

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

STARR INTERNATIONAL COMPANY,)
INC., Individually and on)
Behalf of All Others)
Similarly Situated,)
Plaintiffs,) Case No. 11-779C
vs.)
UNITED STATES OF AMERICA,)
Defendant.)
-----)

Courtroom 4

Howard T. Markey National Courts Building

717 Madison Place, N.W.

Washington, D.C.

Wednesday, October 8, 2014

9:30 a.m.

Trial Volume 8

BEFORE: THE HONORABLE THOMAS C. WHEELER

Josett F. Whalen, RMR-CRR, Reporter

1 APPEARANCES:

2

3 ON BEHALF OF THE PLAINTIFF:

4 DAVID BOIES, II, ESQ.

5 Boies, Schiller & Flexner, LLP

6 333 Main Street

7 Armonk, New York 10504

8 (914) 749-8201

9 dboies@bsfllp.com

10 and

11 AMY J. MAUSER, ESQ.

12 ABBY L. DENNIS, ESQ.

13 Boies, Schiller & Flexner, LLP

14 5301 Wisconsin Avenue, N.W.

15 Washington, D.C. 20015

16 (202) 237-2727

17 amauser@bsfllp.com

18 adennis@bsfllp.com

19

20

21

22

23

24

25

1 APPEARANCES: (continued)

2

3 ON BEHALF OF THE PLAINTIFF:

4 ROBERT J. DWYER, ESQ.

5 ALANNA C. RUTHERFORD, ESQ.

6 CRAIG WENNER, ESQ.

7 Boies, Schiller & Flexner, LLP

8 575 Lexington Avenue, 7th Floor

9 New York, New York 10022

10 (212) 446-2300

11 rdwyer@bsfllp.com

12 arutherford@bsfllp.com

13 cwenner@bsfllp.com

14 and

15 JOHN L. GARDINER, ESQ.

16 Skadden, Arps, Slate, Meagher & Flom LLP

17 4 Times Square

18 New York, New York 10036

19 (212) 735-2442

20 john.gardiner@skadden.com

21

22

23

24

25

1 APPEARANCES: (continued)

2

3 ON BEHALF OF THE DEFENDANT:

4 BRIAN A. MIZOGUCHI, ESQ.

5 MATTHEW SCARLATO, ESQ.

6 SCOTT AUSTIN, ESQ.

7 JOHN TODOR, ESQ.

8 KENNETH DINTZER, ESQ.

9 CLAUDIA BURKE, ESQ.

10 JOSHUA GARDNER, ESQ.

11 VINCENT D. PHILLIPS, ESQ.

12 U.S. Department of Justice - Civil Division

13 Post Office Box 480

14 Ben Franklin Station

15 Washington, D.C. 20044

16 (202) 305-3319

17 brian.mizoguchi@usdoj.gov

18

19 ON BEHALF OF THE FEDERAL RESERVE BANK OF NEW YORK:

20 JOHN S. KIERNAN, ESQ.

21 Debevoise & Plimpton LLP

22 919 Third Avenue

23 New York, New York 10022

24 jskiernan@debevoise.com

25 (212) 909-6692

	I N D E X				
	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS
1					
2					
3	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS
4	GEITHNER	1609	1696	1840	
5					
6					
7	EXHIBITS	FOR ID	IN EVID		
8	Plaintiff's				
9	Number7		1610		
10	Number109		1640		
11	Number169		1636		
12	Number233		1638		
13	Number270		1637		
14	Number309		1623		
15	Number310		1625		
16	Number318		1690		
17	Number545		1620		
18	Number549		1693		
19	Number648		1668		
20	Number651		1610		
21	Number667		1695		
22	Number671		1694		
23	Number672		1684		
24	Number742		1618		
25					

Starr International Company, Inc. v. USA

	EXHIBITS	FOR ID	IN EVID
1			
2	Plaintiff's		
3	Number1564		1644
4	Number2762		1678
5			
6	Defendant's		
7	Number273		1737
8	Number401		1742
9	Number594		1824
10	Number595		1826
11			
12	Joint		
13	(none)		
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 P R O C E E D I N G S
2 - - - - -

3 (Proceeding called to order, 9:30 a.m.)

4 THE COURT: We're on the record this morning for
5 day number 8 in the trial of Starr International Company
6 versus the United States.

7 Good morning, Mr. Geithner.

8 THE WITNESS: Good morning.

9 THE COURT: You understand that you're still under
10 oath in these proceedings?

11 THE WITNESS: I do.

12 THE COURT: All right. Let's go ahead.

13 MR. BOIES: Thank you, Your Honor.

14 - - - - -

15 Whereupon --

16 TIMOTHY GEITHNER
17 a witness, called for examination, having been previously
18 duly sworn, was examined and testified further as
19 follows:

20 DIRECT EXAMINATION

21 BY MR. BOIES:

22 Q. Let me begin by giving you a copy -- I'm not sure
23 that I gave them to you before or not -- of Plaintiffs'
24 Trial Exhibit 7 and Plaintiffs' Trial Exhibit 651, which
25 were two versions of the Doomsday Book.

1 Do you have those up there with you now?

2 A. No.

3 MR. BOIES: And Your Honor, I would offer
4 Plaintiffs' Trial Exhibits 7 and 651 pursuant -- on the
5 same basis that I mentioned I would do that yesterday.

6 THE COURT: Yes.

7 MR. DINTZER: Your Honor, we do not object, but we
8 want just -- and I understand this was discussed
9 yesterday, but we just want it clear on the record right
10 here that these are being proffered under seal and will
11 be kept under seal.

12 THE COURT: Yes.

13 MR. DINTZER: Thank you, Your Honor.

14 (Plaintiff's Exhibit Number 7 was admitted into
15 evidence.)

16 (Plaintiff's Exhibit Number 651 was admitted into
17 evidence.)

18 THE COURT: Mr. Dintzer, do you see any problem in
19 asking this witness questions about these documents?

20 MR. DINTZER: My understanding, Your Honor, from
21 the discussion that Mr. Boies had with Mr. Kiernan from
22 the New York Fed was that the discussion with respect to
23 13(3) -- Mr. Kiernan can correct me if I'm wrong or
24 Mr. Boies -- but that the discussion on 13(3) is not
25 anticipated to be problematic, and if it is, then

1 Mr. Kiernan will let us now and we'll inform the Court.

2 THE COURT: All right. Is that acceptable,

3 Mr. Kiernan?

4 MR. KIERNAN: Yes, Your Honor.

5 THE COURT: Okay. Thank you.

6 BY MR. BOIES:

7 Q. With respect to Plaintiffs' Trial Exhibit 7, which
8 is the version of the Doomsday Book dated June 19, 2006,
9 is this the summary or index that you personally carried
10 around or had access to?

11 A. I'm not certain.

12 Q. My --

13 A. It appears to be, but I couldn't be certain.

14 Q. My basic question is whether what you had -- and I
15 understand that there was a large version that is
16 referenced in this document on the first page, but I
17 understood that you had something that was a summary or
18 index, and I want to be sure that what has been produced
19 to us includes everything that you had access to.

20 A. I couldn't be sure on the basis of this.

21 Q. The first page here says, "The 'Doomsday Book' is
22 a collection of emergency documentation and memoranda
23 compiled by the Legal Department of the Federal Reserve
24 Bank of New York," and I take it that was your
25 understanding at the time?

1 A. Yes.

2 Q. And it says, in the second paragraph, "It is
3 maintained in three forms: a complete paper version
4 (copies kept in the Law Library, Records, and EROC),
5 CD-ROM and paper introductory section (distributed widely
6 through the Legal Department) and on the Legal server (in
7 the 'LEGALDOCS' library; 'Doomsday Book Materials'
8 folder.)"

9 Do you see that?

10 A. I do.

11 Q. And I think that you said that you've never
12 actually seen the complete paper version kept in the law
13 library and in records and in EROC?

14 A. That's correct.

15 Q. The next paragraph says, "The complete paper and
16 server versions should always be current, and the
17 complete paper version will contain a current CD-ROM."

18 Do you see that?

19 A. I do.

20 Q. And was that your understanding at the time?

21 A. I don't know if I had that understanding at the
22 time.

23 Q. Let me ask you whether it was your understanding
24 at the time that there were a series of legal memoranda
25 that were part of the Doomsday Book but were not

1 included in what was given to you; that is, it was kept
2 in the law library and the other sources that are
3 identified here.

4 A. That's my understanding.

5 Mr. Boies, I think I should maybe clarify one
6 thing. What I was given and what I kept in my office was
7 a thick binder of documents, so I can't tell from this
8 what was actually in that binder, but never went to look
9 at what was not in the binder (indicating).

10 MR. BOIES: Your Honor, if there is a binder that
11 is what he had that is thicker than this, we would ask
12 that it be produced. This was what was produced to us.

13 And he did say yesterday that it was about two
14 inches, which is why I had asked the questions. And it
15 sounds to me, without, you know, presupposing, that
16 there is something that is bigger than what we have in
17 Plaintiff's Exhibits 761 -- 7 and 651 but smaller than
18 the huge version that's kept in the library. And if
19 that is, it seems to me that we ought to have that
20 produced.

21 THE COURT: Mr. Dintzer, can you address this
22 question?

23 MR. DINTZER: This was a production by the
24 New York Fed, so I would suggest that ask Mr. Kiernan
25 would be best.

1 THE COURT: Mr. Kiernan, please come forward if
2 you like.

3 MR. KIERNAN: Your Honor, it appears that -- and
4 I'm just listening with everyone else -- that
5 Secretary Geithner is identifying a binder that may have
6 existed that took the list of memos that was in the -- in
7 that compendium there and collected some of them in one
8 place for him. If that binder existed -- and I don't
9 doubt that it did -- somewhere in the six years between
10 then and now, it was not something that was found when we
11 were doing our extensive search for production.

12 But we have produced individually all documents
13 referred to in that memorandum that relate to 13(3) in
14 the course of our production.

15 THE COURT: But without the binder, it's not
16 possible to tell what was included I suppose.

17 MR. KIERNAN: It's not possible to know what was
18 selected from the larger group for the particular use of
19 Secretary Geithner, although -- although, as I say, all
20 of the -- the total number of memos on the subject of
21 this dispute, 13(3), which is, as you'll be able to see,
22 a very, very small subset of what the documents in this
23 larger compendium are, have been produced individually.

24 So I just -- I understand why there would be a
25 desire to see the particular binder that was -- that

1 Secretary Geithner remembers being in his office. That's
2 not something we found.

3 MR. BOIES: Your Honor, this is something that I
4 will follow up with Mr. Kiernan on a break. But he said
5 that he had produced individually all documents referred
6 to in these indexes.

7 MR. KIERNAN: No. All documents in these indexes
8 relating to section 13(3).

9 MR. BOIES: All documents relating to 13(3) that
10 are referred to in this summary or index.

11 And this gets back to the issue that we had with
12 respect to discovery order 6, which, if they really
13 produced all of the documents that exist, then that's one
14 thing. But just looking here, there are documents that
15 on their face appear to relate to 13(3) that I don't
16 think have been produced.

17 I think discovery order 6 was interpreted,
18 initially at least, by defendant as relating to the AIG
19 loan, the authority to do the AIG loan, and was not
20 interpreted to capture all of the documentation related
21 to 13(3). Now, I may be wrong about that. But that
22 looks like to me, in terms of comparing these kind of
23 indices and other indices with what was produced, the way
24 that they approached it.

25 Now, Mr. Kiernan may have a -- be able to clarify

1 that, either now or later.

2 MR. KIERNAN: Your Honor, I think this is
3 something worth talking about in the break. I think I
4 may have overspoken.

5 We produced all documents relating to 13(3) that
6 fell within the scope of discovery order number 6. And
7 there are some documents relating to issues under 13(3)
8 that don't fall within discovery order 6.

9 So this is a subject that perhaps it makes most
10 sense for us to discuss in a break.

11 THE COURT: Why don't you pursue it with
12 Mr. Kiernan at a convenient time, and you can let me know
13 if any dispute remains.

14 MR. BOIES: We will do that, Your Honor.
15 Thank you.

16 THE COURT: All right.

17 MR. KIERNAN: Thank you.

18 MR. DINTZER: Thank you, Your Honor.

19 BY MR. BOIES:

20 Q. Do you have Plaintiffs' Trial Exhibit 651 in front
21 of you?

22 A. I do.

23 Q. And if you'd turn to page 53, one of the legal
24 memoranda referred to is the Hackley History of
25 Federal Reserve Lending.

1 Do you see this?

2 A. I do.

3 Q. And the Doomsday Book says, with respect to the
4 Hackley memorandum, "This is probably the most important
5 historical document in the collection: a piece of
6 original legal scholarship written by Howard Hackley, the
7 Board's general counsel at the time."

8 Do you see that?

9 A. I do.

10 Q. And it says the Hackley memorandum is an
11 extensive legal history of Federal Reserve lending
12 activities.

13 Do you see that?

14 A. I do.

15 Q. And then the next paragraph, referring again to
16 the Hackley memorandum, says, "The legal analysis is
17 excellent and thorough and where necessary imaginative.
18 The policy analysis reflects conventional early 1970's
19 Federal Reserve public statements, and is generally less
20 useful than the legal analysis."

21 Do you see that?

22 A. I do.

23 Q. Now, during the time that you were at the
24 Federal Reserve, were you familiar with this Hackley
25 memorandum?

1 A. I don't know. I don't remember. I'm not sure.

2 Q. Let me ask you to look at Plaintiffs' Trial
3 Exhibit 742, which I would offer.

4 MR. DINTZER: Your Honor, we have no objection.

5 THE COURT: All right. Plaintiffs' Trial
6 Exhibit 742 is admitted.

7 (Plaintiff's Exhibit Number 742 was admitted into
8 evidence.)

9 BY MR. BOIES:

10 Q. Does this refresh your recollection as to whether
11 you have ever seen this document before?

12 A. I don't believe I've seen this.

13 Q. Have you ever discussed this memorandum with
14 anyone?

15 A. I don't know if I have. I don't recall doing so.

16 MR. BOIES: Let me move on until I've had that
17 conversation with Mr. Kiernan, and then I will come back
18 to the subject, Your Honor, if that's acceptable.

19 THE COURT: Sure.

20 BY MR. BOIES:

21 Q. Let me ask you to look at Plaintiffs' Trial
22 Exhibit 361.

23 Is this a document that you have seen before,
24 sir?

25 A. I don't believe so.

1 Q. This is a memorandum to Secretary Paulson,
2 Secretary Preston, Chairman Cox and Director Lockhart
3 from Jason Gonzalez at the Federal Reserve Board.

4 Do you see that?

5 A. I do.

6 Q. Do you know who Jason Gonzalez is?

7 A. No.

8 Q. You do know who the other addressees are.

9 A. I do.

10 Q. And the e-mail that is the cover e-mail says, "On
11 behalf of Chairman Bernanke, please find enclosed the
12 materials for today's meeting of the Financial Stability
13 Oversight Board."

14 Do you see that?

15 A. I do.

16 Q. And the materials discuss actions to stabilize
17 AIG.

18 Do you see that?

19 A. Yes.

20 Q. Were any of these materials discussed with you at
21 or about the time?

22 A. I don't -- I don't know.

23 MR. BOIES: I will wait until Chairman Bernanke
24 comes to examine about this document further in view of
25 the witness' lack of knowledge or recollection about it.

1 BY MR. BOIES:

2 Q. Let me ask you to look next at Plaintiffs' Trial
3 Exhibit 545.

4 These are excerpts from a rule 30(b)(6) deposition
5 of the Board of Governors of the Federal Reserve Board,
6 which I offer as an admission.

7 MR. DINTZER: Just one moment, Your Honor,
8 please.

9 (Pause in the proceedings.)

10 Your Honor, we generally don't have any objection,
11 but our concern is that this is an effort to get around
12 the Court's preference for nondesignation of deposition
13 and for live testimony, so we don't have an objection to
14 this coming in, but we'd want to flag that as a concern
15 if this is something that's going to happen.

16 THE COURT: Mr. Boies?

17 MR. BOIES: We're not introducing any of the
18 depositions. This is -- as depositions, this is a
19 30(b)(6) deposition of a representative that we think we
20 can admit as an admission. In addition, this was taken
21 in a different case.

22 THE COURT: Right. I see that.

23 I'll allow it.

24 (Plaintiff's Exhibit Number 545 was admitted into
25 evidence.)

