
senior management or the board, I don't
recall what level, that required senior
management approval of every hire over a
certain compensation threshold, the point
being that the firm was very actively
focused on managing expenses.

This was not typical of the full
cycle, over the whole cycle, but it was,
during periods of cost reduction efforts it
was typical, it was not uncommon to see that
hiring authorities were constrained to have
to get a signature on every single hire in
the unit. This is a name I have never heard
of before, but by definition I have seen
Interview - THOMAS MAHERAS

this e-mail in the past. I don't recall this hire or this name.

Q My question is, why in the first half of 2007 would your business line be hiring on the CDO desk while it was trying to reduce inventory?

A Well, again there is nothing inherently conflicted there. You may recall from the earlier conversation today that the structured credit business was one of the area of focus at Citigroup coming out of that external consultant report. It had ascertained a budget for investment, which meant it was going to invest in systems, operations, risk management personnel, to build out a business activity, structured credit, over a period of time to become, to have more of a, to have the effect of becoming a relevant player in the market or a market leader.

So, for the business unit to be continuing with its investment and resourcing of one of the priority businesses, in this case the structured
Interview - THOMAS MAHERAS

credit business, they were doing just that.

MS. BUERGEL: I think you also heard from witnesses that the CDO area of securitized loans, securitized other assets, it is not clear from this that this person would be hired to even work in the business where they may have undertaken an effort to reduce inventory.

THE WITNESS: I agree with that.

MS. NORMAN: I am not implying anything. I am on a fact-finding mission here.

MS. BUERGEL: I am saying that it was a much broader business than just the subprime or --

BY MS. NORMAN:

Q I am just trying to understand what Citi was doing strategically in the first half of '07 about its CDO business, and it looks like they were still doing a lot of CDO business in the first half of 2007?

A My recollection is they were
Interview - THOMAS MAHERAS

trying very actively to sell -- by "they" I mean the transactors, the people in the business units -- they were actively trying to sell, and they did just that, to de-risk as much as possible their books into a period of market volatility.

But that was just one of probably dozens of trading areas in the firm that were doing exactly that, based on what was a changed market dynamic or an evolving market dynamic.

Q And in the first half of 2007 you mentioned the attempts to reduce inventory in the subprime arena and in the CDO desk specifically. Can you tell me more about when those conversations escalated?

A Conversations of reducing risks?

Q Did you ever discuss the subprime exposure in the CDO desk with David Bushnell?

A In this first half of '07?

Q Ever with David Bushnell? We can talk about 2007.

A I am sure we did during 2007, I am sure we did. I don't recall any
Q When do you first recall discussing it with the chief risk officer, subprime exposure?
A I don't recall when. What I do know with confidence is he was apprised as I was apprised from the internal reporting of matters related to subprime with significant frequency over the first half or first three quarters of 2007.
Q Do you recall conversations with Chuck Prince about subprime exposure?
A Specific conversations?
Q Yes.
A I recall that we had conversations. I don't recall any of them, but I recall we had numerous conversations.
Q What is your earliest recollection of discussing subprime exposure with Chuck Prince at the CEO level with Citi?
A I don't have one.
Q What were the defcon calls at Citi?
A That name, I am quite sure, referred to the daily calls that Chuck led
Interview - THOMAS MAHERAS

in the summer and fall of 2007, usually at
the end of a business day, lasting for
anywhere from half an hour or an hour to two
hours every day for some period of time.

Q What was the purpose of those calls?
A I can't speak for Chuck, but my
belief would be that he wanted to ensure
that senior management was discussing quick
changing market developments and the impact
from those developments on our underlying
businesses on a real time basis in the midst
of significant market mayhem.

Q Who was on the daily defcon calls?
A I can't speak with perfect
precision, but I would say Chuck, Dave
Bushnell, Bob Rubin, probably Lou Kaden, one
or both of the heads of the consumer
business, Steve Freiberg, Ajay Banga, myself
and Michael Klein, Vikram Pandit and John
Havens, and occasionally others that
reported to us to speak on certain topics.

Q Was some subprime --
A I left out Bob Druskin, probably
Gary Crittendon. Attendance would and could
Interview - THOMAS MAHERAS

vary.

Q Was the CDO desk exposure ever a topic on the defcon calls, specifically the CDO desk?

A I don't recall, but I would be surprised if they weren't.

Q But you don't recall any specific conversations about that?

A No. It would have one of the many areas discussed or covered given market movements and market realities.

Q I think you said in the first half of 2007 there was not a recognition, that the super senior tranches were still considered very safe within Citi?

A Yes.

Q Was there any discussion about reducing those prior to July of '07 that you recall?

A I don't know. There may have been in the businesses, but I don't know.

Q When do you first recall hearing discussion that the super senior tranches should be reduced or were a significant risk
Interview - THOMAS MAHERAS

to Citi?

A While I was employed there I don't ever recall them being viewed as a significant risk to Citi, but in my last month or two at the firm we were dealing with a process to mark them to market.

Again, because of liquidity challenges in the market they were not trading much, so we thought it prudent to take a markdown to some degree to reflect, again, these liquidity challenges in the market. But during that period of focusing on that and arriving at methodologies to value and all, there was no operating assumption that these were risky securities that would ultimately deliver losses, but that they would have short-term mark to market P and L movements.

So I don't recall there ever being a belief that the super seniors were inherently risky and would lead to impairment at any point in my career.

Q Do you recall at any point prior to October 11th conversations that the
Interview - THOMAS MAHERAS

liquidity puts would have an impairment to Citi?

MR. ZINMAN: October 11, '07?

MS. NORMAN: Yes. Your termination.

THE WITNESS: I include liquidity puts, just generally when I reference super seniors as a risk matter, liquidity puts were discussed -- again as we covered this morning, liquidity puts were discussed largely because they required deployment of balance sheet, the precious balance sheet resources we had, at a tough time in the markets in the summer when we were trying to reduce balance sheets.

So it was a balance sheet topic, not a risk topic that would have been discussed around liquidity puts.

BY MS. NORMAN:

Q So your answer is the same for liquidity puts as super seniors?
Interview - THOMAS MAHERAS

A Yes, the answer with reference to risk.

Q Do you recall a meeting in 2007 where Chuck Prince became upset with you about the exposures on the CDO desk?
A No.

Q Do you recall a meeting where Chuck Prince became upset with you about anything?

MR. RICHARDS: At any time?


THE WITNESS: No.

BY MS. NORMAN:

Q Do you recall a meeting where Robert Rubin became upset with you in 2007?
A No.

Q Do you recall an in-person meeting with Chuck Prince and others about the write-downs on the CDO desk?
A I recall that we had a number of meetings, in-person meetings, to discuss the performance of the fixed income business in the third quarter of '07, to discuss our economic performance and to discuss the
Interview - THOMAS MAHERAS

leadership.

In one or two of the meetings out of a series of meetings, the structured credit business, amongst other businesses, was reviewed and the quarterly losses and the year to date loses in our CDO business were reviewed and discussed.

Q What was discussed? How did that discussion go?

A I don't recall the specifics of the discussion. I recall that we had a meeting with Chuck, Bob Rubin, Bob Druskin and myself on number of occasions, and one of those occasions was dedicated for an hour or two to discussing the losses that we were taking in the credit markets businesses, which would have included leveraged finance, credit trading areas, and also the subprime CDO business.

The reason I recall it is I can visualize the room, and we had a number of attendees from the credit markets business in that meeting. As to the specifics of the discussion, other than the generalities I
Interview - THOMAS MAHERAS

have already given, I can't be more clear.

Q    Where was the meeting?
A    Those meetings were generally
 held at 399 Park.

Q    In the library?
A    It was, that room was referenced
 as the library. It was an office adjacent
 or in between Chuck Prince and Bob Rubin's,
 a conference room I should say.

Q    On the occasion that you had the
 conversation about the fixed income losses
 that included losses on the CDO desk, did
 you provide written materials?
A    No. People in our business
 probably did.

MS. NORMAN: I would like to
 mark for the record Citi FCIC 99654,
 which is, looks like a PowerPoint
 presentation entitled "CEO discussion
 on global credit markets," dated
 September 12, 2007.

Thereupon, Citi FCIC 99654, a
 PowerPoint presentation entitled "CEO
 discussion on global credit markets,"
Interview - THOMAS MAHERAS

dated September 12, 2007, was marked
TM Exhibit 9 for Identification, as of
this date.)

MR. ZINMAN: Do you want him to
look at the whole document or a
specific page?

MS. NORMAN: I want him to look
at it and tell me if he knows what
this is first.

BY MS. NORMAN:

Q    Do you recognize this document,
Mr. Maheras?

A    I don't, but it looks like a deck
that would have been presented. It is in
the same time period and it is on the topic
we were just discussing, most likely in one
of those library meetings.

Q    You mentioned people in your
business line would have been responsible
for preparing materials like this for that
meeting. Looking at this document as you
sit here today, can you tell me who would
have been responsible for preparing 99658?

A    Does that refer to this whole
Interview - THOMAS MAHERAS

deck?