1 BY MR. BOIES:

2 Q. Do you know who Jon Greenlee is?

3 A. I -- his name sounds familiar, but I couldn't tell
4 you why.

5 Q. I take it he is not someone who you had
6 discussions with concerning the authority of the
7 Federal Reserve to make 13(3) loans or to accept as
8 compensation for 13(3) loans equity?

9 A. I don't believe so, but could I ask a clarifying
10 question?

11 Q. Sure. Certainly.

12 A. Is he a member of or was he a member of the
13 Federal Reserve Board staff?

14 Q. That is my understanding.

15 A. Okay.

16 Q. And that is confirmed by Ms. Rutherford, who
17 always gives me accurate advice.

18 A. I mean, it's possible that he was on a conference
19 call where I was having a conversation with Alvarez.
20 That's possible.

21 Q. But you don't have any recollection of that; is
22 that correct?

23 A. No.

24 Q. Let me turn to the subject of monitoring or
25 control. You used those words yesterday, and I don't

1 want to get into a semantic discussion, and so let me ask
2 you, what word do you use to describe what the
3 Federal Reserve Bank was doing with respect to AIG after
4 the government had received the 79.9 percent equity? Do
5 you use "monitoring and control," "managing"?

6 What word do you use to describe what was going
7 on?

8 MR. DINTZER: Your Honor, just so that the record
9 is clear, Mr. Boies is saying after the government had
10 received 79.9 percent. I can think that that could be
11 three different time periods depending on how that's
12 read, so if we could just ask counsel to clarify the
13 specific time period he's referring to.

14 THE COURT: I think that's a fair objection.

15 BY MR. BOIES:

16 Q. From -- well, let me ask the question from a date.
17 And let me take September 22, 2008.

18 Subsequent to September 22, 2008, and indeed to
19 some extent before September 22, the Federal Reserve had
20 people on-site doing various things with respect to AIG;
21 correct?

22 A. That's correct.

23 Q. And what is the word that you use -- because I
24 want to use that word in my examination of you -- that
25 you use to best describe what you were trying to do with

1 those people and advisors who were interacting with AIG
2 personnel?

3 A. Well, I would say -- I guess I would say
4 "monitoring" is fine, if that's simple enough to simplify
5 our discussion.

6 Q. Okay. I'll use the word "monitoring" and
7 recognizing that different people may have different
8 views as to what "monitoring" means.

9 And you have -- you've talked about the work that
10 Sarah Dahlgren was doing, and I'd like to ask you about
11 your interactions with her.

12 Did you give her direction as to what she was
13 supposed to do?

14 A. General direction, yes.

15 Q. And did you give her specific direction with
16 respect to certain items?

17 A. Could you be more precise, more specific?

18 Q. Sure. Let me give you some examples.

19 Let me ask you to look at Plaintiffs' Trial
20 Exhibit 309, which I would offer.

21 MR. DINTZER: No objection, Your Honor.

22 THE COURT: Plaintiffs' Trial Exhibit 309 is
23 admitted.

24 (Plaintiff's Exhibit Number 309 was admitted into
25 evidence.)

1 BY MR. BOIES:

2 Q. In the middle of the page, Ms. Dahlgren writes to
3 you on October 19, 2008 at 6:55 p.m., with a copy to
4 Mr. Baxter, "I've confirmed with Ed this evening that he
5 has 'shut everything down'....all lobbying will be done
6 only through industry trade groups and AIG won't be doing
7 its own lobbying."

8 Do you see that?

9 A. Yes.

10 Q. And that was in response to an e-mail that you had
11 sent at 2:48 that same day; correct?

12 A. That's what this -- that's what this appears to
13 be, yes.

14 Q. And as the top line on the second page of this
15 exhibit indicates, you had written to her, "Has Liddy
16 shut down the lobbying stuff?"

17 Do you see that?

18 A. I do.

19 Q. And then in response to her e-mail to you that
20 we've already quoted, you respond, at 7:39 p.m. of the
21 same day, "Good"; correct?

22 A. Yes.

23 Q. Prior to October 19, 2008, had you or others
24 requested Mr. Liddy to, quote, shut down the lobbying
25 stuff?

1 A. I believe so.

2 Q. Do you know when?

3 A. No, I don't.

4 Q. Do you know who made that request?

5 A. I do not.

6 Q. Let me ask you to look at Plaintiffs' Trial
7 Exhibit 310, which I would offer.

8 MR. DINTZER: No objection, Your Honor.

9 THE COURT: Plaintiffs' Trial Exhibit 310 is
10 admitted.

11 (Plaintiff's Exhibit Number 310 was admitted into
12 evidence.)

13 BY MR. BOIES:

14 Q. And this is an e-mail that relates to discussions
15 that Ms. Dahlgren was having with Ed Liddy about
16 potential members of the AIG board; correct?

17 A. That's what it appears to be. Yes.

18 Q. And did you have conversations, to your
19 recollection, with Ms. Dahlgren in October of 2008 about
20 replacing certain members of the AIG board?

21 A. I believe that I did.

22 Q. And did you also have conversations with
23 Ms. Dahlgren in October of 2008 about adding certain
24 particular people to the AIG board?

25 A. Just one clarification. I may not have had these

1 conversations directly with Sarah. I may have done that
2 through other of my colleagues.

3 Q. Who would those have been?

4 A. Probably in this case Mr. Baxter, but I'm not
5 certain. It could have been others, too.

6 Q. Did you or, to your knowledge, anyone else have
7 conversations with anyone outside of the Federal Reserve
8 Bank of New York and outside of AIG concerning replacing
9 AIG board members or concerning who would be added to the
10 board?

11 A. I think it's possible that I spoke with Ken Wilson
12 at the Treasury or -- and I think it's quite likely I
13 spoke with Secretary Paulson. I may have spoke to other
14 people at the Treasury about it, and it's possible I
15 spoke to other people at the Federal Reserve Board in
16 Washington.

17 Q. But to the extent you did, is it fair to say that
18 you do not recall that now?

19 A. No. I think it's likely that I spoke to
20 Secretary Paulson and was aware of suggestions that
21 Ken Wilson had.

22 Now, your question was did I talk to other
23 people -- is it -- is it -- your question also asks did I
24 talk to other people beyond potentially Treasury and the
25 Federal Reserve Board?

1 Q. Yes. My question went beyond --

2 A. Beyond that.

3 And it's also possible that I spoke to, at some
4 point, potential candidates.

5 For example, I think it's possible that I had a
6 conversation with Bill Thompson and perhaps with
7 Dennis Dammerman. I'm just looking at this list. But
8 I'm not certain.

9 Q. Now, you say it's possible that you had a
10 conversation at some point with potential candidates.

11 Do you recall -- even though you may not recall
12 exactly what conversation and what candidate, do you
13 recall that you did in fact have conversations with
14 prospective AIG board members?

15 A. I think it's likely that I did. What I can't
16 remember is whether I called them in the context of
17 encouraging them to do it or in the context of thanking
18 them for agreeing to do it.

19 Q. Did you talk to any of them prior to making a
20 decision to ask them to do it?

21 A. I do not believe so.

22 Q. Do you know if Ms. Dahlgren did?

23 A. I do not, no, I do not know.

24 Q. Do you know if anyone from the Federal Reserve
25 talked to any of these prospective AIG board members

1 before they were asked to serve on the board?

2 A. I do not know.

3 Q. Let me ask you to look next at Plaintiffs' Trial
4 Exhibit 472.

5 This is a series of e-mails that involves
6 Mr. Baxter, Ms. Dahlgren and James Hennessy.

7 Do you know who James Hennessy is?

8 A. Yes. He's a member of the staff of the
9 Federal Reserve Bank of New York.

10 Q. This does not appear to have gone to you, but I
11 would ask you whether you've ever seen this before.

12 A. I don't think so.

13 MR. BOIES: Your Honor, I would offer Plaintiffs'
14 Trial Exhibit 472.

15 MR. DINTZER: We have no objection, Your Honor.

16 THE COURT: Plaintiffs' Trial Exhibit 472 is
17 admitted.

18 BY MR. BOIES:

19 Q. The portion I want to ask you about is in the
20 March 18, 2009 1:05 p.m. e-mail from Mr. Baxter to
21 Mr. Hennessy, which is down in the bottom third of the
22 page. It begins, "Great," but the portion that I'm
23 interested in is the next sentence, where Mr. Baxter
24 says, "I seem to recall a meeting I had with Tim, when he
25 was president, about Benziger."

1 Do you see that?

2 A. Yes.

3 Q. And that had to do with stopping certain
4 compensation; correct?

5 A. Yes.

6 Q. And the Tim that's referred to I take it is you?

7 A. It seems likely because it says "when he was
8 president."

9 Q. And do you recall having a conversation or a
10 meeting with Mr. Baxter about stopping certain
11 compensation for Mr. Benziger?

12 A. I do not know who Mr. Benziger is, so I don't
13 recall being aware of that. But I do have a general
14 recollection that at that time when I was still
15 president, I was exposed to a bunch of concerns about
16 some compensation issues at AIG. And I think it's likely
17 in that context that I spent some time talking to
18 Mr. Baxter about how we might encourage them to address
19 those concerns.

20 Q. The next sentence says that, after the meeting he
21 seems to recall with you, "Sarah and I," referring to
22 Ms. Dahlgren, "and I then went and met with Ed,"
23 presumably referring to Mr. Liddy; correct?

24 A. Yes.

25 Q. And Mr. Baxter goes on, "Cuomo took credit for

1 stopping his comp," referring to Benziger's comp, "but we
2 actually did it in the meeting with Ed."

3 Do you see that?

4 A. Yes.

5 Q. And do you recall that there was a meeting between
6 Ms. Dahlgren and Mr. Baxter and Mr. Liddy in which
7 Ms. Dahlgren and Mr. Baxter, in the way it's put here,
8 stopped certain compensation for Mr. Benziger?

9 A. I don't recall that specifically, although I
10 suspect they had meetings with Mr. Liddy together or
11 separately on occasion.

12 Q. I'd asked you yesterday what firms the
13 Federal Reserve Bank of New York had retained in order to
14 help it in what we are calling its monitoring of AIG. Do
15 you recall that?

16 A. I do, yes.

17 Q. And was one of those firms that was retained
18 Ernst & Young?

19 A. I don't know.

20 Q. Let me ask you to look at Plaintiffs' Trial
21 Exhibit 169, which I don't think I've got multiple copies
22 of, but I show it to you just to refresh your
23 recollection.

24 And perhaps we can put it up on the screen, if
25 there's no objection. This is not admitted. Is there an

1 objection to --

2 MR. DINTZER: So it's solely to refresh?

3 MR. BOIES: Yes.

4 MR. DINTZER: Yes. Then we don't object.

5 BY MR. BOIES:

6 Q. This is a document from Ernst & Young to the
7 Federal Reserve Bank of New York.

8 Is that a document that you've seen before, sir?

9 A. I don't believe I have, but I don't know.

10 Q. This is addressed to the Federal Reserve Bank of
11 New York, Attention: Christine Cumming,
12 First Vice President.

13 Do you see that?

14 A. Yes.

15 Q. And this is then a retention agreement between the
16 Federal Reserve Bank of New York and Ernst & Young.

17 Do you see that?

18 A. Yes.

19 MR. DINTZER: Objection, Your Honor. If counsel
20 wants to ask him if it refreshes, that's fine, but he's
21 now asking him or informing him what the document is.
22 And if it doesn't refresh his memory, there's no real
23 reason for him to walk the witness through the document.

24 MR. BOIES: Your Honor, to make the examination
25 easier, I'm going to offer this document. It's

1 stipulated to be an authentic document. It was produced
2 to us from the files of the Federal Reserve Bank of
3 New York. As a stipulated authentic document, it is what
4 it appears to be, and I'm offering it for purposes of
5 just showing what the retention was.

6 THE COURT: If you're going to offer it, you need
7 to have documents available for the rest of us.

8 MR. BOIES: You're right, Your Honor. Let me try
9 to get those, and I'll come back to this.

10 THE COURT: All right.

11 BY MR. BOIES:

12 Q. During the period of time that the
13 Federal Reserve Bank of New York was, as you describe it,
14 monitoring AIG, is it the case that the Federal Reserve
15 was consulted in advance on any items to be brought
16 before the AIG board?

17 MR. DINTZER: Objection, Your Honor. Just if we
18 could -- I believe Secretary Geithner testified
19 yesterday that he left or he stopped working at the
20 Federal Reserve at a certain point and then he actually
21 left the Federal Reserve. And counsel hasn't established
22 if the monitoring continued, but I would just ask if the
23 Court could ask counsel to limit his questions to when
24 Secretary Geithner was the president of the
25 Federal Reserve, just for -- or at least include in his

1 questions the time frame so we know what time frame he's
2 asking about.

3 THE COURT: It's not like he would lose all
4 knowledge as of the date he left, I mean. We just have
5 to take each question as it comes I think.

6 MR. DINTZER: Okay. Thank you, Your Honor.

7 BY MR. BOIES:

8 Q. When you left being president of the New York Fed,
9 you became secretary of Treasury; correct, sir?

10 A. Yes.

11 Q. And as secretary of Treasury, you continued to be
12 knowledgeable about the extension of credit to AIG and
13 the monitoring of AIG; correct?

14 A. Well, I had some knowledge, yes. I continued to
15 have some knowledge, yes.

16 Q. Did you have enough knowledge to know that what
17 you have described as the monitoring of AIG by the
18 New York Fed was continuing?

19 A. Yes.

20 Q. And is it the case that that monitoring included
21 having the New York Fed consulted in advance on any items
22 to be brought before the AIG board?

23 A. I don't know.

24 Q. Is it the case that that monitoring included
25 Vice President Dahlgren sitting in on all board and

1 committee meetings?

2 A. I can't be sure about that.

3 Q. Was that your understanding at the time?

4 A. I don't know if it was.

5 Q. Did the monitoring include having representatives
6 of the government that attended all board meetings?

7 A. I couldn't speak to that either with confidence.

8 Q. Did the monitoring include Federal Reserve Bank of
9 New York employees participating in the recruitment of
10 new AIG board members?

11 A. Yes. I think that would be fair.

12 Q. Did that monitoring include the New York Fed
13 making a determination as to which existing board members
14 the New York Fed did not want to continue as board
15 members?

16 A. I do not know.

17 Q. Was that your understanding at the time?

18 A. I don't know if it was at the time.

19 Q. We have now copies of Plaintiffs' Trial
20 Exhibit 169, Your Honor.

21 Does this refresh your recollection that there was
22 a retention of Ernst & Young to assist the
23 Federal Reserve Bank of New York in connection with what
24 you have described as the monitoring of AIG?

25 A. Not really, no. I guess I would say it doesn't

1 surprise me that we did that, but it doesn't refresh my
2 memory.

3 Q. Let me ask you to look at page 3, where this
4 retention agreement is signed both by Ernst & Young and
5 by someone purporting to be Christine Cumming.

6 Do you see that?

7 A. Yes.

8 Q. Do you recognize Christine Cumming's signature
9 there?

10 A. I don't know that I would recognize it, but -- but
11 it's certainly plausible it's hers.

12 Q. Let me turn to page 5 of this exhibit. And this
13 is headed Scope Document Between Ernst & Young and the
14 Federal Reserve Bank of New York Regarding the Engagement
15 in Connection with the Credit Agreement Between the
16 Federal Reserve Bank of New York as Lender and AIG.

17 Do you see that?

18 A. Yes.

19 Q. And number 2 that's listed there is "Valuation."

20 Do you see that?

21 A. Yes.

22 Q. And the key objective is: "To understand the
23 extent of Federal Reserve Bank of New York credit
24 exposure by performing valuations of the entities posted
25 as collateral."

1 Do you see that?

2 A. Yes.

3 Q. Did Ernst & Young provide valuations of the
4 insurance subsidiaries posted as collateral for the AIG
5 credit facility?

6 A. I do not know.

7 Q. Do you know that somebody did that?

8 A. I think it's likely, but I wouldn't be sure at
9 what time frame.

10 Q. Did you personally receive periodic valuations of
11 the insurance subsidiaries that had been posted as
12 collateral by AIG?

13 A. I don't believe so.

14 Q. Do you know if anyone from the
15 Federal Reserve Bank did?

16 A. I do not know.

17 MR. BOIES: Your Honor, I would now reoffer
18 Plaintiffs' Trial Exhibit 169.

19 MR. DINTZER: No objection, Your Honor.

20 THE COURT: Plaintiffs' Trial Exhibit 169 is
21 admitted.

22 (Plaintiff's Exhibit Number 169 was admitted into
23 evidence.)

24 BY MR. BOIES:

25 Q. Let me ask you to look at Plaintiffs' Trial

1 Exhibit 270. And this one is in your binder.

2 And I would offer Plaintiffs' Trial Exhibit 270.

3 MR. DINTZER: No objection, Your Honor.

4 THE COURT: Plaintiffs' Trial Exhibit 270 is
5 admitted.

6 (Plaintiff's Exhibit Number 270 was admitted into
7 evidence.)

8 BY MR. BOIES:

9 Q. Let me direct your attention to the second page of
10 this exhibit, where there is an e-mail from
11 Sarah Dahlgren to you on October 1, 2008 at 11:27 a.m.

12 Do you see that?

13 A. Yes.

14 Q. And she is providing to you, as well as other
15 people, a rating agency update; correct?

16 A. Yes.

17 Q. And do you recall receiving this e-mail?

18 A. I believe so.

19 Q. And at the bottom of the page, it indicates that
20 someone from Standard & Poor's indicated that
21 Standard & Poor's doesn't normally talk with governmental
22 agencies about rating decisions.

23 Do you see that?

24 A. I do see that.

25 Q. And then Ms. Dahlgren continues "and I politely

1 reminded her that I was calling as the largest creditor
2 and 80 percent equity holder of the company....she
3 responded positively to that."

4 Do you see that?

5 A. Yes.

6 Q. And did you have any discussions with Ms. Dahlgren
7 at or about this time about Ms. Dahlgren's assertion that
8 she was calling as the largest creditor and 80 percent
9 equity holder of AIG?

10 A. I don't know that I did.

11 Q. Let me ask you to look next at Plaintiffs' Trial
12 Exhibit 233, which I would offer.

13 MR. DINTZER: No objection, Your Honor.

14 THE COURT: All right. Plaintiffs' Trial
15 Exhibit 233 is admitted.

16 (Plaintiff's Exhibit Number 233 was admitted into
17 evidence.)

18 BY MR. BOIES:

19 Q. The first e-mail in this chain is an e-mail from
20 Kevin Warsh to Mr. Kohn and Mr. Alvarez on the subject of
21 AIG, September 23, 2008 at 6:55 p.m.

22 Do you see that?

23 A. Yes.

24 Q. And Mr. Warsh says, "Tim and I talked about AIG
25 this evening."

1 Do you see that?

2 A. Yes.

3 Q. And that's a reference to you; correct?

4 A. Yes.

5 Q. And he goes on, "We were thinking of normalizing
6 Fed governance of the company so that we have good handle
7 on issues as they arise."

8 Do you see that?

9 A. Yes.

10 Q. And did you have such a conversation with
11 Kevin Warsh at or about this time?

12 A. Of course I don't recall precisely, but this seems
13 likely.

14 Q. And Mr. Warsh continues, referring to you, "He has
15 team of outside lawyers and some New York Fed staff doing
16 some digging. We would supplement with some board staff
17 in oversight mode and Tim, you and I would do weekly call
18 with staff and also do call with new CEO."

19 Do you see that?

20 A. I do.

21 Q. And is that consistent with your recollection of
22 your conversations with Mr. Warsh?

23 A. I don't have any recollection of my conversation
24 with him.

25 Q. You don't have any recollection one way or the

1 other?

2 A. The content of the conversation. I mean, it seems
3 likely we talked about this, but I wouldn't have any
4 recollection of the content of the conversation.

5 Q. Mr. Kohn replies, "We're definitely acting like we
6 own the company."

7 Do you see that?

8 A. I do.

9 Q. And did Mr. Kohn ever tell you in words or in
10 substance that the Federal Reserve was definitely acting
11 like it owned the company, referring to AIG?

12 A. I don't recall.

13 Q. Let me ask you to look next at Plaintiffs' Trial
14 Exhibit 109, which I would offer.

15 MR. DINTZER: No objection, Your Honor.

16 THE COURT: Plaintiffs' Trial Exhibit 109 is
17 admitted.

18 (Plaintiff's Exhibit Number 109 was admitted into
19 evidence.)

20 BY MR. BOIES:

21 Q. This is an exchange of e-mails that involves
22 Mr. Michael Silva and Charles Duffy, as well as
23 James Narron. We've obviously already identified
24 Mr. Silva.

25 Do you know who Mr. Duffy is?

1 A. I recognize his name. Yes.

2 Q. And was he somebody who was at the Federal Reserve
3 Board of Governors?

4 A. I believe his -- the e-mail address indicates he
5 was a -- on the staff of the Federal Reserve Bank of
6 New York.

7 Q. And was Mr. James Narron also on the staff of the
8 Federal Reserve Bank of New York?

9 A. I believe so. Yes.

10 Q. Now, the first e-mail, which is from Mr. Duffy, at
11 12:09 a.m. on September 17, refers to a Charlie Rose show
12 and a seemingly live discussion about AIG, the Fed,
13 Lehman and the market.

14 Do you see that?

15 A. Yes.

16 Q. And that Mr. Greenberg was on that show; correct?

17 A. That's what this says. Yes.

18 Q. And it says that Mr. Greenberg mentioned that he
19 had called and spoke to you, asking to be afforded a
20 seat at the discussion table, based on his being so
21 familiar with all aspects of the company as a former CEO
22 and being he is one of the largest shareholders in the
23 company.

24 Do you see that?

25 A. Yes.

1 Q. And Mr. Silva replies, referring to Mr. Greenberg,
2 "Yes, he did call."

3 Do you see that?

4 A. Yes.

5 Q. And Mr. Silva continues, "We declined to offer him
6 a seat at the table."

7 Do you see that?

8 A. Yes.

9 Q. And is that consistent with your understanding,
10 that is, that Mr. Greenberg did call for the reason
11 indicated here, and the Federal Reserve Bank of New York
12 declined to offer him a seat at the table?

13 A. I believe so. Yes.

14 Q. And Mr. Silva continues, referring to
15 Mr. Greenberg, "he should have said he WAS" -- and "was"
16 is all caps -- "one of the largest shareholders in the
17 company. The Federal Reserve is now the largest
18 shareholder in the company."

19 Do you see that?

20 A. Yes.

21 Q. Did Mr. Silva ever discuss with you any of the
22 points that he makes in this e-mail?

23 A. I don't recall. You know, as we discussed
24 yesterday, I couldn't -- I can't remember whether
25 actually I spoke directly to Hank Greenberg when he

1 called, although my call sheet seems to indicate that.

2 And so I am aware -- I do -- I do remember being
3 aware of the fact that he would have liked to have a seat
4 at the table and that we did not take him up on that
5 offer.

6 Q. Let me ask you to look next at Plaintiffs' Trial
7 Exhibit 691, which I believe is in your binder.

8 This is a document that was produced from your
9 files, and it purports to be a timeline of a series of
10 events and the time of those events.

11 Do you see that?

12 A. Yes.

13 Q. Have you ever seen this document before?

14 A. I don't know that I have.

15 Q. Do you know who prepared this document?

16 A. No.

17 Q. Do you know why it was in your files?

18 A. No. It's possible that what -- no, I don't know.
19 It's possible that it was background material for the
20 preparation of my book.

21 MR. BOIES: I will offer this if there is no
22 objection. If there is an objection, I don't think
23 there's a sufficient foundation for it in the absence of
24 agreement that it be admitted, but I will offer it to see
25 if there is any objection.

1 MR. DINTZER: Your Honor, I have to agree with
2 what Mr. Boies said, that there is an absence of
3 foundation, so we will have to object.

4 THE COURT: All right. Very well. The objection
5 is sustained.

6 BY MR. BOIES:

7 Q. Let me ask you to look next at Plaintiffs'
8 Exhibit 1564, which I would offer.

9 MR. DINTZER: No objection, Your Honor.

10 THE COURT: Plaintiffs' Trial Exhibit 1564 is
11 admitted.

12 (Plaintiff's Exhibit Number 1564 was admitted into
13 evidence.)

14 BY MR. BOIES:

15 Q. This is a document that represents an e-mail to
16 you, dated September 16, 2008 at 3:16 in the afternoon;
17 is that correct?

18 A. It seems like it's 3:16 in the morning.

19 Q. 3:16 in the morning, yes, 3:16 in the morning on
20 September 16.

21 A. Yes.

22 Q. And it's actually to you and a large number of
23 other people; correct?

24 A. Yes.

25 Q. And the subject is summary of AIG bankrupt --

1 bankruptcy impact.

2 Do you see that?

3 A. Yes.

4 Q. And do you recall receiving this e-mail?

5 A. Yes.

6 Q. And do you recall discussing the substance of this
7 with anyone?

8 A. Yes.

9 Q. Who did you discuss the substance of this with?

10 A. Well, we had a team of people that were working on
11 AIG over the weekend and into Monday and Tuesday that
12 were responsible for examining a range of the questions
13 that are covered in this e-mail.

14 Q. And what is written here is: "Attached is a
15 document that summarizes some of our discussion earlier.
16 The key takeaway is that AIG could be more systemic in
17 nature than Lehman due to the retail dimension of its
18 business."

19 Do you see that?

20 A. Yes.

21 Q. And was that a conclusion that you agreed with at
22 the time?

23 A. Yes.

24 Q. In the period of September 15-16 through
25 September 22, was any effort made by the Federal Reserve

1 that you are aware of to try to assess the extent to
2 which AIG's problems were a function of mismanagement or
3 excessive risk taking?

4 A. We made extensive efforts over that period of
5 time to determine, alongside the management of AIG,
6 about what was the scale of the losses they faced and
7 the scale of the liquidity needs they might face, and
8 those magnitudes were a consequence in some -- to some
9 extent of the management decisions of the firm, so in
10 that sense, yes.

11 Q. Other than concluding that the scale of the
12 losses AIG faced and the scale of the liquidity needs
13 they might face were to some extent a consequence of the
14 management decisions of the firm, was any effort made to
15 determine whether AIG's problems were a function of
16 mismanagement or excessive risk taking?

17 A. Well, to some extent they all were, but I'm not
18 sure how you could analyze precisely, certainly not in
19 that time frame, the precise extent to which that might
20 have been the case.

21 Q. Let me ask you to listen to my question.

22 I'm asking you whether there was any effort made
23 that you were aware of to determine whether and to what
24 extent AIG's problems were a function of mismanagement or
25 excessive risk taking.

1 A. I guess I don't really understand the question.

2 Q. Okay. Then I'll restate it.

3 A. Okay.

4 Q. At any time you don't understand the question,
5 please just let me know, and I will restate it.

6 You are aware of various assertions that have been
7 made in the media and elsewhere that AIG's problems were
8 a function of mismanagement or excessive risk taking or
9 both; correct?

10 A. Yes.

11 Q. At any time that you are aware of, did the
12 government make any effort to determine the extent to
13 which those assertions were accurate or inaccurate?

14 A. Well, I can only speak to what I think I knew of
15 and --

16 Q. All I'm asking is what you were aware of.

17 A. Yeah. And again, I guess I would just say it the
18 way I said it, which is that the scale of AIG's
19 financial needs and their potential losses relative to
20 those facing other firms at the time were a result, by
21 definition, substantially of the management decisions of
22 the company.

23 Q. Yes.

24 That is almost a tautology; correct?

25 A. Not a tautology I think, just as I said. The

1 relative scale of their financial needs at that time were
2 a consequence largely of management decisions the firm
3 had made.

4 Q. Again, I'd like you to listen to my question
5 because I'm not just talking about the fact that the way
6 something ends up for a company is a consequence of the
7 management decisions largely that the firm has made.

8 What I'm asking is that, as you have said, you
9 were aware that there were various assertions made in the
10 media and elsewhere that AIG's problems were the result
11 of management decisions that constituted mismanagement or
12 excessive risk taking; correct?

13 A. Well, you changed your intermediate formulation,
14 and I guess I'm generally aware.

15 Q. Wait a minute, wait a minute.

16 What did I change?

17 A. Well, I thought that you changed the formulation
18 slightly.

19 Q. How did I change it?

20 A. I can't remember precisely, but I think if you're
21 asking me was I aware that people in government had
22 characterized AIG's plight has been the result of
23 excessive risk taking?

24 Q. That wasn't actually my question, but I'll take
25 that question to start with.

1 A. Yes, I was aware of that.

2 Q. Okay. And you were also aware that there were
3 various assertions made in the media and not just in --
4 by government people that AIG's problems were a function
5 of excessive risk taking; correct?

6 A. Yes.

7 Q. Now, were you aware that anybody in government was
8 asserting that AIG's problems were a function of
9 mismanagement, bad management?

10 A. It seems likely that --

11 Q. It seems likely.

12 A. -- that people made those statements.

13 Q. It seems likely, but what I'm asking is, are you
14 aware of anybody who made those statements?

15 A. I mean, I don't -- I don't -- again, it seems
16 generally consistent with my recollection, but I couldn't
17 speak precisely to who said what and who used what
18 phrase.

19 Q. Well, without asking you to remember who used what
20 phrase, do you recall anyone in government asserting in
21 substance that AIG's problems were a result of bad
22 management?

23 A. I mean, I myself may have used that phrase. I
24 don't know.

25 Q. Other than yourself.

1 A. I'm not sure. Again, it seems plausible, even
2 likely.

3 Q. At any time that you are aware of, did anyone in
4 government make an effort to determine the extent to
5 which AIG's problems were in fact a result of excessive
6 risk taking?

7 That's a yes, no or I don't know, and depending on
8 what your answer is, I will follow up.

9 A. I think I would say yes.

10 Q. Okay. Who made that effort?

11 A. Well, perhaps I could describe it. Could I
12 describe what I believe was done?

13 Q. You can perhaps when I'm asking you questions and
14 certainly when the other side is asking you questions,
15 but I'd like to begin by who made the effort that you
16 described.

17 Who were the people?

18 A. I guess I would say, in a sense, the people that
19 were at the New York Fed and at the Federal Reserve Board
20 and at the Treasury who at that time were making these
21 assessments with us about what the scale of AIG's needs
22 were were in effect making that assessment because we're
23 making a relative judgment of what AIG's needs were
24 relative to other financial institutions.

25 I guess that's -- because you're using a phrase

1 that implies a relative judgment, "excess." That was the
2 phrase.

3 So I'd say yes, in that sense, that team of people
4 were making an assessment.

5 Q. Let me see if I understand what you're saying.

6 Are you saying that you were making an assessment
7 that AIG's liquidity needs were greater than other
8 companies' liquidity needs and that that by definition,
9 in your view, leads to the conclusion that AIG had
10 engaged in excessive risk taking?

11 A. I'm not sure I would say it quite that way. I
12 would say that --

13 Q. If you're not, then the answer is no, and I will
14 put another question.

15 A. Okay. No.

16 Q. Okay. Is it your understanding and belief that
17 AIG's liquidity needs could have been substantially
18 greater than other insurance companies?

19 A. Yes.

20 Q. And that could be so without necessarily AIG
21 having taken what you would refer to as excessive risks?

22 A. This is an interesting question.

23 Q. And again, it's a yes, no or I don't know answer.

24 Do you want me to restate it?

25 A. I guess I would say yes.

1 I mean, it depends on how you think that you
2 define the word "excess" of course, but yeah, I would say
3 yes.

4 Q. And if you define "excess risk" as imprudent
5 risks, that is, risks that at the time they were taken
6 on, the company should have known better, is that what
7 you mean by "excessive risk" or do you mean something
8 else by "excessive risk"?

9 A. That's a difficult -- that's a difficult question,
10 because many things that seemed prudent at the time were
11 later clearly imprudent.

12 Q. Yes. That was really -- that was really my
13 point.

14 Because a decision that is prudent at the time you
15 make it may turn out in retrospect to have been
16 imprudent; correct?

17 A. That's true.

18 Q. And I suppose sometimes even decisions that were
19 imprudent at the time work out well; correct?

20 A. That's true, too.

21 Q. Was any effort made to determine -- and by "any
22 effort made" I mean any effort that you're aware of --
23 made to determine whether the risks that AIG took were
24 imprudent at the time that they were taken?

25 A. Is your question did we go back and try to assess

1 for every commitment they made back in time whether at
2 the time we could have judged whether they were prudent
3 at the time? No, we did not do that, nor I think would
4 anyone.

5 Q. No. My question was not whether you tried to
6 assess for every commitment they made back in time.

7 A. Even on a general level, no.

8 Q. Yeah, that was really what I was asking, whether
9 you made any general attempt to determine whether the
10 risks that AIG had taken on were imprudent at the time
11 they were taken on.