Q No, it is a specific page. It is labeled two, but it is maybe the fifth page in.
A Given the nature of the discussion, the best I could do is assume this was prepared by the heads of the credit markets area, which was a unit within fixed income. So if I had to guess I would say Chad Leats and Mark Watson, but I don't know that.
Q Would those be the people you spoke with about this information to prepare you to talk to Chuck Prince?
A This was not my presentation. I was an attendee in listening to the presentation with the others in the room. I can't even say that because I don't recall the exact meeting. I recall having meetings, I don't recall this necessarily being the deck. I don't recall the deck, but it looks like it would have been.
Q Do you recall being in a meeting with Chuck Prince and Robert Rubin where Chad Leats and Mark Watson made a presentation about the losses in the global
Interview - THOMAS MAHERAS

structured credit group?

A    Yes.

Q    In the September 2007 time period?
A    Yes.

Q    Did you have a speaking role in that meeting?
A    A formal role to present? As I recalled earlier, most likely not. I assume I chimed in, I assume I was a part of a conversation, but I don't recall the meeting so I can't say that with certainty.

Q    Whether it was that meeting or a meeting very much like that, it sounds like there were a few meetings that discussed the topic of the losses in the global structured credit division with senior management. Do you recall yourself ever discussing it with Chuck Prince, saying anything about it?
A    I am sure I did. I just don't recall any one-off discussions.

Q    Looking at page two on Exhibit 9, what is marked as page two --
A    I don't see any numbers.
Interview - THOMAS MAHERAS

Q  It is about page five. It just happens to have a two on it. Sorry, it is very confusing.
A  Okay.
Q  Do you specifically recall that the second bullet, "Citi responds to market meltdown," do you recall these specific topics coming up in that meeting, the suspension of opening new warehouses, reduction of warehouses?
A  I don't recall the commentary, no.
Q  Does this refresh your recollection at all about the second-to-last bullet in that section, the purchase protection on a large bespoke trade with Ambac?
A  Well, it confirms what I thought I remembered this morning in the conversation about Ambac, that they were a counterparty to insurance-like or CDS protection-like transactions.
Q  Any further recollection about that?
A  No, other than Ambac and the
other insurers at the time as counter-parties warranted discussion, given their perceived to be weakened state.

Q Under lessons learned, the third bullet down, it says that global structured credit has implemented significant changes to risk management in January.

Were you part of that process?

A No. It looks to me like they are referencing actions that were taken in the trading areas, in the trading area of this unit, so it would have been handled by people closer to that line of business.

Q Do you recall in that time period implementing any changes to risk management of that line of business?

A I want to be careful not to answer risk management -- this reads to me like their reference to risk management here is the trading desk. Based on the names in parentheses, they are referencing traders and structurers, they are not referencing risk management personnel per se.

So this looks to me to be a
Interview - THOMAS MAHERAS

bullet point designed to convey that the business had made some changes with respect to people transacting for them. That is how I read this.

Q In that September time period in the discussions that you had with Chuck Prince and Robert Rubin that you had or participated in or were in the room when they were had, what was your response to the losses.

A I was equally as bothered by them, you know. We weren't in the business to lose money. It was something we took very seriously, both our performance as well as our relative performance as well as our risk management.

I don't recall any one-off responses, but we were all on the same team, feeling the same way about an unfortunate series of setbacks across a lot of different trading areas and financing areas and banking areas across the corporate investment bank.

Q Of the losses that were being
Interview - THOMAS MAHERAS

discussed in that time period, what percentage of those losses was the CDO desk responsible for?

A My vague recollection is that we had two and a half to three billion dollars of losses or revenue hits, however you want to call it, relative to our budget for the third quarter. And of that amount, my recollection is that the subprime-related components of that would have been between five hundred million and a billion, so a not insignificant percentage of what were our challenges in the third quarter -- of what were our losses or challenges on the revenue line in the third quarter of '07.

In the third quarter of '07 overall, the CIB actually delivered a profit on the bottom line, but we had losses relative to our plan in these businesses that require an explanation, and of those losses subprime was, if I had to guess, between 25 percent and a third of the total, possibly a little more, a little less, but in that Zip code.
Q What was your explanation?
A To?
Q You said you had to deliver an explanation for those losses.
A No, I was saying of the losses that we were explaining to various constituencies.
Q The five hundred million to one billion in losses, did there come a time when you understood those losses to be significantly more to Citi, the losses from the CDO businesses? Did there come a time when you understood them to be closer to 20 billion dollars in write-downs?
A I am certainly familiar with the fact that in the months and years after I was employed there, very significant losses were taken, yes.
Q What was the full extent of, approximately the full extent of the losses in the CDO business that you were aware of on October 11, 2007, when you left Citi?
A That which had been -- that amount which had been seen in our P and L
Interview - THOMAS MAHERAS

until that date, which would have been in
the area of about a billion, a billion and
change.

MR. RICHARDS: We have been
going for a little more than an hour,
so if this is a good time to take a
break, we might consider it.

MS. NORMAN: This is a great
time to take a break. We will go off
the record, approximately three
o'clock.

(Break from 2:56 - 3:11 p.m.)

BY MS. NORMAN:

Q  Housekeeping, I am going to go
through a few more topics and then I think I
am going to turn it over to my colleague,
Mr. Bondi, and I think 5:30 is looking good.

A  Thank you.

Q  I wouldn't stand between you and
your charitable endeavors.

A  It is actually my marriage. It
is her endeavor. I am co-hosting.

Q  One thing we didn't, you
mentioned earlier that as co-head of CMB you
Interview - THOMAS MAHERAS

needed to approve compensation levels above a certain amount in your business line.

A    At points of time in the cycle, when the company was on a cost-cutting wave, the best way to discourage hiring was to require that every single hire went to the head of a division. It created poor efficiencies and a reason for people to be prepared to answer any questions, and it got in the way of significant headcount boosts at a time when they were not encouraged.

So it was certainly not through long stretches of time.

Q    I am going to ask you a little bit about the compensation structures around the CDO desk. Again, we are trying to understand all aspects of the CDO business. Do you recall how much you made in 2006, yourself?

A    Yes.

Q    How much was that?

A    I was paid a salary of either 200 or 250,000. I got a cash bonus in the upper teens, like 18 or 19 million, and then I got
Interview - THOMAS MAHERAS

a deferred stock bonus that would have been paid out to me over three or four years. In terms of number of shares, it would have equated to about 12, 12 and change million dollars.

Q    I am not trying to tax your memory here. I think one of your counsel has provided us with some compensation figures, and the figure we have is $34.9 million in total compensation in 2006.

A    I won't quibble, but that would be probably putting value on things that were not given as a function of my not staying at the firm. But, you know, it was a little bit ahead of 30 in total.

Q    So you believe your total compensation to have been more than 30 million in 2006?

A    Yes, if you valued the stock at those prices. It is clearly a lot less today.

Q    Fair enough.

A    My point is the stock was deferred over multiple years.
Interview - THOMAS MAHERAS

Q    So, as co-head of CMB you made something in the vicinity of $30 million in 2006. We also know from your counsel that Randy Barker made in the neighborhood of $20 million in 2006. Does that sound right?

A    It sounds certainly in the right ballpark.

Q    Did you have any role in setting Randy Barker or Geoff Coley's compensation?

A    Yes.

Q    What was that role?

A    I would make a recommendation to my boss and the head of HR, and they would invariably come back with a response and then conclude themselves what the right number was. But I had a role in assessing performance and in putting forth recommendations.

Q    And did you have a role in putting forth recommendations for the compensation packages of Michael Raynes?

A    No.

Q    Who would have made that recommendation?
Interview - THOMAS MAHERAS

A  At each level of management, the managers responsible for the units that were below them would recommend individual numbers as well as total amounts that they thought they needed to pay their businesses to reflect performance in the market and what have you. So for Michael Raynes, I suspect the heads of credit markets would have recommended his numbers and then been --

Q  Would that be Chad Leats and Mark Watson?

A  Yes, and then they would have been dealing with their bosses to get further support or approval.

Q  Would you have to approve those recommendations?

A  At the individual levels, in some cases I would have to speak to them in reviews during the compensation process, but generally in my role I was working toward arriving at a full pool for the whole CMB, negotiating the total pool amount, and then allocating amongst divisions below amounts that made sense to me.
Interview - THOMAS MAHERAS

It was an iterative process that consisted of many levels of management being actively involved over an extended period of time to get at the right and fair conclusions on the appropriate numbers.

Q   But would you ultimately have to approve the total compensation package, recommendation, for Michael Raynes?

A   Michael was a different example because I would believe, since he came in from the outside, he was probably on a contract. But people like Michael would be, their numbers would be determined by their management chains, and I would have the ability to probe individuals, but we had over 40-some to 50,000 employees in the division I was responsible for, so we didn't, I didn't spend too much time on every individual.

Q   Did you spend any time on Nestor Dominguez?

A   Not that I recall.

Q   Do you know what Nestor Dominguez made in 2006, his total compensation package?
Interview - THOMAS MAHERAS

A    No.

Q    Do you know if it was more or less than $10 million?
A    I would be surprised if it was not less. I would believe it would be less.