12 A. No. And I don't know how you could have done
13 that.

14 The answer is that I think about hindsight and
15 stuff.

16 Q. Did you or, to the extent you are aware, anyone
17 try to determine whether the management decisions that
18 AIG had made were bad management decisions at the time
19 that they were made?

20 A. No. I don't know how we could have done that.

21 Q. But in any event, you didn't make any such effort;
22 is that fair?

23 A. No. I did not try to go back and look at the
24 management judgments made at various points in time in
25 history and try to assess whether at the time one might

1 be able to reasonably judge whether they were prudent.

2 Could I make one clarifying point?

3 Q. Does it have to do with this particular area, this
4 particular question?

5 A. You're doing a philosophical inquiry, so I think
6 it does.

7 Q. I don't mean to be doing a philosophical inquiry.
8 I mean to be asking you what was actually done.

9 A. I was just going to make the point that in
10 finance, you know, you make a decision, and then you can
11 make another decision about whether you stick with that
12 position, you change it, you alter it, you reduce it, you
13 hedge it, so you'd be making those decisions continuously
14 from every point you first made it, so it's not quite
15 fair to have -- you know this of course -- you don't
16 have -- really have discussions whether it was prudent
17 then, was it prudent now, because there's an infinite
18 series of choices along the way. That's all I wanted to
19 say.

20 Q. And did you or, insofar as you are aware, anybody
21 from government make any attempt to determine whether any
22 of the decisions along the way that AIG made were
23 imprudent at the time that they made them?

24 A. Not at -- not at individual points in time, no.

25 Q. Did you or, insofar as you are aware, anybody in

1 government make any attempt to determine whether in
2 general the decisions that AIG made along the way were
3 imprudent at the time they made them?

4 A. I believe my judgment of what the time was that
5 because they were coming to us uniquely among insurance
6 companies and for a scale of assistance that was
7 exceptional even relative to the proposals we received
8 from other financial institutions and they were facing a
9 scale of losses that was really quite exceptional, on
10 that basis, we had a reasonable basis for judgment that,
11 in a relative sense, they had taken imprudent risks.

12 Q. They had taken risks that turned out to be
13 imprudent, and you may also be saying that you made an
14 effort to determine that along the way they made
15 decisions that were imprudent at the time they made
16 them, but I want to distinguish between those two.
17 Okay?

18 Do you understand the distinction or not?

19 A. I do, but I think that --

20 Q. Then if you do, let me put a question.

21 And my question is whether you or, insofar as you
22 are aware, anybody in government made any attempt to
23 determine whether in general decisions that AIG made, as
24 you described it, along the way were imprudent at the
25 time they made them. That is yes, no or I don't know,

1 and depending on your answer, I will follow up.

2 A. I don't think I can do it with just a yes/no
3 question. Would you like me to try a "yes, and"
4 question -- response or a "no, and" response?

5 Q. If you're flexible and I can provide the yes or
6 no, I suppose I would. But since you obviously want to
7 say something, is it --

8 A. I don't really particularly want to say something
9 at all.

10 Q. If it's relatively short, I don't have any
11 objection to your saying it.

12 A. I said that we made no attempt to go back and
13 look at every decision they had made over time and try
14 to make a judgment at that point in time was that
15 prudent.

16 However, the situation they presented to us in
17 those days in September were the result of the
18 cumulative effect of a bunch of decisions and decisions
19 not to do things that they had made in the -- in over
20 a -- in a period of years, months and weeks. And it
21 seemed apparent to us at that time, on the basis of the
22 evidence we saw and they presented, that the cumulative
23 effect of those judgments had been imprudent.

24 Q. And I want to be clear what you're saying.

25 It seemed apparent to you at the time, on the

1 basis of the evidence you saw, that the cumulative
2 effects of the judgments made by AIG management had been
3 imprudent at the time they made those judgments; is that
4 what you're saying?

5 A. Because --

6 Q. That is a yes-or-no question. I'm just asking the
7 time.

8 A. Yes. I believe that.

9 Q. Okay. Now, when --

10 A. Do you understand my meaning?

11 Q. Do I understand your meaning of yes, you believe
12 it was imprudent at the time they made it? I hope so.

13 A. Well, perhaps I could -- can I -- can I make one
14 statement to follow up?

15 Q. Again, if it's short, sir. I suspect it's simply
16 going to generate more questions, but sure, go ahead.

17 A. Well, let's not then.

18 Q. You're going to get plenty of time to answer
19 questions, and then I'm going to come back and ask you
20 more questions about that. I'm just trying to get a
21 clear record now.

22 And as I understand, you've said that you believe
23 that you had a basis for reaching certain conclusions
24 about the nature of the risks that AIG was taking based
25 on the consequences that you saw; is that fair?

1 A. Yes.

2 Q. Other than the conclusions that were based on the
3 consequences that you saw, did you have any other basis
4 for reaching a conclusion about the nature of the risks
5 that AIG was taking?

6 A. Yes.

7 Q. And what was that other basis?

8 A. We were able to see the consequence of the
9 decisions that a whole range, diverse range of other
10 financial institutions had taken, which gave us the
11 ability to make a relative judgment.

12 Q. I think that's an important distinction. Let me
13 try to clarify.

14 You're saying that the conclusions you reached
15 about AIG and the nature of their risk taking was based
16 on comparing the consequences that AIG faced with the
17 consequences that a diverse range of other financial
18 institutions faced; correct?

19 A. In part, yes.

20 Q. Other than comparing the consequences or needs
21 that AIG faced with the consequences or needs that what
22 you described as a diverse range of other financial
23 institutions faced, did you have any other basis for
24 reaching a conclusion concerning the nature of the risks
25 AIG was taking?

1 A. I don't know. I'm not sure whether there was any
2 other basis.

3 Q. Now, it is the case, is it not, that you had no
4 basis for having any direct knowledge of the nature of
5 the risks AIG was taking?

6 A. When?

7 Q. Let me begin first with September of 2008.

8 A. Well, I think certainly in the days following
9 September 12 I had some direct knowledge, because at that
10 time the firm was sharing detailed information with us
11 about the nature of the risks they were exposed to and
12 the financial needs that those risks gave rise to.

13 Q. Let me ask you to look at your deposition at
14 page 108.

15 And the portion that I am interested in begins at
16 line 6 and goes down to line 16, but I will read through
17 line 2 on the following page for context.

18 "QUESTION: Did the Federal Reserve do an
19 investigation or analysis of AIG's risk taking and the
20 extent to which it was or was not excessive?

21 "ANSWER: Because we had no supervisory authority
22 relationship, really information responsibility for AIG,
23 we had no basis for having any direct knowledge of the
24 nature of the risks they were taking, so I don't think we
25 could have made that judgment."

1 Now, that's the portion that I'm interested in and
2 I want to come back to that, but for context I want to
3 read what you go on to say.

4 You go to on to say "but one thing a crisis
5 reveals, because of the basic dynamics of crisis is that
6 the pressures are usually more intense earlier on
7 institutions who, in the judgment of the market, have
8 taken more risk, are more vulnerable, so I would say it
9 was self-evident or I would say it was evident that at
10 least in the eyes of the market, AIG had taken much more
11 risk than had many institutions in similar
12 circumstances."

13 Do you see that?

14 A. Yes.

15 MR. DINTZER: Your Honor, I would just like a
16 clarification. Is counsel reading that to impeach or to
17 refresh? If it's to impeach, that's obviously completely
18 consistent with what the witness has been saying for the
19 past 30 minutes. If it's to refresh, the witness
20 apparently doesn't need refreshing because he's been
21 saying it for the past 30 minutes.

22 THE COURT: Mr. Boies?

23 MR. BOIES: I think the Court is in the best
24 position to make a judgment as to whether this is in fact
25 what the witness has been saying for the last 30 minutes

1 or not, particularly with respect to lines 6 through 16.

2 THE COURT: Go ahead.

3 BY MR. BOIES:

4 Q. Now, when you gave that testimony at your
5 deposition, that was, in your view at the time, complete,
6 accurate and truthful testimony; correct?

7 A. Yes.

8 Q. And would you agree with me that you would
9 consider that to be complete, truthful and accurate
10 testimony today?

11 A. Yes.

12 Q. Did you ever see anything in writing in September
13 of 2008 that assessed whether AIG had engaged in
14 excessive risk taking or any other type of
15 mismanagement?

16 A. Beyond the detailed information they gave us about
17 the value of their assets and the scale of their
18 financial needs and the losses they faced?

19 Q. Yes.

20 Beyond the information they gave you about the
21 value of the assets and the scale of their financial
22 needs and the losses they faced, did you ever see
23 anything in writing that assessed whether AIG had engaged
24 in excessive risk taking or any other type of
25 mismanagement?

1 A. Anything in writing that purported to analyze
2 whether those losses, needs, et cetera, were the result
3 of excessive risk taking or bad management?

4 Q. Let me take that question first. Give me an
5 answer to that, and then I'll go back to mine.

6 A. I don't recall if I did.

7 Q. Okay. Now, let me go back to my question.

8 Other than seeing information about AIG's assets
9 and their financial needs and the losses they faced, did
10 you ever see anything in writing that assessed whether
11 AIG had engaged in excessive risk taking or any other
12 type of mismanagement?

13 A. By anyone? By any source?

14 Q. Let me limit the source now to somebody working
15 for the government.

16 A. I don't know --

17 Q. Go ahead.

18 A. I'm sorry. I don't know if I did.

19 THE COURT: Mr. Boies, would this be a good time
20 for a morning break?

21 MR. BOIES: It would be, Your Honor.

22 THE COURT: All right. Let's reconvene at 11:20.
23 (Court in recess.)

24 THE COURT: All right. Let's go ahead.

25 MR. BOIES: Thank you, Your Honor.

1 BY MR. BOIES:

2 Q. Before the break, Mr. Geithner, you had said that
3 AIG was the only insurance company that faced the
4 problems that AIG faced.

5 Did I understand you correctly?

6 A. I believe what I said was at that time.

7 Q. And when you said "at that time," you were
8 referring to when?

9 A. When they came to us to ask for assistance.

10 Q. And were there other insurance companies that at
11 other times faced the problems that AIG faced that you
12 were aware of?

13 A. Subsequent to that time or prior?

14 Q. Let's begin with subsequent to that time.

15 A. I don't believe on that scale. Not on the same
16 scale.

17 Q. AIG was the largest insurance company in the
18 world; correct?

19 A. That's correct.

20 Q. Were there smaller insurance companies that faced
21 the problems that AIG faced, although, because they were
22 smaller, not on the same scale?

23 A. I don't -- I don't think I could have -- I would
24 have any textured knowledge of that.

25 If your question is did other insurance companies

1 at some point avail themselves of assistance under TARP,
2 that's true. That is true.

3 Q. And when other insurance companies availed
4 themselves of assistance under TARP, that was because
5 they faced liquidity needs; correct?

6 A. Or financial needs at some point, a mix of
7 liquidity and capital.

8 Q. So there came a time when other insurance
9 companies faced, as you describe it, liquidity or
10 capital, but in any event, financial needs; correct?

11 A. I believe that's true.

12 Q. And that happened when you were secretary of the
13 Treasury; correct?

14 A. And perhaps before.

15 Q. And perhaps before.

16 A. (Witness nodding.)

17 Q. And you became secretary of the Treasury in
18 January of 2009; correct?

19 A. That's correct.

20 Q. Now, with respect to AIG, the financial problems
21 that AIG had were financial problems that related to
22 subsidiaries other than the insurance subsidiaries;
23 correct?

24 A. I believe that's true, but I couldn't say with
25 confidence today that there were not also problems in

1 some of the insurance subsidiaries.

2 Q. In September of 2008, you were not aware of any
3 problems in the insurance subsidiaries; correct?

4 A. I'm just being careful because I don't think I
5 could say with confidence today or even then what was the
6 precise locus of the losses and the funding needs that
7 were the basis for their coming to us and asking for
8 assistance.

9 Q. Didn't you speak to Mr. Dinallo, the insurance
10 commissioner of New York?

11 A. I did.

12 Q. And didn't he tell you that the insurance
13 subsidiaries were stable and well-capitalized?

14 A. I don't know if that's exactly how he would have
15 said it or generally how he would have said it.

16 Q. Is that the substance of what he conveyed to you,
17 sir?

18 A. I guess the reason I'm being careful is because I
19 don't know the extent to which he could have spoken to
20 all of AIG's insurance subsidiaries. He could have
21 spoken to those with respect to those within his
22 jurisdiction I suspect, but I'm not sure he would have
23 represented that with respect to the firm as a whole.

24 Q. Did Mr. Dinallo tell you that he was in contact
25 with insurance commissioners from other states?

1 A. I suspect he was. And I suspect he did.

2 Q. And did Mr. Dinallo tell you that based on his
3 knowledge and his conversations with other state
4 insurance commissioners, AIG's insurance subsidiaries
5 were stable and well-capitalized?

6 MR. DINTZER: Objection, Your Honor.

7 As I understand the plaintiffs' counsel question,
8 he's asking this witness what another witness that spoke
9 with another person heard from other people and offering
10 that for the truth of what those people three removed
11 said, and so we -- that is three levels of hearsay, and
12 we would object.

13 THE COURT: Mr. Boies?

14 MR. BOIES: Your Honor, I am responding to what
15 the witness said and I'm testing the basis of his
16 knowledge. He testified about what he knew or didn't
17 know about the insurance subsidiaries and what he did to
18 investigate that, and I'm simply right now testing the
19 extent of which he did an investigation and whether the
20 investigation he did is consistent with his testimony.

21 THE COURT: I'll allow the questions and answers
22 for the purpose of determining the extent of the witness'
23 knowledge.

24 MR. DINTZER: Thank you, Your Honor.

25 And just so I understand, so this is not being

1 offered for the truth?

2 THE COURT: Not right now.

3 MR. DINTZER: Thank you very much.

4 BY MR. BOIES:

5 Q. Do you have the question?

6 A. Could you repeat it?

7 Q. Sure.

8 Did Mr. Dinallo tell you that based on his
9 knowledge and his knowledge from other state insurance
10 commissioners, AIG's insurance subsidiaries were stable
11 and well-capitalized?

12 A. The U.S. insurance subsidiaries?

13 Q. Yes.

14 A. I believe that's the case. I'm not certain, but I
15 believe that's the case.

16 Q. Now, AIG also had foreign insurance subsidiaries;
17 correct?

18 A. Yes.

19 Q. And do you know what those were?

20 A. They were I believe operated in 185 countries. I
21 don't know how many of those were through subsidiaries.

22 Q. Do you or did you in September have any
23 information one way or the other about the stability and
24 capitalization and profitability of the AIG foreign
25 insurance subsidiaries?

1 A. We probably had some information from AIG on or
2 after September 12. I'm not sure if we had information
3 beyond what AIG gave us about those questions.

4 Q. Do you recall what information AIG gave you about
5 the stability, profitability, capitalization and
6 financial needs of AIG's non-U.S. insurance
7 subsidiaries?

8 A. I don't recall.

9 Q. Did you see a statement that was put out by
10 insurance commissioners in September of 2008 concerning
11 AIG?

12 A. I don't know if I did.

13 Q. I will come back to that. I'll try to find the
14 document that I'm looking for.

15 In the meantime, let me ask you to look at
16 Plaintiffs' Trial Exhibit 648, which is in your book and
17 which I would offer.

18 A. Did you say 648?

19 Q. 648.

20 A. Yeah.

21 MR. DINTZER: No objection, Your Honor.

22 THE COURT: Plaintiffs' Trial Exhibit 648 is
23 admitted.

24 (Plaintiff's Exhibit Number 648 was admitted into
25 evidence.)

1 BY MR. BOIES:

2 Q. This is a draft essay that you prepared; is that
3 correct?

4 A. Yes.

5 Q. And let me direct your attention to the bottom of
6 page 8. Five lines from the bottom?

7 A. Yes.

8 Q. Where you say, "We forced losses on shareholders
9 proportionate to the mistakes of the firm. And we made
10 it clear in the GSEs and AIG that they would be
11 dismembered, not allowed to live on as independent
12 entities with the scope and reach they had before the
13 crisis."

14 Do you see that?

15 A. Yes.

16 Q. When you said, "We forced losses on shareholders
17 proportionate to the mistakes of the firm," who was
18 included in the "we"?

19 A. Well, in this case it's -- it's some mix of the
20 Fed and the Treasury.

21 Q. And when you say, "We forced losses on
22 shareholders proportionate to the mistakes of the firm,"
23 does that include AIG?

24 A. Yes.

25 Q. Does it include other companies?

1 A. In a general sense --

2 Q. What other companies --

3 A. I was going to answer it, so I was going to -- in
4 a general sense, by forcing the banks to raise capital
5 over the course of that period, we were also in a sense
6 changing the magnitude of the ownership that shareholders
7 had of those banks and on a magnitude that was determined
8 by the scale of the capital needs, which was in effect
9 the result of a set of choices the management of those
10 firms had made.

11 Q. Let me go back to my question.

12 When you say, "We forced losses on shareholders
13 proportionate to the mistakes of the firm," would you
14 please identify for me the firms that you were referring
15 to. By name.

16 A. Well, I'd have to go back and look more carefully
17 at the context of the paragraphs preceding it, but it
18 appears in this case I'm referring specifically to the
19 GSEs, which, Your Honor, is Fannie and Freddie,
20 Fannie Mae and Freddie Mac, and AIG, but at times I have
21 used that similar language like that to describe the
22 strategy we adopted with respect to the major banks as
23 well.

24 Q. For example, is it your testimony that the Fed and
25 Treasury forced losses on shareholders proportionate to

1 the mistakes of the firm with respect to Citicorp?

2 A. In a different sense, a very different sense,
3 than in the case of AIG and Fannie and Freddie and only
4 to the extent that we forced them to raise common equity
5 on a scale that was sufficient to allow them to
6 withstand the losses they might face under a more severe
7 recession.

8 Q. Is it your testimony that requiring Citicorp to
9 raise common equity forced losses on shareholders
10 proportionate to the mistakes that Citicorp had made?

11 A. What it did is just changed the relative ownership
12 of the preexisting shareholders of the firm, so as I
13 said, in a different sense and only to that extent is
14 that a -- is that the intent of that statement.

15 Q. I'm now asking you directly.

16 As you sit here now under oath, is it your
17 testimony that the Federal Reserve and Treasury forced
18 losses on Citi's shareholders proportionate to the
19 mistakes that Citicorp made, in your judgment?

20 A. Only in the sense I just stated.

21 Q. When you say "only in the sense," I don't know
22 what that means, sir.

23 A. Just in the terms of the explanation I just
24 provided in response to your previous question.

25 Q. You either did or didn't force losses on Citi's

1 shareholders proportionate to what you thought the
2 mistakes of the firm were.

3 A. I did but only in the sense that I made -- I
4 said.

5 Q. What I'm asking you is, in the sense that you
6 said --

7 A. Yes.

8 Q. -- did you think doing that forced losses on
9 Citi's shareholders proportionate to the mistakes of the
10 firm, as you use those terms?

11 A. In general, yes.

12 Q. Okay. Did the Federal Reserve and Treasury force
13 losses on Morgan Stanley's shareholders proportionate to
14 the mistakes that you believe that firm made?

15 A. Well, as I said earlier in response -- in that --
16 in the sense I described, that was true for the major
17 banks that we subjected to the stress test, which was a
18 way to force the recapitalization of the financial system
19 and to force them to raise common equity proportionate to
20 the scale of their capital needs.

21 So that would include Morgan Stanley.

22 Q. Let me try to just put the question directly,
23 because this is a yes-or-no question.

24 In your judgment, did the Federal Reserve and
25 Treasury force losses on the Morgan Stanley shareholders

1 proportionate to the mistakes of the Morgan Stanley firm?

2 Yes, no or I don't know?

3 A. Yes.

4 Q. And are you aware of anything in writing that
5 identifies what mistakes the Morgan Stanley firm made?

6 Again, that's a yes, no or I don't know answer.

7 A. Can I ask a clarifying question?

8 Q. Sure.

9 A. Do you mean anything in writing that we produced
10 at the Fed or the Treasury that purported to identify the
11 extent to which the losses and the capital needs they
12 faced were the result of mistakes?

13 Q. Let's start with that. That wasn't my question,
14 but let's start with that question, which is also a
15 yes-or-no question, and since you posed it, maybe I
16 can -- maybe you'll give me a yes or no answer to that.

17 A. I don't think so.

18 Q. Now, going back to my question, which was broader
19 than just mistakes that caused the losses and related to
20 whether you were aware of anything in writing that
21 identified mistakes that Morgan Stanley had made, are you
22 aware of any of those?

23 A. I believe I would have seen and read a variety of
24 assessments made by, for example, equity analysts or
25 credit rating agencies about management judgments,

1 judgments in risk management, so I think it's likely I
2 would have seen over time that type of analysis.

3 Q. Did you see anything in writing that was prepared
4 by the government concerning what mistakes Morgan Stanley
5 as a firm made?

6 A. And again just to clarify, you're saying that --
7 about mistakes as opposed to the consequence of policy --
8 of management choices?

9 Q. Yes. I'm not talking about things in writing that
10 says Morgan Stanley needs money or is going to be unable
11 to open on Monday, like we've seen.

12 I'm talking about whether you've seen anything in
13 writing that identifies mistakes, and by "anything in
14 writing" I'm talking about anything in writing prepared
15 by the government.

16 A. I think it's likely I saw things that sought to
17 explain perhaps the causes for those losses or financial
18 needs, the underlying source of those, and I think
19 that's likely, although I don't recall anything
20 specific.

21 Q. What were identified as the causes of
22 Morgan Stanley's losses or financial needs?

23 A. Well, I would -- I would have to go back and look
24 at those documents to know with context -- with
25 confidence, so I would be -- I would be surmising. I

1 would be guessing.

2 Q. Did you reach a conclusion at any time that
3 Morgan Stanley had taken excessive risks in the sense
4 that you say that there was an assertion that AIG had
5 taken excessive risks?

6 A. In a general sense, yes.

7 Q. And did you reach a conclusion that Citicorp had
8 taken excessive risks?

9 A. In general, yes.

10 Q. And with respect to AIG, did you reach the
11 conclusion that the excessive risks to the extent they
12 were taken by AIG were taken in the securities lending
13 area and in the credit default swaps area?

14 A. I believe they were principally in those two
15 areas.

16 Q. And is it fair to say that to the extent that AIG
17 had taken any risks in connection with its insurance
18 subsidiaries, you were not aware of what those risks
19 were, if any, in September 2008?

20 A. I think that's fair to say, but I'd have to go
21 back and look at what they -- what AIG showed us and
22 explained to us, what their analysis was.

23 Q. Let me show you Plaintiffs' Trial Exhibit 2762.

24 This is a news release by the National Association
25 of Insurance Commissioners, dated September 16, 2008.

1 Did you review this at the time it was issued?

2 MR. DINTZER: Objection, Your Honor. This doesn't
3 find its way on the plaintiffs' exhibit list.

4 MR. BOIES: No, it does not, Your Honor. But --
5 and for cross-examination, I'm now responding to an
6 assertion made for the very first time that there might
7 be some problem with the AIG insurance subsidiaries. And
8 I think the rule is clear that for purposes of that we
9 didn't have to have them on the list ahead of time. This
10 is the first time that they have suggested that there's a
11 problem with the AIG insurance subsidiaries.

12 MR. DINTZER: Your Honor, first of all, we haven't
13 suggested anything.

14 MR. BOIES: The witness.

15 MR. DINTZER: But second, I think any question
16 that Mr. Boies got -- any answer he got was in response
17 to a question that he asked.

18 But more importantly, what the rule says is that
19 you don't have to put impeachment, that only
20 impeachment -- you don't have to put impeachment on your
21 exhibit list, and then the item doesn't go into evidence.

22 He has not -- apparently, based on his --
23 Mr. Boies' statement, he is not using this document for
24 impeachment, and so it doesn't belong in court and
25 doesn't belong in front of the witness.

1 THE COURT: Well, I think under the circumstances
2 it would be reasonable to use it because I think
3 plaintiff received an answer that perhaps was unexpected,
4 and I think it's reasonable to permit follow-up on that,
5 so we'll allow it for that purpose.

6 MR. DINTZER: And just so I understand,
7 Your Honor, does that mean it will not come into
8 evidence?

9 THE COURT: I don't know if he's going to offer it
10 or not.

11 MR. BOIES: Your Honor, I think I would offer it
12 for a limited purpose, but I would offer it as part of
13 the record.

14 I would also say that this document, which is a
15 National Association of Insurance Commissioners release,
16 is pages 39 and 40 of Plaintiffs' Trial Exhibit 258, and
17 it is on our exhibit list. I could offer that entire
18 document, but my purpose of offering just this was
19 because this was related to what the witness said.

20 MR. DINTZER: If that is the case, Your Honor --
21 we'll check it -- then we'd suggest two things.

22 The first is that we would ask that instead it be
23 marked Plaintiffs' Trial Exhibit 258-A because it's a
24 subset of something, so it doesn't complicate something
25 that would already be in the record. That's just a

1 procedural item.

2 The second thing is, Your Honor, we would object
3 to this document coming into evidence, if proffered by
4 the plaintiff, because of hearsay concerns.

5 THE COURT: Mr. Boies, you said it was being
6 offered for a limited purpose.

7 MR. BOIES: It is.

8 THE COURT: What purpose is that?

9 MR. BOIES: Just to show the information that was
10 available to them in terms of their assessment as to
11 whether the insurance subsidiaries were or were not the
12 product of some kind of mistake.

13 THE COURT: Okay. Well, I'm going to allow
14 Plaintiffs' Trial Exhibit 2762 into evidence for the
15 limited purpose of establishing the information that may
16 have been before the witness, and I'll allow the present
17 designation to stand, with the explanation on the record
18 that it's part of Plaintiffs' Trial Exhibit 258.

19 MR. DINTZER: Thank you, Your Honor.

20 (Plaintiff's Exhibit Number 2762 was admitted into
21 evidence.)

22 BY MR. BOIES:

23 Q. My question, Mr. Geithner, was whether this was a
24 document that you saw in September of 2008.

25 A. I don't recall if I saw it.

1 Q. Were you aware of the information that is
2 contained in Plaintiffs' Trial Exhibit 2762 in September
3 of 2008?

4 A. I believe I was aware of the judgment this
5 reflects.

6 Q. And what judgment is that?

7 A. Well, I think this is a judgment of reassurance by
8 the insurance -- by the National Association of Insurance
9 Commissioners that the -- well, you could perhaps
10 summarize better what this says.

11 Q. I mean, for example, if you look at the last
12 paragraph and indeed the last sentence, where it says,
13 "Strict solvency standards and keen financial
14 oversight -- based on conservative investment and
15 accounting rules -- continue to be the bedrock of
16 state-based insurance regulation."

17 Do you see that?

18 A. I do.

19 Q. And did you understand that the point that the
20 National Association of Insurance Commissioners were
21 making were that the individual AIG insurance
22 subsidiaries were stable and properly capitalized?

23 A. That is my sense. Yes.

24 MR. BOIES: Let me go back now to the issue with
25 respect to the Domsday Books.

1 And Your Honor, during the break, Mr. Kiernan and
2 I had an opportunity to discuss this. And Mr. Kiernan
3 says -- and I have no reason to doubt this -- that they
4 produced the documents that they believed were called for
5 by discovery order number 6, which, as the Court is
6 familiar with, is a discovery order that said that we
7 were entitled to have the documents that related or
8 talked about the authority of the Federal Reserve to do
9 the AIG transaction.

10 What happened at the beginning of this trial was
11 that they made a broad reliance on attorney-client,
12 you know, advice and I believe, certainly in my view,
13 made a subject-matter waiver of all of their legal advice
14 with respect to authority under 13(3).

15 And I think it is clear, after talking with
16 Mr. Kiernan, that there are documents that do go to the
17 13(3) authority but substantially predate anything to do
18 with AIG that are included in the Doomsday Book, not the
19 summary but in the -- they're referred to in the
20 summary, but they're included in the entire
21 Doomsday Book. Those are documents that we think we are
22 entitled to see.

23 I don't think that the Court needs to resolve
24 that issue at this moment with this witness on the
25 stand, but I do think that is an issue. And I averted to

1 this issue right at the first day of trial, when we had
2 what I thought would be a subject-matter waiver, that
3 there would be documents that we would want to have that
4 existed that had not been produced to us. I think that
5 is clear from this Doomsday Book because some of them are
6 listed.

7 I don't think I need --

8 THE COURT: Maybe we can take that up when we talk
9 about the Doomsday Book for other reasons as well.

10 MR. BOIES: Yes, Your Honor. I think we can --
11 when we talk about the sealing issue, I think we can take
12 that up.

13 THE COURT: Yes. Okay.

14 BY MR. BOIES:

15 Q. Now, Mr. Geithner, if you would look at
16 Plaintiffs' Trial Exhibit 7, which is the Doomsday Book
17 dated June 19, 2006, and in particular page 36 of that
18 document.

19 The last sentence there says, "The Mattingly
20 memorandum expresses an informal opinion by the Board's
21 General Counsel that Federal Reserve Banks do not have
22 the power to make non-recourse loans."

23 Do you see that?

24 A. Yes.

25 Q. Now, I have not seen the Mattingly memorandum.

1 Have you seen it?

2 A. I don't know if I have.

3 Q. Were you aware of an opinion by the board's
4 general counsel that Federal Reserve Banks do not have
5 the power to make nonrecourse loans?

6 A. I don't know if I was.

7 Q. The Federal Reserve did make nonrecourse loans
8 in connection with some of the emergency credit
9 facilities established pursuant to 13(3) in 2008 and
10 2009; correct?

11 A. Well, I believe that's the -- I believe that's the
12 case.

13 Q. For example, there were nonrecourse loans with
14 respect to the Bear Stearns emergency credit facility;
15 correct?

16 A. That's -- that's definitely correct.

17 Q. And the emergency credit facility prepared for
18 Citigroup had limited recourse, that is, it was recourse
19 to a specific amount of money and then it was
20 nonrecourse; correct?

21 A. That appears to be the case based on what you
22 showed me yesterday.

23 THE COURT: Mr. Boies, could we establish in the
24 record perhaps a definition of "nonrecourse loans"?

25 MR. BOIES: Yes, Your Honor.

1 BY MR. BOIES:

2 Q. Am I correct that a nonrecourse loan is a loan
3 where the lender does not have the right to go against
4 the borrower's assets generally but is instead limited to
5 a set of assets or an asset that is specifically
6 identified?

7 A. That's a -- that description is consistent with my
8 belief.

9 Q. Let me ask you to look at Plaintiffs' Trial
10 Exhibit 672, which is in your book, and which I would
11 offer.

12 THE COURT: Isn't that already in evidence? I
13 thought we had all three of them admitted at one time.

14 MR. BOIES: 672 came in already?

15 THE COURT: Well, my law clerk is telling me no,
16 but if it's the book?

17 MR. BOIES: It's an interview of Mr. Geithner.

18 THE COURT: Oh, I'm sorry.

19 MR. DINTZER: Your Honor, we object that this
20 document is nonsworn and it's -- along with the witness,
21 it has statements by others who are not in court and
22 not -- unless my memory is mistaken, not on their witness
23 list, so we'd ask the Court to keep this out of evidence
24 as hearsay.

25 MR. BOIES: Your Honor, I would limit the offer

1 to the portions that the witness made and admit the
2 other portions not for the truth of the matter asserted
3 but just for the context that they provide to the
4 witness' statements.

5 THE COURT: Is that acceptable, Mr. Dintzer?

6 MR. DINTZER: Yes, Your Honor.

7 THE COURT: I was going to make that ruling
8 anyway.

9 MR. DINTZER: I was going to say not preferable
10 but -- thank you, Your Honor.

11 (Plaintiff's Exhibit Number 672 was admitted into
12 evidence.)

13 BY MR. BOIES:

14 Q. And if I could direct your attention to page 59.

15 Actually I think page 59 may not have been
16 included in what you were given.

17 A. I do have page 59.

18 Q. You do have page 59?

19 Excuse me just one moment, Your Honor.

20 (Pause in the proceedings.)

21 Let me direct your attention to lines 12 through
22 18.

23 And this follows a discussion at lines 4 through
24 10 when you're talking about how could the government
25 have acted with respect to AIG and not Lehman.

1 Do you see that?

2 A. Yes.

3 Q. And you say "the weird thing of our authority at
4 that time was AIG -- we could legally take their
5 business, lend against their entire business. And they
6 had a business that was very substantial earning power."

7 Do you see that?

8 A. Yes.

9 Q. And then you go on to say, at lines 12 to 18, "And
10 just to demonstrate that, we lent them \$185 billion and
11 we earned \$25 billion for the taxpayer on that, because
12 they had income-generating businesses around the world
13 that were going to be fine over a five-year time frame.
14 So, we could legally lend against that without taking
15 that much risk."