Q    Do you know if it was more or less than $5 million?
A    No.

Q    Do you know what the managing directors made on a CDO desk?
A    Today, no. I would have had some familiarity with general levels for most managing director functions in the firm, general levels, not exact numbers. And I would have had the ability to vet, with others, individuals as part of this broader and extended compensation cycle every year.

Q    Do you know what directors made --
A    No.

Q    -- on the CDO desk?
A    Do you know what vice presidents made on the CDO desk?
A    No.
Interview - THOMAS MAHERAS

Q  Sales associate on the CDO desk?
A  No.

Q  Do you know what the analysts on the CDO desk made?
A  No.

Q  Do you have any idea what the directors, vice presidents, associates or analysts made on the CDO desk?
A  On that desk, no, but I would have had a general familiarity with ranges for the director title across the entire division, ranges for the managing director title, ranges for an associate and VP titles, because we spent a lot of time trying to get those numbers into the right place vis-à-vis the performance of the firm, the individuals, the competition, the market.

Q  Would they be comparable on the CDO desk to your other business lines? Would the director, the managing directors on the CDO desk be comparable to managing directors in other business lines in fixed income?
A  The managing director title,
Interview - THOMAS MAHERAS

there would have been a lot more variability in comps. So on average an MD in the CDO business would have been either higher or lower than the average for MDs, because the MD title is a more senior title and it would have, what would have come with that is a much broader range of high to low, if you will, for that title.

As for CDOs versus other business units in the firm, I can't speak to whether they would have been on average higher or lower than the average at that title in other business areas.

Q    What is the average range for the title of managing director in the 2006 time frame?

A    It could have been, in the full range it could have been anywhere from salary only on the low end to the managing director level into the, north of my own pay. So it was a very wide range in the company for a managing director, from 200,000 salary or perhaps less to there were a couple of individuals who got paid a lot
Interview - THOMAS MAHERAS

Do you have any idea in 2006 what
the highest pay level was on the CDO desk, a
number?

No.

And how was the comp set on the
CDO desk beyond the salary? There was a
salary plus some total compensation package.

What impacted them?

You would have to ask the heads
of that business to articulate that, given
that they would have had -- you would have
quantitative metrics, the individual's
performance, you would have qualitative, how
did they perform relative to the expectation
relative to the value of the seat, if you
will. They sat in a business area which
would have been expected to produce a
certain amount of performance.

There would have been market,
competitive type components to it, and there
would have been, the individual managers
would have assessed performance in the
context of what those individuals were asked
Interview - THOMAS MAHERAS

to do. And that would have happened a few
levels below my role, so I can't speak to it
with any great specificity.

Q Was it related to the P and L
impact that their business line had?

A In general from year to year,
yes, amongst a number of other things.

Q Was your own compensation related
to the P and L impact that your business
lines had for Citi?

A I don't know how my compensation
was ever arrived at. I was never privy to
those discussions.

I can say that there was
certainly no formula. I believe I got paid
in the context of the market for people
performing roles like mine, and that senior
management who made those decisions would
have worked with information along those
lines, in addition to forming their own
conclusions about my qualitative
performance. But all I can say with
certainty is it was not formulaic.

Q I believe from looking at the
Interview - THOMAS MAHERAS

numbers that were provided to us that from 2004 to 2006 you made over $96 million with Citi, and more than 95 million, something in the neighborhood of 95 million of that was in bonus compensation. Is that accurate?

A: Again, without getting into the details I alluded to earlier, those numbers would all be inclusive of extra shares I would have gotten had I stayed with the firm, which I didn't get, and they would all be pricing the stock at the previously much more elevated levels.

So, with those two caveats it sounds right. It is larger than the actual, but at the time the actual was in that Zip code.

Q: Did you have an express understanding during those years from 2004 to 2006 and 2007 that when fixed income business made more money, you personally would make more money probably? Did you have that express understanding?

A: No. We could have had a dip in fixed income but a much better qualitative
Interview – THOMAS MAHERAS

performance which could have enabled a higher pay, and vice versa; we could have had a pickup in fixed income economic performance while achieving a loss in market relevance, a loss in market share, and things that would have certainly mattered to the firm in its evaluation of its franchise business.

So it is not a given that pay goes up or down specifically tied to economic performance. There were other factors. Economic performance was certainly an important one, but it was not fully explanatory.

Q But you understood it to be an important factor of your compensation package?

A In a very general sense, yes; I should say other things being equal.

Q Have you ever considered giving any of your compensation back to Citi?

A No.

Q Have you ever been asked to?

A No.
I would add that in 2007 when our performance was less positive, while I was there we were profitable, I got no bonus.

Q What was your understanding as to why you got no bonus in 2007?

A It was a function of the environment and the performance dropping off significantly.

Q That was fairly dramatic, from 30 million to zero?

A No, not while I was there.

Q Sorry?

A Not while I was there. While I was there --

Q The change in your compensation, I am sorry.

A Oh, yes. I thought you said 30 billion. I thought you were talking about firm revenues. I apologize.

Q No, talking about your personal revenues.

A It was dramatic.

Q Did it surprise you?

A No. Our interests were aligned,
Interview - THOMAS MAHERAS

you know, employees and the firm's performance. We lived with an understanding that a certain part of our pay was cash and a certain part of pay aligned our interest with the shareholder. And we did not deliver a performance worthy of a bonus to shareholders in '07, so I was not surprised.

Q Did you make any recommendations as to bonuses for Randy Barker and Geoff Coley in 2007? Did you have the opportunity to do that?

A I believe that there were no bonuses in either case. Randy was terminated, so I am aware of the fact that he was not given a bonus.

Geoffrey left in the aftermath of my departure and Randy's departure, and I believe he did not get any bonus either, but I can't say that with certainty. He may have.

Q But you didn't make a recommendation one way or the other?

A No.

Q Before I get to October 11th, what meetings did you have with regulators
Interview - THOMAS MAHERAS

in 2006 and 2007, if any?

A With regulators. We had scheduled -- we had meetings with a certain frequency with our examiners at the OCC, I recall that. I think I recall a lower frequency of meetings with our examiners at the Federal Reserve.

I recall settings where I was in the midst of folks from the SEC, but not in a scheduled or regularized, not with a set frequency. So in '06 and '07 I would assume that I met with regulators on at least a handful of occasions or more.

Q In the meetings with the OCC examiners in 2006 and 2007, did the OCC ever express any concerns about risk management with Citi in meetings that you participated in?

MS. BUERGEL: Tom can answer that if knows yes or no, but he can't get into the substance at this point.

And I haven't received a call, so there is no way until we get the call.

MR. BONDI: Check with Brad.
Interview - THOMAS MAHERAS

MS. BUERGEL: I am aware.

MR. RICHARDS: You can answer yes or no.

THE WITNESS: I have to ask you to restate the question, or repeat the question.

(Thereupon, the record was read back by the reporter as recorded above.)

THE WITNESS: Not that I recall.

BY MS. NORMAN:

Q    Did they ever express any concerns about, to the CDO desk in its business line?

A    Not that I recall, but I would say as a --

MR. RICHARDS: You'd better be careful here, Tom. There is a privilege attached.

MS. BUERGEL: The way the question is being posed, and it is my fault, I am not even sure he can say yes or no if they expressed concerns. But you could ask if he ever had discussions with them about the
Interview - THOMAS MAHERAS

CDO desk, to the extent that Mr. Maheras recalls.

BY MS. NORMAN:

Q    Did you ever discuss the CDO desk with the OCC examiners?

THE WITNESS:  Susanna, I have to give a broader answer to get to an answer to that question. Is that okay?

MR. RICHARDS: Want to take a break?

MS. BUERGEL: Yes, maybe for a second.

(Break taken at 3:40 p.m.)

BY MS. NORMAN:

Q    We are back on the record after Mr. Maheras has had a chance to confer with his counsel about the nature of the OCC privilege, and can we reask the question? In fact, I will just restate the question. Did you have any conversations with the OCC examiners about the CDO business in 2006 and 2007?

MS. BUERGEL: I am not sure Mr. Maheras can answer that in light of
Interview - THOMAS MAHERAS

the bank examiner privilege that is still applicable here.

MS. NORMAN: For the time being, I believe his lawyers are directing him not to answer.

MS. BUERGEL: That is correct.

MR. BONDI: Are you following that advice, Mr. Maheras?

THE WITNESS: There is nothing apparent to me, there is no issue here to me. I am just taking the advice and learning that there is a privilege that I don't know about.

MR. BIRENBOIM: We will take that as a yes.

MR. RICHARDS: You paused, giving the Paul, Weiss lawyers a heart attack, but it is okay.

BY MS. NORMAN:

Q Would you like to confer with your other counsel?

MR. RICHARDS: I would have to give him the same advice.

BY MS. NORMAN:
Interview - THOMAS MAHERAS

Q    During the 2006, 2007 time period, did you have any conversations with the Fed regarding the CDO business?

A    I remember conversations --

MS. BUERGEL: This you can again respond yes or no to without describing the substance.

MR. RICHARDS: There is a similar privilege.

MR. BIRENBOIM: The question is simply whether you had any conversations.