16 Do you see that?

17 A. Yes.

18 Q. And that's what you said at the time of this
19 interview; correct?

20 A. I believe that's correct.

21 Q. And this was an interview that you were giving in
22 preparation for your book; correct?

23 A. Not in preparation for my book, just to -- over
24 the course of time I occasionally was speaking to schools
25 or various places. It was in that context.

1 Q. Okay. Do you remember when this was --

2 A. It was in Chicago. I don't remember exactly when,
3 but my calendar will show that.

4 Q. Do you remember what year?

5 A. I believe it was in 2013.

6 Q. Let me turn next to the subject of the trust
7 agreement. And I may have asked you this as a
8 preliminary matter, but I don't recall.

9 Did I ask you when you first became aware that
10 there was proposed to be a trust?

11 A. I think you did.

12 Q. And what was your answer?

13 A. I think I said I can't remember when I became
14 aware of that first. I think you asked like at what --
15 which point between September 16 and September 21, and I
16 said I wasn't sure when in that time frame.

17 Q. Okay.

18 And do you recall who first brought the concept of
19 a trust to your attention?

20 A. I believe it was Tom Baxter.

21 Q. And do you recall what Mr. Baxter's reasons were
22 for proposing a trust?

23 A. I'm not sure I recall all of them, but my
24 recollection is that they related principally to the
25 desire to not have the Federal Reserve Bank of New York

1 or the Federal Reserve in the position of actually
2 holding the shares.

3 And the rationale for that judgment was related
4 to the complications involved in our role as creditor and
5 also about the sensitivities involved in the fact that as
6 the central bank, we had knowledge about markets and
7 economies that might make it more awkward for us to be
8 holding the equity.

9 I believe those were the principal reasons.

10 Q. Did Mr. Baxter or anyone tell you there was any
11 legal question as to whether the Federal Reserve was
12 authorized to hold equity in AIG?

13 A. I was aware of a substantial back-and-forth and
14 I'd been part of the substantial back-and-forth with my
15 lawyers at the New York Fed in the preceding -- over the
16 course of the summer about the questions, the legal
17 questions around whether the Fed could directly hold
18 equity.

19 Q. And did you understand that there was a difference
20 of view between the lawyers at the Federal Reserve Bank
21 of New York and the Board of Governors lawyers in terms
22 of the authority of the Federal Reserve Bank of New York
23 to hold equity?

24 A. I believe I was.

25 MR. BOIES: May I have just one moment,

1 Your Honor.

2 (Pause in the proceedings.)

3 BY MR. BOIES:

4 Q. Did you have any role in the drafting of the
5 actual trust agreement?

6 A. No.

7 Q. Did you have any discussions with anyone
8 concerning the terms or proposed terms of the actual
9 trust agreement?

10 A. Perhaps the general terms, yes.

11 Q. Did you have any discussions with anyone
12 concerning the standard of care under which the trust
13 agreement required the trustees to operate?

14 A. I don't know if I did.

15 Q. Is it fair to say that if you did, you don't
16 recall it?

17 A. Yes.

18 Q. Did you have any discussion with anyone
19 concerning the statement in the trust agreement
20 concerning the Federal Reserve Bank of New York's view
21 as to the extent to which maximizing the company's
22 ability to honor its commitments and repay amounts owed
23 to the government and not to disrupt financial conditions
24 were or were not consistent with maximizing the value of
25 the trust stock?

1 MR. DINTZER: Objection, Your Honor. It's just a
2 very long, confusing question. If we could ask that
3 counsel could maybe shorten it and clean it up.

4 MR. BOIES: I agree with counsel. It was
5 impossibly long and complicated, and I apologize.

6 BY MR. BOIES:

7 Q. Are you aware of whether or not the trust
8 agreement expresses certain views of the
9 Federal Reserve Bank concerning how the trustees should
10 operate?

11 A. I don't recall if I was aware.

12 Q. Did you have any discussions with anyone --

13 A. Can I clarify that?

14 Q. Sure.

15 A. I believe I had a general sense of how Mr. Baxter
16 and his colleagues thought the trust should be shaped,
17 but I don't believe that I saw the language in the actual
18 agreement.

19 Does that help?

20 Q. When you say you had a general sense of how
21 Mr. Baxter and his colleagues thought the trust should be
22 shaped, does that relate to my question as to whether the
23 trust agreement expressed certain views of the
24 Federal Reserve Bank?

25 A. Well, it must have in a general sense, but I just

1 couldn't speak to how.

2 Q. Let me see if I understand what you're saying.

3 Are you saying that you are aware that the trust
4 agreement was going to express certain views of the
5 Federal Reserve Bank, but you don't know what those views
6 were that were going to be put in?

7 A. I believe that's -- yeah, I think that's what I
8 meant to say.

9 Q. And as you sit here now, do you recall any
10 discussions with anyone concerning what the trust would
11 say about the Federal Reserve Bank's views?

12 A. I don't know if -- I can't recall today whether I
13 had those discussions or that knowledge.

14 Q. Let me ask you to look at Plaintiffs' Trial
15 Exhibit 318, which is in your book, which I would offer.

16 MR. DINTZER: No objection, Your Honor.

17 THE COURT: Plaintiffs' Trial Exhibit 318 is
18 admitted.

19 (Plaintiff's Exhibit Number 318 was admitted into
20 evidence.)

21 BY MR. BOIES:

22 Q. I want to direct your attention to the next to
23 last paragraph and in particularly the last sentence of
24 that.

25 And this is a letter from Meg McConnell to you

1 with a copy to Michael Silva, dated October 22, 2008;
2 correct?

3 A. Yes.

4 Q. And Ms. McConnell writes, "I hope they see the
5 potential for that scenario to be just as 'provocative'
6 to Congress as one in which we take the rate down from
7 this crazily high one that was forced on us (meaning
8 FRBNY) by people that have since punted on all the hard
9 things that came about as a result of the decision to
10 lend that all of us knowingly made together that
11 weekend."

12 Do you see that?

13 A. Yes.

14 Q. Now, the reference to this crazily high rate is a
15 reference to the interest rate initially charged on the
16 AIG credit facility; correct?

17 A. I believe so. Yes.

18 Q. And do you know what Ms. McConnell is talking
19 about when she says that that crazily high rate was
20 forced on the Federal Reserve Bank of New York by people
21 that have since punted on all the hard things?

22 A. I don't really know that I should speak to what
23 she was thinking about. I mean, I could make some
24 informed guesses.

25 Q. Rather than have you guess, let me simply ask you,

1 at the time you received this, did you have an
2 understanding as to who Ms. McConnell was talking about
3 when she talked about somebody forcing the high interest
4 rate on the Federal Reserve Bank of New York?

5 A. My sense, but it would only be my sense, is that
6 she's referring to people of course outside the
7 Federal Reserve Bank of New York, and in this case she
8 must be referring to people at either the
9 Board of Governors or at the Treasury.

10 Q. Let me ask you to turn next to Plaintiffs' Trial
11 Exhibit 549, which is in your book, and which I would
12 offer.

13 MR. DINTZER: Objection, Your Honor. This report
14 contains a number of statements from a number of people
15 and different levels of hearsay, so we would object.

16 THE COURT: Mr. Boies?

17 MR. BOIES: This, Your Honor, is a government
18 report, and it's true it is based on a variety of sources
19 of information, but we believe that it comes within the
20 rule for admission.

21 MR. DINTZER: If I could respond to that,
22 Your Honor?

23 THE COURT: Sure.

24 MR. DINTZER: It is, and even if that takes care
25 of the first level of hearsay, the fact that it's a

1 written report, there are still multiple layers in that
2 it is composed of the statements of who knows who
3 gathered based on what reliability is unclear and put
4 into this report, and so there's multiple levels of
5 hearsay, and plaintiffs' counsel has only accounted for
6 the first level.

7 THE COURT: Well, I'm going to overrule the
8 objection. I'll allow the document.

9 Plaintiffs' Trial Exhibit 549 is admitted.

10 (Plaintiff's Exhibit Number 549 was admitted into
11 evidence.)

12 BY MR. BOIES:

13 Q. Let me ask you to look at page 12 -- I'm sorry.
14 It's page 16 of the exhibit, page 12 of the report, but
15 page 16 of Plaintiffs' Trial Exhibit 549.

16 And you can read as much of the prior portion as
17 you want for context, but my interest at the moment just
18 relates to the discussion at the very top two lines on
19 page 16 of the exhibit, where it says "the interest rate
20 was too high" and "FRBNY recognized the need to
21 restructure the deal by making it less onerous to AIG
22 soon after the agreement was signed."

23 Do you see that?

24 A. I do.

25 Q. And is that, in your judgment, an accurate

1 statement?

2 A. Yes. I believe it is.

3 Q. Let me ask you next to look at Plaintiffs' Trial
4 Exhibit 671, which I would offer with the same
5 qualification that I made before with respect to a
6 similar document, which is that I'm offering this for
7 Mr. Geithner's statements. And to the extent it contains
8 other people's statements in here, I do not offer those
9 for the truth of the matter asserted but merely for the
10 context of Mr. Geithner's statements.

11 MR. DINTZER: We assert our same objection,
12 Your Honor, regarding the hearsay.

13 THE COURT: All right. Well, with the limitation
14 offered by Mr. Boies, I will overrule the objection.

15 Plaintiffs' Trial Exhibit 671 is admitted with the
16 restrictions as identified.

17 (Plaintiff's Exhibit Number 671 was admitted into
18 evidence.)

19 BY MR. BOIES:

20 Q. And let me direct your attention to page 2 on
21 lines 2 through 6. And rather than reading that into the
22 record, I simply ask you whether that is a statement that
23 you continue to believe to be true.

24 A. Yes.

25 Q. Let me ask you to look at what I hope is the last

1 document, which is Plaintiffs' Trial Exhibit 667, which I
2 would offer.

3 MR. DINTZER: No objection, Your Honor.

4 THE COURT: Plaintiffs' Trial Exhibit 667 is
5 admitted.

6 (Plaintiff's Exhibit Number 667 was admitted into
7 evidence.)

8 MR. BOIES: Your Honor, I pass the witness.

9 THE COURT: All right. Very well.
10 Mr. Dintzer?

11 MR. DINTZER: Yes, Your Honor. It will take about
12 five minutes for us to get the papers together. Some of
13 the documents we received from plaintiffs weren't in
14 binders, so if we could just have five minutes to do that.

15 THE COURT: Give me an estimate of how much you
16 think you'll -- you have.

17 MR. DINTZER: I would guess around four hours,
18 Your Honor. It could be a little longer.

19 THE COURT: Why don't we perhaps take a lunch
20 break at this point and maybe you can streamline it even
21 more.

22 MR. DINTZER: Thank you, Your Honor.

23 THE COURT: Let's reconvene at 1:15.

24 (Whereupon, at 12:18 p.m., a lunch recess was
25 taken.)

1 Q. And what did you get your graduate degree in?

2 A. In economics and East Asian studies.

3 Q. And could you describe your work at Kissinger and
4 Associates -- Kissinger Associates.

5 A. I was an analyst responsible for writing for him
6 and his partners about developments in Asia.

7 Q. And where did you work next, sir?

8 A. At the U.S. Treasury Department.

9 Q. And when was that about?

10 A. I started in August of 1988.

11 Q. And how long did you work in the government
12 service?

13 A. Roughly since then --

14 Q. Could you walk the Court --

15 A. -- from that period of time until January 2013.

16 Q. Could you walk the Court briefly through the rest
17 your career in the government service.

18 A. I worked at the Treasury Department as a civil
19 servant and then as a Senate-confirmed appointee from
20 1988 until January 2000. I held a variety of jobs over
21 that period of time. The final job at that stint during
22 that time was as undersecretary of the Treasury for
23 international affairs.

24 Then I went to the IMF where I was the director of
25 the Department of Policy Development and Review.

1 Then I became president and CEO of the
2 Federal Reserve Bank of New York.

3 Q. And what's your position now, sir?

4 A. And then I became secretary of the Treasury.

5 Q. And what's your position now, sir?

6 A. Right now, I am a partner and president of a
7 private equity firm named Warburg Pincus.

8 Q. And sir, obviously we've been spending a lot of
9 time with your responsibilities as president of the
10 New York Fed.

11 Can you generally describe for the Court what your
12 responsibilities were?

13 A. Well, I was president and CEO of the New York Fed,
14 therefore responsible for all of the Federal Reserve
15 Bank's operations, but I also served as vice chairman of
16 the Federal Reserve's Federal Open Market Committee.

17 Q. And what oversight does the New York Fed have
18 over -- regarding financial institutions?

19 A. At that time, the New York Fed was responsible for
20 the supervision of a number of banks and bank holding
21 companies.

22 Q. And how did the Fed, the New York Fed, supervise
23 these banks?

24 A. We had a mix of on-site examiners and a group of
25 experienced examiners that operated off-site, and we did

1 that in cooperation or in coordination with the staff at
2 the Federal Reserve Board.

3 Q. And what was the general purpose of this oversight
4 for the banks?

5 A. The general purpose was to help apply the
6 regulatory constraints that they were subject to by being
7 a bank.

8 Q. And we've used the term "banks" in this case in
9 different methods.

10 The types of banks you're talking about are
11 commercial banks; is that right?

12 A. Yes. They're banks that are called depository
13 institutions that take banks, make loans, both U.S. banks
14 and in that case the U.S. affiliates of a set of foreign
15 banks.

16 Q. And we've heard the term "investment bank."

17 What's the difference between that and a
18 commercial bank?

19 A. "Investment bank" is the phrase typically referred
20 to institutions that who's primary business is raising
21 capital for companies, providing brokerage services for
22 individuals, asset management services for institutional
23 investors, and a range of other types of financial
24 services.

25 Q. Did the New York Fed have a relationship with

1 investment banks?

2 A. We had no supervisory authority over investment
3 banks, but we did have a relationship with a group of
4 investment banks that were designated as primary
5 dealers.

6 Q. And what was the role or relationship with the
7 New York Fed and the primary dealers?

8 A. Primary dealers are a set of institutions that
9 are the principal market makers in government securities
10 and play a critical role in the execution of monetary
11 policy and in the funding of the Treasury, of the
12 government.

13 Q. Now, more generally, how broad was the
14 New York Fed's oversight of the financial system in
15 2008?

16 A. Well, our direct authority and responsibility was
17 limited to the depository institutions within our
18 jurisdiction and the bank holding companies within our
19 jurisdiction.

20 Q. In 2008, what regulatory oversight did the
21 New York Fed have over the remainder of the financial
22 system?

23 A. We had no direct authority or responsibility for
24 other institutions in the financial system with the
25 exception of, as I said, as primary dealers where our

1 role was different from applying or monitoring compliance
2 with a set of regulatory requirements like capital
3 requirements that we typically apply to banks.

4 Q. What oversight at that time did the Fed,
5 New York Fed, have over insurance companies?

6 A. The Federal Reserve Bank of New York had no
7 oversight or responsibility for insurance companies.

8 Q. Now, we've heard the term I believe "a bank run."
9 Could you just explain what that means?

10 A. "A bank run" is a phrase that refers to a
11 situation where depositors or creditors of a bank seek to
12 withdraw their money, withdraw their deposits, or pull
13 their loans all at once because of concern about the
14 financial strength of the institution.

15 Q. And what role did the Federal Reserve have in
16 preventing bank runs?

17 A. Well, the United States, as is typical, has two
18 types of tools available to mitigate bank runs. Deposit
19 insurance is one of those tools. But the Federal Reserve
20 is also given authority by the Congress to lend against
21 collateral at solvent institutions.

22 Q. And we've heard the term "financial crisis," but I
23 don't believe anybody has had a chance to define it.

24 What is a financial crisis?

25 A. Well, there's lots of different financial crises.

1 Some people use that term to refer to periods of
2 time where the stock market falls substantially in a
3 short period of time.

4 Some people refer it -- use it to refer to a
5 period where you have some concentrated risk of failure
6 among banks or thrifts, for example, like we had in the
7 S&L crisis.

8 Some people use it to refer to circumstances in
9 which developing countries have a currency crisis, for
10 example.

11 But it also is referred to -- used to refer to the
12 more severe or classic financial panic, the type of
13 systemic financial crisis we saw in '08 and '09.

14 Q. And you used the term "liquidity" quite a bit in
15 your direct examination.

16 Could you just define "liquidity" for us.

17 A. "Liquidity" has a lot of different meanings. In
18 some sense, it's the ability to borrow at affordable
19 rates to finance some type of activity. And in that
20 context, if it's easy to borrow to finance a certain type
21 of assets or loans or securities, then people say
22 liquidity is ample.