BY MS. NORMAN:

Q    Specifically with regard to the CDO desk?

A    Not that I recall.

Q    And you mentioned that you had some meetings with the SEC. Which division or entity within the SEC were you meeting with? Was it with regard to the CSE program, the consolidated supervisory entity program?

A    Possibly. They were broader in general. I don't recall the meeting agendas.

Q    Do you recall who you were
Interview - THOMAS MAHERAS

meeting with at the SEC?

A No.

Q Do you recall what you were meeting about?

A No.

Q In the 2006-7 time period?

A No.

Q What were the circumstances surrounding your departure from Citi?

A I was asked to a meeting with our CEO, Chuck Prince, that was immediately followed or immediately following a similar meeting that he had with my co-head.

Q Michael Klein?

A Yes, where he described -- I am sorry -- where he described to both of us that he had been thinking about making a significant move, an important reorganization of business lines.

He concluded he wanted to combine the investment bank with what was then called CAI, Citigroup Alternative Investments, and create a new entity called the Institutional Client Group. He was
Interview - THOMAS MAHERAS

asking Michael and me to continue on as co-heads of the investment bank, but to report no longer to him, to report to the new head of the ICG, Vikram Pandit. And I was not comfortable with that change in reporting lines and I expressed that, and within 30 minutes of the meeting started we concluded that I should leave.

Q Was this meeting on October 11th or prior to?
A Yes, it was on October 11th.

Q What was your understanding of what you would, other than you would be reporting to Vikram Pandit, would your responsibilities for your business lines remain the same?
A Yes.

Q And you mentioned Mr. Klein had a similar conversation with Mr. Prince?
A Yes.

Q What happened with Mr. Klein?
A I wasn't in the room. I recall him telling me he was not inclined to stay, he was thinking about it, he was going to
Interview - THOMAS MAHERAS

leave, and then later that evening he concluded that he would stay and accept that change in reporting line and continue with the firm.

Q  Prior to October 11th, had you had any indication that you might be asked to step down from your position, or your position might be restructured?

A  No.

Q  Prior to October 11th, were you asked to make any adjustments in your downward reporting line?

A  As I mentioned earlier, we had numerous discussions about the fixed income business, the game plan there as well as the leadership, where variants of organizational change and personnel responsibility changes were discussed on a few occasions.

Q  A poorly worded question. Prior to your departure on October 11th, did you terminate anyone in your business lines related to the losses that were incurred in the third quarter of 2007?

A  My last act was to terminate
Interview - THOMAS MAHERAS

Randy Barker while in my role, within minutes of concluding that I was leaving the firm.

Q    Was that a decision you made?
A    The Randy Barker decision?
Q    Yes.
A    No.
Q    Who asked you to terminate Randy Barker?
A    Chuck concluded in the prior meeting that Randy had to go, and asked me if he should do it or if I should do it. And I said I think I should do it.
Q    Did you agree with Chuck Prince that Randy Barker should be terminated?
A    There was no discussion.
Q    Did you agree with Chuck Prince that Randy Barker should be terminated?
A    Are you asking if I believed at the time it was warranted --
Q    Yes.
A    -- or are you asking -- I thought termination was an aggressive outcome of the discussion about Randy's performance.
Interview - THOMAS MAHERAS

Q Was the discussion of Randy's performance in that meeting?
A No.

Q When was the discussion of Randy's performance?
A Amongst other people, there were discussions of his performance in that series of meetings I described with what we called the group of four.

Q What was said about Randy Barker's performance in those meetings?
A I don't recall.

Q In those meetings, was it determined that anyone else should be terminated in the CDO product line other than Randy Barker?

MS. BUERGEL: Mr. Barker wasn't in the CDO product line.

MS. NORMAN: Fair enough. In fixed income.

THE WITNESS: In those meetings nothing was determined. A lot of different possible approaches to changing the business plan and
Interview - THOMAS MAHERAS

changing the leadership of those businesses were vetted.

BY MS. NORMAN:

Q    Ms. Buergel has raised a fair point. Let me restate my question.

In these meetings, was it determined that the reason Randy Barker was being fired, because he was being held accountable for some of the losses in the third quarter of '07?

A    I don't think so. I think it was more about overall direction and his attributes for the broader role that most of the conversations I recall were around. The single quarterly performance was not a rationale for abruptly losing confidence in him.

Q    What was the rationale for losing confidence in him? What was the driver behind terminating Mr. Barker?

A    You would have to ask Chuck. I don't know. I do know that there was, in the group of four there was not a full support of -- there was not full support
Interview - THOMAS MAHERAS

for, coming out of the process, keeping him in that specific role. There were discussions about him doing something different, more specialized.

Q But ultimately it was determined that he should be terminated?

A At some point preceding my meeting with Chuck on the 11th, Chuck concluded -- and how he arrived there I don't know, I am not privy to his movements there, or his full rationale -- but he concluded it and shared that conclusion with me in the meeting that we had that, where he was also sharing -- he was going to make that night a broad announcement about Citigroup, and he was also going to be expressing a changed leadership in fixed income.

And I am not sure if he had other things that were also being done on a coincident basis, but those are two things that I remember. And --

Q Was Geoff Coley part of those discussions? Was Geoff Coley discussed in
Interview - THOMAS MAHERAS

those discussions, not was he there?

A In the prior discussions?

Q Yes. Was Geoff Coley --

A Yes, Randy and Geoffrey were both discussed equally.

Q And was Geoff Coley terminated?

A Geoff Coley was going to be terminated from his role in leading fixed income, but not terminated from the firm as Randy was being terminated from the firm.

Q What was your understanding as to why Randy was going to be terminated and Geoff was not going to be terminated?

A I can't say I ever had one.

Q Did you suggest to Chuck Prince that Randy shouldn't be terminated?

A I gave my recommendations for both individuals, and in neither case did my recommendations include terminating them from the firm, but in a few variants of recommendations over a multi-week period we were talking about reassignments.

Q Why were you recommending that Randy Barker be reassigned?
Interview - THOMAS MAHERAS

A    I was being asked for my opinion and my recommendations.

Q    What was it based on? Was it based on any performance that Randy Barker had had in fixed income? Was it based at all in fixed income unit taking significant losses in that time period?

A    Not much.

Well, let me restate that. Can you repeat the question? I apologize.

Q    I am just trying to figure out why, what your recommendation to remove Randy Barker from head of fixed income was based on. Did you hold Randy Barker accountable in any way for the losses in fixed income?

A    As a rationale for believing that he should be reassigned?

Q    Did you hold him accountable? In your mind was Randy Barker responsible for those losses in any way?

A    No more than the rest of our management team. He was not the person who bought, probably not the person who approved
Interview - THOMAS MAHERAS

the securities that resulted in, the
holdings that resulted in losses in the
third quarter.

I felt at the time that a change
in leadership of fixed income could have
been positive, that Geoffrey could be
reassigned, reassigned to a role that I
thought he would be very good at, and Randy
could be reassigned to a role that he would
be very good at, and that we would be
reorganizing the capital markets businesses
in putting both of them to roles that they
would be highly qualified for and that would
have resulted in a reorganized management
team, but with the same members, for the
capital markets business.

Changing people's assignments
from time to time was not uncommon, and it
felt like the appropriate juncture for that.

Q Were there discussions at that
time period? You mentioned that Randy
Barker was no more responsible than anyone
else on the management team for the actual
trading losses. Were there discussions of
Interview - THOMAS MAHERAS

firing the people that were responsible for those decisions?

A There were certainly discussions down a couple of levels from my role about which people were distinguishing themselves positively and which were distinguishing themselves negatively in that whole period, and there were certainly discussions about which of them should be demoted or let go or given no bonuses or any of the above.

Those discussions would have been led by people who were running those businesses and would have been expected to be led by them, and their recommendations would have been expected by us, you know, in the different ranks.

Q Were you involved in recommending that anyone else be terminated?

A Not that I recall. I would have been party to conversations where other people and possible terminations were discussed, but I don't recall personally making any recommendation about individuals.

Q Is there anyone in particular
Interview - THOMAS MAHERAS

that you in hindsight think should have been
terminated during that period?

A On the whole we didn't think the
department did a bad job. There were
losses, but it was a changed environment.

So no, I didn't think with
possibly consideration of terminations at
the leveled of transactors who actually
engaged in the trades and took the
positions. Beyond that level there was not
much sentiment at the time that the fixed
income business was doing particularly a bad
job in the context of the environment. You
had a market period that caused some losses.
You had some very competent and experienced
professionals who largely did a good or a
very good job throughout the period.

Q Why do you think other market
participants fared better than Citi on CDO
losses, as you sit here today?

A For only one reason: Those that
fared better simply had fewer of the safest,
theoretically safest holdings that ended up
costing a lot of money in '08, '09. So, you
Interview - THOMAS MAHERAS

know, most of the areas that Citi was risk managing in the trading businesses throughout the period, most of the areas were quite well dealt with.

This one area unfortunately, with the benefit of hindsight, there were too many notional holdings in an asset class that was never considered to be risky at the point of inception or for the next number of months or quarters thereafter, and then suddenly, with the onset of a fully unanticipated, cataclysmic drop in housing values, these holdings that logically attracted no focus in the prior period due to their perceived level of lack of riskiness, perceived lack of riskiness, all of a sudden became vulnerable.

It was not within, certainly not within our frame of reference, and I would say that you could say it is largely true for the whole industry, largely the whole industry. It was not within anyone's frame of reference that housing was going to drop on a national aggregate level by 30 percent.
Interview - THOMAS MAHERAS

over a year or two, given that in the 40 years of prior historical data there had never been a single fraction of a percentage point drop, there had never been a negative print.

The firm expected, understood there were challenges in housing, understood that it was likely that housing could suffer HPA drops, home price appreciation drops that would have been on an order of magnitude of zero to two or three, four percent potentially. That was the stress scenario. It certainly looked stressed relative to historical experience.

I am giving you a long answer. Citi looked different with respect to super seniors only to the extent that it had more than most, if not all, most of the other firms; I don't know that it had more than all of them.

Q Why do you think other firms had less exposure to super seniors than Citi?

As you sit here today, do you have any understanding as to why other firms didn't
Take on as much exposure as Citi did?

A    I don't know.

Q    As you sit here today, do you think you made any mistakes as co-head of CMB related to CDO business?

A    I am glad you narrowed the question because I certainly made a lot of mistakes over the years.

With respect to the CDO business, I've spent untold hours, days, months, wondering what could I have done better, what was avoidable, what was not. I took great pride in the performance of our team. I took great pride in my career as a risk manager, and spent a lot of time wondering how did this happen.

And I did not appreciate, I clearly again in retrospect did not appreciate that something as significant as what happened in the housing industry could possibly happen. In the absence of that coming to pass, all of the other areas that were risk managed and where we perceived the risks and we dealt with the risks as risks,
Interview - THOMAS MAHERAS

I thought were dealt with in a very solid manner. But this was one area out of dozens where we clearly as a team, as an industry and I myself, just missed it, and I regret it.

Q    Do you think you missed it in any way because people were not, people in your reporting line were not presenting you with information that you needed?

A    No.

Q    Do you think, had you had a more hands-on role in the CDO line of business along the way, you would have done anything differently?

A    I don't think it could have been possible for me to have a hands-on role in a business as small as that. It would have been an impossible task given the number of businesses we were in. It clearly in hindsight did not, we all understand it did not rank as an area with significant risks in it, so it didn't get much of our focus or attention either.

If you are asking if things would have been different if I was running that
Interview - THOMAS MAHERAS

desk as a lower level manager, I can't speak to that. I don't know what assumptions they were working with. If you are asking if I should have been -- I was a hand-on manager in general. If you are asking if I should have been day-to-day hands-on on a business as small as that in our mix, the answer is that would not have been possible.

So I don't know how to answer that question.

Q    Looking back, do you think that there is anything you should have done differently vis-à-vis the risk management of that business? Should there have been more -- you mentioned that Richard Stuckey was, and after Richard Stuckey, BeBe Duke and Pat Ryan were your internal business risk folks. Should they have been more ahead of the curve on this? Should they have done anything differently?

A    Actually, let me clarify something. Rick Stuckey was an in business risk manager. BeBe Duke and Pat Ryan were the two heads of independent risk management
Interview - THOMAS MAHERAS

replacing David Bushnell after his ascension
to that role at the Citigroup level.

Q  I realized after I said that, but
in terms of your in business risk assessment
looking back, was that a mistake? Should
there have been more focus on risk
management within the business unit?

A  There was a tremendous focus on
risk management at all times in the business
and across the full array of risks.

     What I am not doing a good job
probably of conveying is that the area that
ultimately led to the biggest chunk of
losses for the CIB happened to be an area
that was not appreciated as being a risky
area at all at the time of the inception of
those trades or until the end of '07, the
very end of '07, early part of '08 when the
market eroded dramatically further than it
had before the time of my departure.

     So again, there was diligent and
robust risk management at all levels in the
company, on the business side as well as in
the independent risk management function,
Interview - THOMAS MAHERAS

and I don't think it would be fair to single out risk management as a function that missed it. I think collectively the industry, the financial system, we at Citigroup, our team collectively, we missed something that was just not there or in any way something that could be anticipated.

Q  As you sit here today, looking back, do you think there were any signs? Do you think you should have missed it, to ask it a different way? I know you have been saying that, but I just want to be clear if during your postmortems and your thinking about this if there is anything that you have come across in your mind that you think, you know, I should have done this differently, I should have noticed that the securitization desk was ramping down and that maybe that would have collateral consequences, ripples maybe, if mortgages started defaulting in the securitized mortgages and maybe they --

A  Well, you ask very good question. The hard thing to imagine was
that everyone expected housing was in the doldrums or worse throughout '07, certainly while I was still there, and everyone would have had expectation that the great rise in values of homes in the U.S. was slowing down or coming to a stop.

There had been a lot of finance around it, there had been what sounded like untoward lending practices with the originator companies in the business. This was all fully out there.

What wasn't out there was in any sense a belief that those bad practices could lead to a 30 percent decline in value at the national aggregate level of housing, something that had never, something that ten percent of that amount had never happened before at the national aggregate level, let alone the full amount. So, that is what was missed.

And I don't know -- I mean, you know, with the benefit of hindsight if we didn't hold those things or if someone would have gotten up one day and said, you know,
Interview - THOMAS MAHERAS

we don't want you holding anything that is
low yielding on the balance sheet, that
would have been a lesson learned, that why
let people hold things that were not
yielding much on the balance sheet.

That was an immediate observation
of mine in the summer of '07: What are we
holding things that aren't yielding anything
for? We are under balance sheet pressure,
so let's get positions down. But that
hadn't, it wouldn't have had to do with risk
assessments, it would have had to do with
let's just not hold anything that is low
yielding.

As a risk matter it just was,
this was orders of magnitude beyond what was
within any of our or any of the industry's
frame of reference.

Q Do you feel like if there had
been more communication between the units at
Citi that were directly involved in mortgage
origination and mortgage securitization that
really knew that business inside and out, if
they had had more communication with the CDO
Interview - THOMAS MAHERAS

desk that there might have been a different outcome?

A I recall that being a lesson learned in the junior CDO piece, that, you know, the losses that were occurring in the first half of the year.

I recall coming to a conclusion with others that there was not a significant enough amount of expertise about subprime mortgage collateral embedded within the structured credit unit within the credit markets of fixed income, while at the same time within GSM, global securitized markets within fixed income in Citigroup, there was a lot more knowledge about subprime as an asset class, the subprime origination standards and all.

So I believe in the first half of the year, some portion of those losses in the first half of the year in those junior risky securities could have possibly been avoided, possibly, if there was a more significant business linkage and communication between those two units. But
Interview - THOMAS MAHERAS

I don't believe there would have been any
difference down the road with the super
senior piece because there wouldn't have
been anyone who would have had, again, that
point of view or belief that those super
senior securities bore risk.

So it was a lesson learned for
that very small fraction of what we
ultimately lost, the junior risky
securities. I do think that that is one of
a number of lessons learned in a postmortem
type analysis that we determined.

Q     Do you think the explosion of the
CDO market contributed to the financial crisis?
A     That is tough for me to say.

That was one, perhaps it was one of many
symptoms of over-ebullience, cheap, easy
money, led to a -- the fact that you had
very, very low risk premia and you had very,
very cheap money just in terms of low rates
for numerous years, and you had this
burgeoning investor class, this fast-growing
investor class seeking yield, seeking higher
and higher yield and securities with
Interview - THOMAS MAHERAS

specific yield characteristics, led to a very fast growth in products that over time went further and further out the risk curve.

But subprime was one of many examples of that. You saw it in commercial lending, you saw it in leveraged lending, you saw it in LBOs, you saw it in any of the structured products areas away from those, including subprime or even mortgages as collateral. It was rampant, the proliferation of new products, the cheap money and the cheap financing with which to purchase these, the leverage in the system, the financial system. So I think it is a much broader story.

Q The losses at Citi were primarily in the CDO business, and that ultimately led to $45 billion in taxpayer money through the TARP program being given to Citi. Do you feel like -- I guess I am going to ask the question again: Do you feel like the ramp-up of that business at Citi contributed to the financial crisis?

A Well, the losses associated with
subprime CDOs certainly contributed to a much larger total amount of losses at Citi, but losses are only part of the story.

Investors had, there was a loss of confidence exhibited in the way that Citi stock was trading that went well beyond, in late '08 and early '09, that went well beyond what had preceded it by at least a year, this subprime CDO issue. There were many other currently losing areas at Citi.

There were strategy questions about Citi: Was it too big in the emerging markets, is it too global? There were all kinds of strategic questions about Citi. There was basically an investor run on the name. I do not believe that that was very largely or significantly driven by one part of the losses that occurred much earlier in that period as well.

(Break from 4:17 - 4:26 p.m.)

MR. BONDI: Mr. Maheras, do you mind if I ask you questions from this angle?

THE WITNESS: Sure. Whatever
Interview - THOMAS MAHERAS

works for you all.