23 Q. Why is the availability of liquidity so important
24 in a crisis?

25 A. Because without it, institutions that have

1 borrowed money at -- on short terms to finance assets
2 which have more risk won't have access to funding and
3 would have to sell assets or liquidate assets or call in
4 loans in order to meet any demands for funds.

5 Q. What is the Fed's role in a financial crisis?

6 A. The Fed's role is to take actions within its
7 authority to try to mitigate the effects of a financial
8 crisis on the broader economy.

9 Q. And in 2008, how broad was the Fed's authority to
10 assist nonbanks?

11 A. The Fed, under the emergency powers that are
12 referred to commonly as section 13(3), had discretionary
13 authority to lend to nonbanks under a certain set of
14 circumstances.

15 Q. And what were those circumstances?

16 A. I should just point out for clarity that the Fed
17 had other tools, too. For example, we could take actions
18 to lower interest rates.

19 But on the lending side or the liquidity side,
20 they were those authorities described under
21 section 13(3).

22 Q. Does 13(3) provide any circumstances or limits
23 under which the Fed could extend a loan to nonbanks?

24 A. I believe that we have to satisfy three conditions
25 in order to provide financing to nonbanks.

1 Q. And before -- if I could just ask that the ELMO be
2 turned on.

3 THE CLERK: You want it on?

4 MR. DINTZER: Yes, please.

5 THE CLERK: It was on.

6 MR. DINTZER: Are we getting it on the screen?

7 Thank you.

8 BY MR. DINTZER:

9 Q. Okay. So you said that there were three
10 circumstances I believe.

11 What's the first circumstance needed for a
12 13(3) loan?

13 A. Three conditions I think have to be satisfied.

14 Q. Three conditions.

15 A. The first is that the circumstances are I think
16 the phrase is "unique and exigent."

17 Q. And the second -- and I won't hold you to the
18 statutory language but just --

19 A. The second I believe is that there's no adequate
20 alternative sources, source of funding available.

21 Q. And the third one?

22 A. The third is that we are able to be secured to our
23 satisfaction.

24 Q. Okay. Now, what is the Board of Governors' role
25 in making a 13(3) loan?

1 A. Five governors would have to concur or vote to
2 approve any use of that authority.

3 Q. So it would require a five-person -- five-governor
4 vote from the Board of Governors before 13(3) could be
5 used?

6 A. Yes.

7 Q. Okay, sir. And we'll come back to that, but...

8 Now, did 13(3) obligate the New York Fed or the
9 Board of Governors to act?

10 A. No. It provided authority for us to act and
11 discretion to act.

12 Q. Now, are you familiar with the term "broad-based
13 facility"?

14 A. Yes.

15 Q. And just generally what did that term mean or what
16 does that term mean?

17 A. That's a term we used to describe a facility that
18 was available to a class of institutions in similar
19 circumstances on similar terms.

20 Q. And during the financial crisis in 2008, did the
21 New York Fed create any broad-based facilities under
22 13(3)?

23 A. We did.

24 Q. Okay. We -- we have a list here, and so I think
25 we might -- was the PDCF -- do you know, was that a

1 broad-based facility?

2 A. Yes, the PDCF is -- yes, that is a broad-based
3 facility.

4 MR. DINTZER: And Your Honor, I don't want to
5 write on plaintiffs' exhibit, so I'm just going to do
6 this as opposed to marking it up (indicating).

7 BY MR. DINTZER:

8 Q. Was the TSLF --

9 MR. BOIES: Your Honor, I don't object if he marks
10 it as long as he marks it in a different color, and then
11 we'll know what's mine and what's his.

12 MR. DINTZER: We'll start with this and we'll --
13 that may be too advanced for us, Your Honor.

14 For now, we'll stick with this, Your Honor.

15 BY MR. DINTZER:

16 Q. Was the TSLF -- was that a broad-based facility?

17 A. Yes.

18 Q. Was the money market investor fund --

19 A. Yes.

20 Q. -- a broad-based facility?

21 How about the commercial paper funding?

22 A. Yes.

23 Q. Was the TALF -- do you know if that was a
24 broad-based facility?

25 A. Yes.

1 Q. How about the AMLF?

2 A. Yes.

3 Q. And the defining characteristics of the
4 broad-based facilities just generally was what?

5 A. Well, maybe I should make a distinction. There's
6 two types of broad-based facilities there.

7 One is facilities that are available, as I said
8 initially, to a class of institutions in similar
9 circumstances on similar terms, and that would be true of
10 the -- at least of the PDCF.

11 There are other facilities on the list, including
12 the Commercial Paper Funding Facility, for example, that
13 are designed to provide a back step for a type of
14 financial instrument, in this case highly rated
15 commercial paper. There's a slight distinction in that.

16 Q. Now --

17 A. Another way to say it is that neither of those two
18 types of broad-based facilities are facilities that are
19 designed to provide special terms only available to a
20 single institution.

21 Q. And we've heard about the individual loan to AIG.

22 Does a single institution loan differ from
23 broad-based facilities?

24 A. Yes. Of course.

25 Q. And what -- in what circumstances would the

1 New York Fed consider making a 13(3) loan to a single
2 institution, just generally?

3 A. Well, only in extreme, in extremis.

4 Q. And what would the nature of the institution have
5 to be before the New York Fed would consider that?

6 A. Well, among other things, we'd have to make a
7 judgment that the damage to the financial system and to
8 the economy that could come from the failure of that
9 institution would be very substantial, and in that case
10 we might consider whether we had the authority to act and
11 whether it was appropriate to act.

12 Q. When the New York Fed assisted individual firms,
13 what was the objective?

14 A. The objective was to minimize or mitigate the
15 damage to the economy of the unfolding financial crisis.

16 Q. Did that objective include protecting the firm's
17 investors?

18 A. That's not the -- I would say the objective of
19 the -- of the -- of the action of the program, but it is
20 the -- typically the result of the program.

21 Q. Could you explain that.

22 A. Well, in the sense that if you -- in a financial
23 crisis, if you are acting to try to mitigate the risk of
24 substantial economic collapse, collapse in the broader
25 economy, you may need to take action to help safeguard

1 the stability of the financial system or prevent the
2 failure of individual firms in order to protect the
3 economy from that effect.

4 But in doing that, you necessarily have or
5 provide a lot of benefits to investors, to creditors, to
6 shareholders relative to what they would have faced in
7 the absence of that action by the Fed. But that's the
8 unavoidable result of, the necessary result of that
9 action. It's not its primary or ultimate purpose.

10 Q. What are the policy considerations of providing
11 such benefits to investors and shareholders?

12 A. Well, you'd only consider doing it in a
13 circumstance where you thought there was a risk that --
14 to a -- you know, a very substantial risk to the broader
15 economy. But in doing that, you need to consider and
16 balance carefully the moral hazard risk you're creating,
17 the risk that by acting in ways that protect or insulate
18 or mitigate the losses that those investors or creditors
19 or shareholders might face, you create the risk
20 necessarily that you affect the incentives of both
21 existing and future investors and creditors in ways that
22 might in the future be damaging to the stability of the
23 financial system by, for example, encouraging undue risk
24 taking.

25 Q. Could you generally describe the factors involved

1 in how would you assess the moral hazard implications of
2 Fed assistance?

3 A. A variety of factors.

4 And the degree of moral hazard that you're -- that
5 is created depends fundamentally on the circumstances
6 involved, depends on who you're lending to, depends on
7 the nature of the financial support you're providing, the
8 amount of risk you're taking, the extent of that benefit.

9 And it depends critically on whether you're acting
10 outside the banking system, rather, within the banking
11 system because banks, as you know, exist with a unique
12 mix of privileges and constraints. The privileges
13 include access to deposit insurance and access to the
14 Fed's discount window in certain circumstances. The
15 constraints involve a complicated and expensive mix of
16 regulatory requirements that are designed in part to
17 limit the risks they can take.

18 Q. How did the Fed's existing relationship with the
19 borrower affect the moral hazard analysis if the borrower
20 or potential borrower was not a bank?

21 A. Well, if you -- let's just -- maybe to make clear,
22 if you're lending to a bank in extremis, you're -- even
23 the contingent ability to lend to a bank creates moral
24 hazard risk, and you try to offset that risk by the
25 application of limits on the risk taking, for example,

1 limits on leverage or capital.

2 If you're lending in extremis to an institution
3 that was not subject ex ante to those requirements, by
4 definition, you're creating a materially different degree
5 of moral hazard because you have no existing expectations
6 that they might have access to that assistance, and
7 they're subject to no ex ante constraints on the amount
8 of risk they can take.

9 Q. Did the size of a loan affect the moral hazard
10 analysis?

11 A. It could.

12 Q. How so?

13 A. If the level of the benefit is very substantial
14 financially, if the risk to the taxpayer ultimately or to
15 the central bank is very substantial, and if that loan is
16 not made available to other institutions in similar
17 circumstances, then those factors, among others, might
18 suggest that there was more moral hazard associated with
19 that type of financial assistance.

20 Q. To what extent does the length of lending affect
21 moral hazard?

22 A. And that's a -- that's a -- another factor because
23 normally that would mean that there's more risk involved,
24 and it might mean the level of benefit that's being
25 provided is more substantial.

1 Q. When the New York Fed decides to provide
2 assistance to nonbanks, what actions would it take to
3 mitigate moral hazard concerns?

4 A. Well, we might set conditions on the assistance
5 that were designed to make that assistance less
6 attractive.

7 Q. How so?

8 A. By making them tougher.

9 Q. And how do you determine the proper rate to set
10 for a given form of assistance to nonbanks?

11 A. It's a judgment. But typically in the
12 circumstance you're providing, whether you're providing
13 an exceptional set of financial benefits to an individual
14 institution, you'd want that rate to be very high and
15 certainly higher than what would be commonly available or
16 might be typically provided or might be expected to be
17 provided by private sources of finance.

18 Q. Now, plaintiffs' counsel asked you about -- as we
19 head into sort of a discussion of the financial crisis,
20 about the regulatory actions that may have contributed to
21 the financial crisis.

22 Were there any other contributors other than
23 regulatory actions?

24 A. There were a huge number of contributing factors
25 to the financial crisis.

1 Q. If you could just briefly describe some of the
2 other ones that you haven't described so far.

3 A. Well, we had a long -- Your Honor, we went
4 through a long period which -- where home prices were
5 rising, where growth was perceived as more stable and
6 more enduring, and that led to a set of conditions where
7 people were more confident they could borrow a lot
8 relative to their income. And investors and banks and
9 creditors around the world were willing to -- more
10 willing to provide that finance, that credit, because
11 they, too, were more confident that house prices or that
12 it seemed to them house prices were not likely to fall.

13 That's one of those set of factors, but many other
14 factors contributed, too.

15 Q. And just generally, were -- is it possible to lay
16 the responsibility or blame for the financial crisis on
17 the doorstep of any specific institution or
18 institutions?

19 A. Well, you can definitely lay responsibility for
20 some failures of regulation on individual institutions.

21 You mean in governmental institutions or private?

22 Q. Or -- either. Worldwide.

23 A. Yeah. You can lay -- you can lay responsibility
24 for regulatory failure on various arms of the government,
25 and you can lay responsibility for risk management

1 failures on individual institutions.

2 Q. Now, sir, I'd like to turn to PTX 651, and that I
3 think is in the plaintiffs' binder.

4 A. Is that the one I was using?

5 Q. The one that Mr. Boies gave you.

6 A. Did you say 651?

7 Q. Yes, sir.

8 It's the Doomsday Book.

9 A. Oh, it's the one that was handed out.

10 Q. Yes, sir. Oh, I'm sorry. Not six-fifty -- it's
11 not the Doomsday -- it's the first Doomsday Book, 651.

12 A. That's the second Doomsday Book.

13 Q. I'm not sure I've got my right Doomsday Book
14 here.

15 I'll come back to that here, sir.

16 Instead, let's turn to Bear Stearns.

17 And if you could, sir, why did the New York Fed
18 provide a 13(3) loan in connection with the Bear Stearns
19 transaction?

20 A. Because it was our judgment at that time, and of
21 course it was the judgment of the five governors of the
22 Federal Reserve Board, too, that the failure of
23 Bear Stearns would cause damage to the stability of the
24 financial system and thus to the broader economy.

25 Q. And at that point was the use of 13(3) unusual?

1 A. Yes. I think in a -- in -- apart from the use of
2 the facility called TSLF, which was actually announced
3 before the action with respect to Bear Stearns, those I
4 believe were the first two times that 13(3) had been used
5 since roughly the Great Depression.

6 Q. Could you describe the circumstances surrounding
7 the assistance to Bear.

8 A. Well, that was a -- at that point we were probably
9 six to eight months into an escalating financial crisis,
10 a broader run on the broader financial system. House
11 prices had been falling for some time, and concern about
12 an economic recession was intensifying.

13 Those were the circumstances.

14 Q. And when did you understand that it might be
15 necessary to provide 13(3) assistance to Bear?

16 A. I think in a formal sense, they came to us and
17 told us they were going to file for bankruptcy on I
18 believe a Thursday evening in the middle of March. But
19 before that, in the days before that, they were
20 experiencing, according to the SEC, you know, very acute
21 liquidity pressures.

22 Q. Now, Bear Stearns was ultimately acquired by
23 JPMorgan?

24 A. That's true.

25 Q. And what was the New York Fed's role in helping to

1 find a buyer for Bear Stearns?

2 A. Well, the New York Fed acted on that Friday
3 morning to provide a loan to help Bear Stearns meet its
4 obligations on Friday so that on the weekend we could
5 help explore the possibility of whether they could find
6 a buyer, but also whether we could design some other
7 measures for the broader financial system that might
8 help mitigate the effects of a collapse of Bear, if we
9 were unable to help avert that, or even in the
10 possibility of a successful acquisition of Bear, we still
11 thought there would be substantial pressures on the
12 system and we were also looking for ways to mitigate
13 those pressures.

14 Q. Were there any other bidders for Bear Stearns at
15 the time?

16 A. Ultimately, no, although that Saturday -- that
17 Friday -- that Friday and that Saturday morning there
18 were -- a number of institutions expressed interest in
19 Bear Stearns, but ultimately only one institution was
20 seriously considering providing -- acquiring the
21 institution.

22 Q. And what were the terms of the 13(3) loan to
23 Bear?

24 A. On Sunday night?

25 Q. Yes.

1 How was it structured?

2 A. What we agreed to do was to take a pool of
3 securities that were -- had a face value at that point of
4 roughly \$30 billion and take those off the balance sheet
5 of both Bear Stearns and JPMorgan and finance them
6 directly. And by reducing some of the risk to JPMorgan
7 in that transaction, we made it -- we made it more likely
8 that the merger would be acceptable.

9 Q. Did you make a determination in that -- for that
10 loan that the loan was secured to your satisfaction?

11 A. Yes.

12 Q. And how did you reach that judgment?

13 A. We had a -- we had a very brief period to
14 consider how to make an informed judgment about how to
15 value the collateral, and to assist in that -- assist us
16 in that effort we retained the advisory services of a
17 firm called BlackRock. And the combination of their
18 analysis and those of my colleagues at the Fed helped us
19 reach the determination that it would be secured to our
20 satisfaction.

21 Q. Did that mean that the New York Fed did not think
22 that there was risk in making the 13(3) loan regarding
23 Bear?

24 A. No. Our judgment was and the judgment of
25 BlackRock that there was substantial risk to the Fed and

1 in that pool of assets, but we thought that there was a
2 reasonable prospect over time that we would be able to
3 recover the proceeds of our financing.

4 Q. Was there any disagreement within the New York Fed
5 as to whether to provide the 13(3) loan in connection
6 with Bear Stearns?

7 A. There was.

8 Q. And what were the nature of the people who -- of
9 the concerns raised?

10 A. I would say they were mostly about moral
11 hazard-type concerns that in taking the step in effect
12 for the first time since the Great Depression that we
13 would be -- that we would be adding to moral hazard in
14 the financial system, that we would be adding to
15 expectations that support from the Fed would be
16 forthcoming to other institutions.

17 Q. Now, did the New York Fed consider the impact of
18 the transaction on Bear's shareholders?

19 A. Well, of course, in the sense that we were -- we
20 were aware of the back-and-forth between JPMorgan and the
21 board of Bear Stearns on the terms of the transaction,
22 and among those terms were the -- were the equity price
23 that JPMorgan offered to Bear shareholders, Bear's
24 shareholders.