MS. NORMAN: Let's go back on the record.

BY MR. BONDI:

Q Mr. Maheras, my name is Brad Bondi. I am the assistant director and deputy general counsel of the Financial Crisis Inquiry Commission in Washington. I apologize for arriving to your interview here late. I had a commitment in Washington.

I have a few questions, and forgive me, some of these I think are just defining. You mentioned a group of four; who is part of that group of four? Who was part of the group of four?

A I believe you are referencing when I was talking about a series of meetings that I had with Chuck Prince, Bob Rubin, Bob Druskin and myself, which was that set of meetings that Chuck called for which was to review, do a bit of a deep dive into the performance, the business plan, and the leadership of our fixed income unit.
Interview - THOMAS MAHERAS

Q    When did those meetings first begin?

A    I know they were occurring throughout September, and I would assume they started in late August. It seemed like a four- to six-week period with a handful of meetings starting more likely in August than in September.

Q    That is 2007?

A    Yes, I am sorry.

Q    How frequently did they occur?

A    Probably about once a week.

Q    Where did they occur?

A    They occurred I believe every time in that library room we mentioned before, which was a conference room on the second or third floor of 399 Park.

I second say second or third because the executive offices changed floors at one point in the last few years, and it was a conference room in between Chuck Prince and Bob Rubin's offices.

Q    In 2007, how often did you see Mr. Rubin in the office?
Interview - THOMAS MAHERAS

A    In 2007, he -- first let me say that I was part of the downtown operation. The investment bank had its headquarters really down on Greenwich Street in Tribeca. Corporate headquarters, where our seniormost leadership team largely resided, was 399 Park, so I was not in that office every day. Some days I was there two or three times a day, other days I would go once, other days I wouldn't be there at all. My point is that I wouldn't be able to say what the frequency of Bob's attendance was, but he was a full-timer. He was, you know, I don't believe he was there in any other fashion than five days a week.

Q    Prior to the summer of 2007, how frequently would you interact personally with Mr. Rubin?

A    I would see him in the weekly business heads meetings -- I am sorry, did you say during '07?

Q    Prior to summer of 2007?

A    Prior to summer of 2007. So, for the first half of the year I would have seen
Interview - THOMAS MAHERAS

him in this business heads meeting on a weekly basis, I would have seen him at other
ad hoc called for meetings of senior management from time to time, I would have seen him at management off-sites, management committee and operating committee meetings, and then I would see him at the occasional client meeting is my recollection.

Q In 2003 through December 31, 2006, so from 2003 to 2006, were those interactions with Mr. Rubin about the same as what you have described?

A Yes, with the exception of I was not on the business heads, I was not in the business heads group until around 2007. So I would have seen him at all those other things I mentioned in the prior three years, but not in the business heads meeting.

Q Would you ever have any conversations prior to 2007 with Mr. Rubin where he would call you up on the phone?

A Sure.

Q How often would he call you up on the phone?
Interview - THOMAS MAHERAS

A I don't recall exactly. He would call occasionally about markets, he would call occasionally with questions. I can't put a frequency or a number on it.

Q Would you say he was involved in management?

A Yes.

Q Would you say he was hands-on?

A Well, let me clarify. He was in the office of the chairman and he was on the business heads, he was a very significant and important contributor in the firm, but he didn't have line responsibility for any particular businesses, if that's clear.

Q Would you ever seek Mr. Rubin's advice?

A I am sure I did occasionally.

Q About business matters?

A Perhaps.

Q Would Mr. Rubin give you his opinions and advice about business matters?

A He was generous with his thinking, he was a very thoughtful man with
great experiences who had previously run a Wall Street firm, so he would give his opinions in broader management meetings and he would give his opinions in smaller meetings and in one-on-one conversations.

Q    Do you ever remember having any conversation with Mr. Rubin prior to the summer of 2007, any time prior to the summer of 2007, about CDOs?

A    No.

Q    When was the earliest conversation that you remember having with Mr. Rubin about CDOs?

A    I don't know.

Q    Can you give me a ballpark year, at least?

A    Well, he would have heard all of our planning around the investments in the fixed income businesses we were targeting in that '05, '06 time frame. Whether or not we spoke about the subset of CDOs within the much talked about priority of structured credit I don't recall, but I suspect we spoke about CDOs in those meetings, those
broader groups on numerous occasions.

Q    How early would that have been?
A    Conversations about structured credit as one of the top investment priorities for the fixed income build-out, I believe those meetings were taking place in '05 and '06. I am not sure, but I believe it was that time frame.

Q    Do you ever remember Mr. Rubin saying in form or substance that he believed Citigroup needed to take on more risk?
A    In form and substance.
Q    Or substance?
A    In form and substance, I observed him opine on the fact that Citi could increase its risk-taking activities given the advantages of our presence globally, our distribution, and our capital strengths.

Q    When was that conversation?
A    I don't recall a single conversation. I recall that being a topic that I would have observed, discussed, on a number of occasions.

Q    A number of occasions? How often?
Interview - THOMAS MAHERAS

A  I don't know.

Q  More than ten?

A  I can't say.

Q  And how early do you recall, either year or month and year, if you remember, that being a topic that Mr. Rubin raised?

A  I don't recall.

Q  You don't recall the year even?

A  No. There was nothing formal about this. He I believe expressed an opinion that I think made sense, that the organization could increase activities in certain areas for profit in an intelligent fashion, leveraging the strengths and resources of the firm relative to what he and the rest of us would have observed taking place around the competition.

Q  And did that expression that he had with respect to taking on more risk include the fixed income business?

A  Probably. I don't recall any specific conversations or detail. Fixed income was the largest trading organization
Interview - THOMAS MAHERAS

in Citigroup.

Q But do you recall it involving
the investment bank that you oversaw?
A Well, most trading related risk-
taking in the firm was embedded within the
investment bank, within the capital markets
subset of the investment bank.

Q And if I heard correctly earlier,
within fixed income is the CDO business, is
that true?
A Yes.

Q Did anyone disagree with that
position that Mr. Rubin expressed, to your
knowledge?
A Not that I am aware of.

Q What specifically, Mr. Maheras,
do you recall Mr. Rubin saying about growing
the fixed income business at Citigroup?
A Nothing.

Q What do you recall Mr. Rubin
saying about growing the investment bank
business at Citigroup?
A Nothing.

Q Do you remember any general
Interview – THOMAS MAHERAS

conversations about growing the investment banking business at Citigroup that Mr. Rubin had?

A He was an advocate of the review, engaging the outside consultant to look at opportunities for fixed income, the gap analysis. He was an advocate of any resulting recommendations that required Citigroup to increase its resourcing and investment into some of the businesses where we were not yet, where we hadn't yet attained market leadership position.

We felt he was appropriately advocating or focusing on ensuring that the fixed income business at Citi, which had been a dominant contributor and a market leader in many of its areas, would continue to be that for the next generation. That's the context of what I recall in terms of his point of view.

Q Is there any recommendation that you made at any time in your career that was overruled by anyone because it was viewed as being too risky?
Interview - THOMAS MAHERAS

A Any time in my career?
Q Any time in your career at Citigroup?
A Well, as a trader I am sure I would have been told to increase or decrease positions with frequency.
Q Outside of your role as being a trader, since 2003, let's just say since 2003.
A So as a senior manager.
Q As a senior manager at Citigroup, did anyone overrule or object to any decision that you recommended or any action that you recommended on the grounds that it was too risky?
A I am sure they did.
Q What decision was that? What do you recall?
A We at one point sought to bid for the oil and gas power trading -- the gas and power trading business at the bankrupt Enron, and there were discussions around that. In the early discussions we were told no, that's too many risks with a deal like
Interview - THOMAS MAHERAS

that.

There was a time when we proposed building up, building into or getting into a business that many of our competitors had gotten into, which was in the area of reinsurance. It was becoming a hot growth area in certain firms. We made a proposal to get into that business and were turned down.

I am just giving you a couple; I am sure there were numerous examples of areas that we would have been interested in pursuing that would have attracted a skeptical or negative answer, and either we either got through that or we didn't, depending on the situation.

Q  Let me try to narrow that question down. Was there any action that you wanted to take with respect to the fixed income business that someone expressed concern or objection due to risk concerns?

A  While I was head of fixed income or while I was in my --

Q  At either time.
Interview - THOMAS MAHERAS

A    -- head of the investment bank?

Q    At either time.

A    I am sure there were a number of activities that somewhere along the line within the chain, business was turned down by people who reported to me, and there would have been many occasions where business was presented to me for approval and I would have turned it down, and there could have been examples of business that we were seeking to do that would have been turned down that I was a part of advocating by either senior management or by risk management, independent risk management. There would be many examples of that type of outcome at different levels of fixed income over the years.

Q    At any time, either as head of fixed income or head of the investment bank, did Mr. Bushnell say to you not to do a certain activity because it was too risky?

A    There were probably a number of examples, certainly some, I don't know how many, where risk management said no to us in
Interview - THOMAS MAHERAS

the business on certain pieces of business. There were examples of the investment bankers getting a no from us in the business, the trading management side, and then appealing those decisions up to risk management.

There were a lot of examples or variants of examples of types of business or of specific trades being propped or advocated and being turned down for a whole array of reasons.

Q  And what would happen in those circumstances? Could that decision or recommendation by risk management be appealed higher, to, say, the CEO or the board of directors? Could risk management's recommendation not to do a certain action be overruled by anyone higher up the chain?

A  I don't recall any examples of that.

Q  You testified earlier about being offered a new reporting position to Mr. Pandit and that you turned that offer down. Why did you turn it down?

A  I thought the investment bank at
Interview - THOMAS MAHERAS

Citigroup was one of the two largest businesses in the company, and that the reporting line from the head of that to the CEO was warranted.

Q What is your view of Chuck Prince as CEO?

A Chuck is a very smart man. He was a quick study. He had, to varying degrees significant and in other areas less significant, background for certain aspects of the role, but as a quick study that was perfectly fine. He was decisive. He tried to surround himself with competent professionals and was focused on the team.

Q Do you believe he made any mistakes as CEO?

A I don't think there is a role in corporate America where CEOs don't make mistakes, so I think by definition he must have made some mistakes. I can't think of any.

Q What was his most significant mistake, in your view?

A Nothing comes to mind.

Q Mr. Maheras, I act as an adjunct
Interview - THOMAS MAHERAS

professor and so I have to give students grades. So, my question to you is: If you had to give a grade, a letter grade, to Mr. Prince as CEO of Citigroup, what would that grade have been?

A That is not for me to say. I am not that comfortable with the idea of assigning grades, given the fact that I don't have a pre-existing comfort level with that as you do.

Chuck was a very competent guy and he was very, very smart, thoughtful. To the extent that we all missed this crisis that we did not anticipate for that aspect of our day-to-day roles, I would say we all get a poor grade for that part of it. And then there are broad swaths of what he did or others did in the organization where the job done was extraordinary and very good.

I can't, I wouldn't be able to assign a letter grade.

Q What was your biggest mistake as head of the investment bank?

A With the benefit of hindsight, I
Interview - THOMAS MAHERAS

missed and I very much regret missing that
disaster that came to pass.

Q    What involvement did you have in
setting the limits of the positions that
Citigroup could hold, either in warehousing
or in super senior tranches of CDOs? What
involvement did you have?

A    I didn't have any specific role
with respect to that beyond -- well, let's
take a step back.

    Business units would regularly
size what they thought they needed for
limits and would put them forth, and they
would engage with the risk management
counterparts in the independent chain, and
there would either be agreement or there
would be some lack of agreement. To the
extent that there was a lack of agreement,
things would get escalated within the
respective chains to force a higher level of
discussion.

    So I would say my involvement
would be, would have been in areas where
very significant commitments were being
Interview - THOMAS MAHERAS

taken, very large risks like committing to a bridge loan to a leveraged buyout sponsor, and working within the parameters of risk constructs. If appeal needed to be made to address limits, I would be brought into those from time to time.

If risk management had a point of view that they wanted to be sure that the senior business people were aware of those requests that were being made of them in risk, they would occasionally inform us of limit requests being made.

So there was a myriad of ways where I would be involved. I didn't have any specific role, but I would occasionally be a person that would get in the way of a recommendation or often be a person who would be an advocate or a person in support of what I heard when asked, but I didn't have a role in risk limit setting.

The process really worked between the business units and the risk chain all the way up to the top. It was something they were accountable to, and they also
Interview - THOMAS MAHERAS

documented it and monitored very robustly
all the individual limits as well as the
clusters, the larger groupings.

Q Speaking specifically of limits
on CDOs, CDO positions, what role would you
have had in the setting of those limits?

A I don't believe I would have had any.

Q Did you know at the end of 2006
what the limits were on CDOs and the CDO
positions that Citigroup held?

A At the time it is possible I
would have known some or all of what were
viewed to be the risky positions if they had
been presented to me. I don't know if I
knew at that point in time.

I am confident I wouldn't have
known all the underlying risk limits because
I am sure that business like all the other
businesses had pages of line item detail,
specific amounts that they had authorities
for. I would not have known that. It is
highly unlikely that I would have known that
detail.
Interview - THOMAS MAHERAS

Q Who is Murray Barnes?
A That name rings a bell. I believe he was a risk manager in independent risk.

Q Have you ever had a meeting with Mr. Barnes?
A Not that I am aware of, but I have certainly heard the name over the years, so he could have been in meetings that I attended. But I wouldn't, if he was sitting right here I wouldn't know him by name.

Q Have you ever spoken to Mr. Barnes?
A I don't know.

Q Did you ever have any discussions at any time that you can recall with anyone concerning the appropriate limit to have with respect to any CDO position?
A I don't know. Not that I recall.

The broader limit for super senior, away from the underlying other CDOs, but the broader limit for super senior I recall being discussed once or twice over the years, just the topic, and then the
Interview - THOMAS MAHERAS

detail level line item by line item, CDO type limits that would have come from a report like the one I was shown earlier, I would have had occasion to see from time to time possibly but not with any certainty.

Q Has anyone in senior management at Citigroup or on the board of directors of Citigroup ever criticized you for your performance?

A No.

Q Has any investor to your knowledge -- and let me, since there are many investors in Citigroup, let me say we will say an investor with a larger than one percent stake in Citigroup, a significant shareholder, has any significant shareholder to your knowledge criticized you for your performance?

A No.

Q Were you on call in the fall of 2007 with the Abu Dhabi Investment Authority?

A I don't think so.

Q Do you recall any call in the fall of 2007 with the Abu Dhabi Investment Authority?
Interview - THOMAS MAHERAS

Authority?

A No, I don't think I have ever met anyone from there or spoken to anyone from there.

Q Have you ever spoken to the prince of Saudi Arabia?

A No.

Q Are you aware that he was an investor in Citigroup?

A Yes.

Q Have you ever attended any meetings where he was present?

A My co-head did. I did not.

Q When was that?

A I don't know. I just recall him telling, giving accounts of one or two meetings with the prince. I have never met the man.

Q Mr. Maheras, do you ever recall Mr. Bushnell ever warning anyone about a potentially dangerous market event on the horizon?

A No.

Q Do you ever recall Mr. Bushnell
Interview - THOMAS MAHERAS

ever giving any general warnings about
market events that might be on the horizon?

A    Well, let me try to be clear in
my answer, or I should say understand your
question. In his role as risk manager, he
would regularly comment on clouds, if you
will, just to use, or risks that were out
there.

So I am sure I heard him comment
with some frequency, as I did myself with
some frequency, about risk factors or
potential risks to the system. But I don't
recall any specific events, any
conversations or any specific events of
warnings or any of the like.

Q    Do you recall any warnings by him
with respect to mortgages or housing?

A    No.

Q    What is your view of Mr. Bushnell
as the chief risk officer of Citigroup?

A    I thought David was an
exceedingly experienced and bright guy for
that role. He had 20-plus years of business
experience in a number of areas. He brought
that experience to bear in a way that was very, very positive.

I have seen a lot of risk managers at our place and other firms over the years, and I thought he compared very favorably. I thought he was a very strong example of a senior risk manager.

Q In your opinion, do you believe that he had the appropriate resources and tools needed for that position? Do you know?

A Well, as someone who was allocated a bill from risk management, I would say he had very, very significant resources.

The resources given to risk management over my last five years at the firm grew dramatically faster than the rest of our expenses, and certainly faster than our revenues, because I was receiving allocations that were quite sizable.

Q Did you have a role at all in commenting or setting or contributing to Mr. Bushnell's compensation?
Interview - THOMAS MAHERAS

A  No.

Q  Did anyone ask your opinion when it came to compensating Mr. Bushnell?

A  Not that I recall.

Q  How often would you yourself appear before the board of directors?

A  In my last year or two at the firm I would have appeared at least once a quarter to present to the audit committee, be part of a presentation of presenting groups to the audit committee. That was set by the board's schedule.

We were at our level of management, the business heads group, we were invited to all of the board dinners that coincided with the two-day board meetings, four or five times year, so we met with the board at those dinners. We had annual off-sites, strategy off-sites that lasted for a few days with the board of directors in different locations annually.

And in addition to that, there were occasions for presenting plans that we would be called to do by our senior
management on an ad hoc basis with some frequency. So, an example would be that fixed income business review and investment plan; that required a couple of one-off board meeting presentations.

Q. Do you ever remember in your interaction with the board, the board or any board member ever expressing concern about the level of risk that the investment bank was taking on?

A. No.

Q. I came in while you were being asked a lot of questions about your knowledge of CDOs, and what I would like to get a sense from you is, let's take 2006 as an example.

In 2006, if you had to draw a pie chart, a big circle of a pie chart, what percentage of that pie chart would have been devoted to you thinking about CDOs, specifically about CDOs or anything related to CDOs? What percentage of your time, in other words, in 2006 was devoted to you thinking about issues relating to CDOs?
Interview - THOMAS MAHERAS

A It is certainly under one percent, but I would assume it is not immaterially below one percent.

Q Would that less than one percent figure be --

A A small fraction of one percent.

Q Would that small fraction of that figure be a fair assessment of the time you spent in 2005?

A Probably.

Q What about 2004?

A The same.

Q 2003?

A My guesses are getting older. In 2003 I was still running fixed income, so maybe it was marginally higher, one percent.

Q What about in 2002 when you were running fixed income, how much time would you spend in that year thinking about CDOs or anything related to CDOs?

A It was very, very far at that time from the core activity. It was actually through that whole period very far
Interview - THOMAS MAHERAS

from the core activity, so it would have
been a very limited amount of time.

Q    I am going to ask the same
questions in 2007, but I want to divide 2007
up. January, starting January 1st, 2007, to
June 30, 2007, how much time did you devote
to thinking about CEOs in that time period
of the total percent?

A    It is a tough question. Probably
a couple, two, three, four percent, probably
the lower end of the range. Somewhere in
that area would be my best guess.

Q    July 1st, 2007, through your last
day at the firm, your last day at Citigroup,
how much percent of your time did you devote
to thinking about CDOs or issues related to
CDOs?

MS. BUERGEL: Do you really
think this is a useful question?

MR. BONDI: I do.

THE WITNESS: I am just
thinking in terms of the long list of
fires we were grappling with at the
time. It was one of many, and then
Interview - THOMAS MAHERAS

part of the day was dedicated to other things as well as just the fires.

So my best guess would be a few, up to five percent at the most.

MR. RICHARDS: I take it these are rough estimates.

THE WITNESS: These are very crude guesses. I am thinking in terms of hours per week of meetings, I am thinking of the many areas in the firm where we were dealing with very challenged markets, of which the CDO business was just one of many.

BY MR. BONDI:

Q Mr. Maheras, I do appreciate that hindsight is always 20/20, but we are trying to get at obviously the causes of the financial crisis and issues that caused difficulties at Citigroup and looking forward to the future as well.

And my question to you is, in hindsight, what could you have done differently to have minimized or reduced the losses associated with the CDO business?
Interview - THOMAS MAHERAS

A    In theory I could have decided that we are not in the business and sell everything, just get out of the business. That wouldn't get past theory, though, because it was one of the, it was a business within one of the priority areas of fixed income which had recently been, or was being in process of being invested in.

I could have found myself with a certain amount of prescience to see what was coming that was not within our frame of reference and acted on that, again in theory.

I can't think of many things I could have done other than -- to avoid what ultimately came to pass as very, very large losses; you know, the market eroded much more significantly after I was gone. To have gotten in the way of those later losses I would have had to have had an ability which, this was not within our frame of reference in terms of possibilities, to see this cataclysmic turn in housing.

Q    Were there any tools in hedging that you could have utilized to reduce your
Interview - THOMAS MAHERAS

exposures on CDOs?

A    Our people were availing
themselves of all the tools at their
disposal to do just that. The game plan was
to reduce all the risky CDO trading areas'
exposures from much earlier in the year, so
that was in motion.

There was no focus on these areas
that were perceived to be part of that 1.3
to $1.4 trillion balance sheet for which we
and the investment bank were responsible.
This super senior piece of it was a
relatively small piece of what was probably
a trillion-plus of the total, which was
triple A or better in quality. It just
didn't get any attention. It was not viewed
to be attention-worthy or area of risk.

But the areas that were
understood to be risky tied up most of our
time, and they would have been that smaller
subset of the entire balance sheet that
attracted a lot of attention in terms of
time spent trying to sell, time spent trying
to hedge, you know, directives from
different levels of management below me in our chain to do such.

Q One name I didn't ask about, BeBe Duke; how often would you have interacted with Ms. Duke during your course as co-head of the investment bank?

A Probably a few times a week.

Q And what were the nature of those interactions?

A She would have attended some of our CMV management committee meetings. She would have -- BeBe, Pat and I had a regularly scheduled monthly meeting, if I remember correctly, just for the three of us and no one else present, to ensure that, you know, any observations were being raised that were worthy of discussion away from the broader settings.

I would see her occasionally in the weekly or biweekly CIB risk management committee meeting, and then again any additional ad hoc items that would have been coming from me or from her.

Q Did you have any supervisory role
Interview - THOMAS MAHERAS

over Ms. Duke?

A    She was part of the independent chain. To the extent that she participated in CIB management, I guess I would have had an indirect relationship to be able to call meetings that she would attend or things like that. But I was not responsible for paying her, and she and her co-head reported to David Bushnell in the independent chain.

Q    Did you ever have any interactions with anyone from New Century, a mortgage company?

A    I know who they are. I am trying to distinguish them from some of the other subprime lenders.

I know our firm did business with them. I don't recall ever having met personnel from there, but it is possible over 20 years. I am confident it never happened in the last few years.

Q    In your role in fixed income or as co-head of the investment bank, what subprime originators do you remember having meetings with, you personally?
Interview - THOMAS MAHERAS

A None. I don't think I met personally with the individuals from that entity that we were acquiring, either.

Q Did you have any role in the establishment of warehouse funding lines to subprime originators?

A No, not directly.

Q Do you recall any meetings following New Century's bankruptcy concerning the mortgages that Citigroup may have purchased from New Century?

A No.

Q Do you recall any meetings that you attended concerning or around New Century's bankruptcy?

A Not knowing as I sit here today what our exposure was to them, if we had an exposure and they went through bankruptcy, I could have been invited to a meeting or at a meeting where that was discussed. I don't recall any events with New Century that would have impacted us, so I don't recall.

Q What was the first time you, Mr. Maheras, became concerned with the exposure
Interview - THOMAS MAHERAS

that Citigroup had to CDOs?

A When I started seeing, I suspect it was when I started seeing volatility and P and L losses around the first quarter, around that time.

Q The first quarter of 2007?

A Of 2007, I am sorry.

Q A little housekeeping matter, Mr. Maheras. Have you ever given testimony or a deposition before?

A Yes.

Q In what context?

A I recall being witness to a probe by the SEC with respect to Citigroup. I recall being deposed in certain civil lawsuits, a couple over the 23 years that I was there. I recall being deposed in a marital case involving an employee in our division.

Q Are you currently named as a defendant in any litigation?

A I believe I am named in a handful of civil suits. And that is the depth of my understanding, so I defer to counsel to
Interview - THOMAS MAHERAS

explain more.

Q  Fair enough.

Where do you work now?

A  I am managing my own small investment fund.

Q  Do you have any interactions with Citigroup on a professional level?

A  Yes.

Q  What are those interactions?

A  They are one of many dealer counterparties that I engage with in transacting trades.

Q  And what is your title and role at the firm you are with now?

A  I am the owner, founder, I guess managing member of the entity, the management company, and, practically speaking, the CIO, chief investment officer.

Q  What is the name of that firm? I am sorry?

A  It is not well-branded yet. Tegean Capital Management.

Q  I won't ask the origin of the name.
Interview - THOMAS MAHERAS

Mr. Maheras, is there anything that you were expected to be asked today that you weren't asked?

A No, and I didn't really have much of a feeling about what to expect. I haven't been involved in a situation like this before, so I --

Q Mr. Maheras, my last question is, is there anything with respect to the financial crisis or with respect to what happened with Citigroup that you feel that we ought to know that we haven't discussed today?

A I feel like we have discussed a lot that is important, at least from my perspective. I feel we have been on a lot of important topics. Away from that, no.

MS. NORMAN: As a housekeeping matter, if you think of additional things that you think we should know or that would help us in our charge, please let your counsel know and he will let us know, because we are going to continue in our work. We are
Interview - THOMAS MAHERAS

certainly open to that.

Counsel, want to add anything?

MR. RICHARDS: No. No, thank you. Thanks for the opportunity.

MR. BONDI: Mr. Maheras, our inquiry is confidential in nature, and so we would ask outside of your lawyers if you don't discuss what we talked about here today.

THE WITNESS: I appreciate that. I was curious about that. Thank you.

(Time noted: 5:18 p.m.)
Interview - THOMAS MAHERAS

EXHIBITS

PAGE

Citi FCIC 91342, Citi markets and banking market risk management 77
2007 annual limits book, was marked TM Exhibit 1

Citi FCIC 91342 and Citi 91499 78 was marked TM Exhibit 2

E-mail string from Thomas Maheras 81 to Richard Stuckey on March 13,
2007, Citi FCICE 909935, was marked TM Exhibit 3

Offering circular of Ridgeway 99 Court Funding 2, LTD, dated August 28, 2007, was marked TM Exhibit 4

Document entitled End to End 108 Mortgage, Citi FCICE 00817487,
was marked TM Exhibit 5
Interview - THOMAS MAHERAS

Document Citi FCICE 974340 was marked TM Exhibit 6

Document Citi 73991 to 74007, "Overview of subprime exposure in the global structured credit products business," dated April 2007, was marked TM Exhibit 7

Citi FCICE 976026, e-mail from Tom Maheras dated April 3rd to Dianne Arber, was marked TM Exhibit 8

Citi FCIC 99654, a PowerPoint presentation entitled "CEO discussion on global credit markets," dated September 12, 2007, was marked TM Exhibit 9
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