25 Q. Is it your understanding that Bear's shareholders

1 took losses in the final transaction between JPMorgan and
2 Bear?

3 A. Well, you have to ask sort of relative to what. I
4 mean, relative to what they would have faced in
5 bankruptcy, their judgment was and of course our judgment
6 was that they faced the risk of substantial additional
7 losses.

8 Q. Now, let's go back to the earlier testimony
9 regarding AIG.

10 Before 2008, what connections did the Fed have
11 with AIG?

12 A. Well, the -- Mr. Greenberg, when he was CEO or
13 during part of the time he was CEO and chairman of AIG,
14 had served on the Federal Reserve Board of
15 the Bank of New York before I got there, but we had no
16 formal supervisory relationship with AIG.

17 Q. And leading up to the summer of 2008, how much
18 knowledge did you have about AIG?

19 A. I had the knowledge that was commonly available in
20 the market about AIG.

21 You said during the summer of 2008?

22 Q. Yes, sir.

23 A. I had that knowledge --

24 Q. Before your meetings with Mr. Willumstad.

25 A. Yeah. That was the -- I would say that was the

1 extent of my knowledge, you know, what I could -- what
2 you could see and observe in market prices, in the
3 assessments of analysts, and in whatever additional
4 knowledge my staff had.

5 Q. Plaintiffs showed you a few documents about AIG
6 and comments about it being on your dashboard in the
7 summer of 2008.

8 Did that make AIG unique?

9 A. No. That was a pretty -- designed to be a very
10 broad assessment of market conditions and the sources of
11 stress and -- in the markets.

12 Q. Sir, I'm going to ask you to turn to PTX 715,
13 which is in your binder that the plaintiffs handed you.

14 And I'm going to ask you, on that first page,
15 if -- if you look at that timeline, the third entry
16 regarding Mr. Willumstad and your meeting, what do you
17 recall from that first meeting?

18 A. This is on July 8?

19 Q. Yes, sir.

20 A. My recollection is that I went to see him,
21 sometime after his appointment as CEO, as a courtesy,
22 just to introduce myself and to -- which I typically did
23 in a circumstance like that.

24 Q. Did Mr. Willumstad in that meeting mention that
25 AIG faced any financial difficulties?

1 A. Not to my recollection.

2 Q. And did he mention that AIG might need Fed
3 assistance?

4 A. Not in that meeting, to my recollection.

5 Q. And if you look down to the second meeting on this
6 list on July 29, what do you recall happening in that
7 meeting?

8 A. My recollection is that he came to see me, and in
9 the context of that meeting he raised the question, in
10 the possible circumstance where AIG might need
11 assistance, he asked whether it might be possible for the
12 Fed to be helpful in that context. That's my general
13 recollection.

14 Q. Were there any specifics involved with his
15 discussion?

16 A. I don't know. This note suggests that he
17 raised -- he discussed the possibility of access to the
18 discount window, which -- which -- which I suspect is
19 true since this is a document representing my
20 recollection some years later of what he asked for, and
21 that seems broadly right. I'm not sure if he mentioned
22 the discount window or the Primary Dealer Credit
23 Facility, the PDCF, but something like that.

24 Q. And did you -- to the extent that he did mention
25 these things, would you have encouraged him to consider

1 the Fed as a possible source of assistance?

2 A. No. My intention -- and I think it was
3 successful -- was to discourage him from thinking and
4 from having any expectation that such a quote would be
5 forthcoming.

6 Q. Why, sir?

7 A. To avoid the risk that he drew false comfort from
8 that and took actions as the CEO of that firm in going
9 forward that were based on the -- on an unrealistic and I
10 think unsupportable hope that the Fed would be willing to
11 provide assistance in extremis.

12 Q. To the extent you thought about it at all, what
13 would your thoughts have been in July of 2008 about AIG
14 accessing the Fed's assistance?

15 A. I think at that time I thought it was completely
16 implausible that it would make sense for us to help. I
17 hadn't even considered the possibility about whether it
18 would be within our authority to act, but it didn't occur
19 to me then that it would make sense for us to act, again
20 principally for -- I would say principally for classic
21 moral hazard reasons.

22 Q. Turning to the entry a few lines down where it
23 says -- for July -- for September 9, regarding that
24 meeting with Mr. Willumstad, what do you recall?

25 A. My recollection then is that he came to see me

1 again and in that context expressed a concern about their
2 funding situation and more explicitly inquired about
3 whether it might be possible for AIG to become a primary
4 dealer in order to access the PDCF.

5 Q. To your memory, did Mr. Willumstad actually ask
6 specifically for assistance in this meeting?

7 A. I don't believe he did. I think he asked,
8 inquired about whether it would be possible for the --
9 AIG to become a primary dealer.

10 Q. Did he discuss any specific concerns that he had
11 about AIG and its liquidity?

12 A. My recollection is he expressed some concern at
13 that point about the financial pressures they were
14 under.

15 Q. Was AIG unique in wanting assistance by
16 September 2008 or contemplating it?

17 A. Among -- unique in what sense?

18 Q. Among financial firms?

19 A. Well, at that point, firms that were primary
20 dealers were already accessing the primary -- or had the
21 ability to access the Primary Dealer Credit Facility.
22 They were a broad range of other financial institutions
23 in varying degrees of distress at that time. And some of
24 those, although I'm not sure I can remember precisely,
25 may have come to my colleagues at the Fed and asked

1 whether there was anything the Fed could do, but I'm not
2 sure I can recall precisely which ones did that.

3 Q. Do you recall what your response to Mr. Willumstad
4 was in the September 9 meeting?

5 A. I did not encourage him at that point either to
6 believe there was any possibility that AIG could become a
7 primary dealer.

8 Q. And why was that, sir?

9 A. For the same reason. I found it implausible that
10 that was a -- that that would make sense, that that would
11 be possible, meaning the primary dealer designation. But
12 I also didn't think at that point it was conceivable it
13 would make sense for us to lend.

14 Q. Who had the authority to provide Primary Dealer
15 Credit Facility access?

16 A. Well, my recollection is that the authority to
17 designate firms as primary dealers rested primarily with
18 the Federal Reserve Bank of New York. But as we said
19 earlier, the authority to establish the PDCF and to set
20 its terms and eligibility was authority that we in effect
21 shared with the governors of the Federal Reserve Board.

22 Q. And why does or how does the Fed designate a
23 company to become a primary dealer?

24 A. We have a set of criteria that are I think
25 developed -- if I'm not mistaken, developed in

1 consultation with the Treasury Department because of the
2 role of primary dealers in the Treasury auction process
3 but also in consultation with the Federal Reserve Board
4 about criteria for eligibility and the factors you have
5 to demonstrate to serve that function.

6 Q. Do you recall, sir, if any primary dealers were
7 brought into the fold, any new primary dealers were made
8 during your time at the New York Fed?

9 A. I don't recall. You know, the rough number at
10 that point was 20 or 21 I think, and I don't recall
11 whether we had made any new designations or changed
12 the -- changed any designations in the -- in the five
13 years that I had been president of the New York Fed up to
14 that point.

15 Q. Did you do anything in response to
16 Mr. Willumstad's raising the possibility of becoming a
17 primary dealer?

18 A. Well, I passed on the context for a meeting to my
19 colleagues at the New York Fed. And in doing that, I
20 also asked them to take a look at and refresh my memory
21 about what were the criteria for becoming a primary
22 dealer.

23 Q. And do you know what your colleagues at the
24 New York Fed did in response to your request?

25 A. They -- my -- I don't know precisely, but my

1 recollection is that in addition to going back and
2 looking at the criteria for becoming a primary dealer, I
3 think they, at my request, intensified their focus on the
4 deteriorating financial conditions of AIG and what that
5 might mean for the financial system.

6 Q. When was the first time you remember AIG actually
7 requesting lending assistance?

8 A. I believe it was on the Friday of September 12,
9 although even then I'm not certain it came in the form of
10 a request. But I believe -- and I think this document
11 says that -- that at that -- in that conversation
12 Mr. Willumstad made it clear that he didn't believe that
13 they were going to make it without substantial external
14 financial support, and he didn't think that was possible
15 without the Federal Reserve being part of that.

16 Q. Do you -- how did the nature of Mr. Willumstad's
17 request on the 9th compare to his request on the 12th?

18 A. I interpreted the conversation on the 9th as being
19 a question, not quite a request, maybe implicit request,
20 about whether they could become a primary dealer.

21 Was that equivalent to a request for financial
22 assistance? Not quite, but you could say it was close.

23 On the 12th he made it clear he thought they would
24 need assistance, but he did not call me on the 12th and
25 present a proposal for assistance or to suggest specific

1 terms for such assistance, just that the situation at
2 that point was so dire, he thought that would be
3 necessary.

4 Q. Did he have a -- so did Mr. Willumstad have a plan
5 as to how he would address his liquidity concerns?

6 A. He did not at that point lay out to us a plan for
7 how they would manage through this crisis with support.

8 Q. Did he mention the PDCF in that meeting?

9 A. I don't recall if in that meeting on the 12th he
10 mentioned the PDCF.

11 Q. And at that time could you describe your initial
12 reaction to the request on the 12th regarding potential
13 Fed assistance?

14 A. I believe at that time that although I was
15 convinced at that point that AIG was at the edge of
16 failure, at that time I do not believe that I thought it
17 would be either possible or appropriate for us to act.

18 Q. What did you believe about AIG's systemic
19 importance at that time?

20 A. I thought at that point that AIG was large enough
21 and consequential enough that its failure would be
22 damaging to what was then a very fragile situation. But
23 I didn't have much I would say textured, detailed
24 appreciation for the precise nature in which the direct
25 effects of that failure would be felt across the system.

1 Q. Now, if you could look at -- we're still at
2 PTX 715. If you could go to the second page of that, at
3 the very bottom.

4 It says, "While Federal Reserve Bank of New York
5 staff monitored market data and other public information,
6 prior to September 12, the Federal Reserve Bank of
7 New York did not have access to the type of proprietary,
8 confidential company information needed to understand the
9 severity and immediacy of AIG's liquidity needs."

10 Do you see that?

11 A. Yes.

12 Q. How did that play in your understanding at that
13 point about AIG's significance?

14 A. I'm not sure I understand your question.

15 Q. Sure.

16 Did the New York Fed have access to nonpublic
17 information before September 12, 2008 for AIG, to the
18 best of your knowledge?

19 A. None. I mean, there may have been some
20 conversations by my colleagues with them before the
21 12th, but not -- not anything like the quality of
22 information we got after the 12th or on the evening of
23 the 12th.

24 Q. And how would it compare to the quality of
25 information, say, you would have from a bank?

1 A. Well, it was nothing like that.

2 Q. After your call with Mr. Willumstad -- no further
3 questions on this document, sir.

4 After your call with Mr. Willumstad on
5 September 12, what do you -- what did you do with respect
6 to AIG?

7 A. Well, at that point, among other things, I
8 commissioned a variety of assessments by my staff on the
9 potential losses facing AIG and the scale of assistance
10 they may need, on the potential systemic implications of
11 the failure of AIG, and on whether there were -- whether
12 there were in the insolvency framework available to
13 insurance companies and the insurance funds available to
14 insurance companies there was a set of arrangements that
15 might help mitigate the effects of the bankruptcy of the
16 holding company.

17 Q. To what extent were you yourself involved in the
18 efforts of your Fed colleagues?

19 A. Well, I asked them a series of questions and met
20 with them periodically over the course of that weekend
21 as they were conducting their assessments. And in
22 parallel with that, I had a series of meetings with
23 Mr. Willumstad and a variety of members of his firm and
24 their advisors.

25 Q. And I think you've testified about it earlier, but

1 were there other things on your plate at that time?

2 A. Yeah. There were a few other things on my plate.

3 Q. So over the 13th and 14th, what -- if you could
4 identify to the best of your memory the interactions that
5 you had with AIG during the Saturday and Sunday.

6 A. Personally with the firm?

7 Q. Yes.

8 A. I think I had at least two meetings over the
9 course of Saturday and Sunday with Mr. Willumstad and
10 with a variety of his senior officials, officers of the
11 firm, and with outside counsel that they had retained,
12 and I believe also with outside bankers that were working
13 with them.

14 Q. And what was the purpose of those meetings, sir?

15 A. Well, the purpose of those meetings were for him
16 to give us a better feel for the nature of their
17 financial difficulties, the scale of assistance they may
18 not need -- they may need, and to lay out for us or
19 provide a report on progress they were making or not
20 making in their efforts to raise private assistance.

21 Q. And what do you recall about their efforts to
22 raise private assistance?

23 A. They were not encouraging.

24 Q. Were they ongoing?

25 A. Yes, they were ongoing.

1 Q. How so?

2 A. Well, they had -- they had -- at least they
3 reported that they were -- they had been approached by a
4 variety of potential sources of external finance. And
5 they gave us periodic reports on their assessment of the
6 quality of those proposals and their viability.

7 Q. Had your views over that weekend on the 13th and
8 14th on lending to AIG changed?

9 A. I think even until -- until up to the evening of
10 that Sunday, it still seemed to me unlikely it would be
11 possible for us to lend, meaning unlikely we'd be able to
12 give ourselves sufficient satisfaction we could be
13 secured to our satisfaction to meet that condition under
14 13(3). But I also I think even until Sunday evening
15 found it implausible it would make sense for us to act.

16 Q. During this time, were you --

17 A. Perhaps I should say also that it wasn't -- it
18 wasn't clear to me -- and this goes to my second point
19 about whether it would make sense -- was whether there
20 were things we could do that would be effective, that we
21 could with some confidence judge would actually be
22 effective in preventing the failure of the firm.

23 Q. And was that a necessary finding that you would
24 have before going forward?

25 A. Well, it's not written in 13(3) but except maybe

1 implicitly because what 13(3) is authority to do things
2 that would help mitigate risks to the stability of the
3 financial system and to the broader economy, so although
4 it's not explicit in the conditions of the statute, yeah,
5 we'd want to make sure that we had a proposal that would
6 work, had some possibility of being effective.

7 Q. At this time were you in contact with any members
8 of your staff or the Board of Governors regarding the
9 very possibility of a loan to AIG?

10 A. Oh, yes.

11 Q. How so?

12 A. Well, AIG had on Friday and then with escalating
13 clarity suggested that they would like assistance from
14 us, and so throughout that period of time we were
15 discussing the merits of that request, both within the
16 New York Fed and with my colleagues in Washington at the
17 Treasury and the board.

18 Q. And we can go to DX 273, please. And this will be
19 in the binder that we handed up, sir.

20 Just let me know when you have it, sir.

21 A. I have it.

22 Q. Okay. And do you recognize what this document
23 is?

24 A. I do.

25 Q. What is it, sir?

1 A. This is an e-mail first from Don Kohn to me and to
2 Ben Bernanke at 10:00 a.m. on Saturday, September 13,
3 followed by an e-mail from Ben Bernanke to Don Kohn and
4 Kevin Warsh and me. I'm sorry. Kevin Warsh was also an
5 addressee on the first, on the first e-mail.

6 So it's an e-mail from Don Kohn with a response
7 from Ben Bernanke.

8 Q. And so -- and Don Kohn, if you could just remind
9 the Court, what was his title?

10 A. He was the vice chairman of the Board of Governors
11 of the Federal Reserve System.

12 Q. And so in the bottom e-mail, which we'll look at
13 first, what did you understand just generally he was
14 doing there?

15 A. He's reporting to me -- he's reporting to me on
16 what his staff -- and to Ben Bernanke on what his staff
17 in Washington were learning from our collective
18 conversations with AIG.

19 Q. And he writes, in the -- on the third sentence of
20 that paragraph on the bottom, "They were vague as to what
21 they expected from us except that it sounded like an
22 open-ended liquidity facility."

23 Did you have an understanding of what he meant by
24 that?

25 A. Well, to the best of my recollection, even at

1 that point Saturday morning, AIG had not presented to us
2 any specific proposal for the type of credit that they
3 would like us to provide, nor had they provided us with a
4 broader strategy or plan for how that might contribute
5 to -- to their ability to avoid failure.

6 Q. Then he writes, "My inclination is for me to tell
7 Jacob that he can't count on us, they need to fix this
8 themselves, to get them more focused on their own actions
9 to address the problems."

10 Do you see that?

11 A. Yes.

12 Q. What would your understanding be on that when you
13 got it?

14 A. Oh, I take it as his word.

15 What do you mean?

16 Q. Well, what -- what was your understanding of
17 Vice Chairman Kohn's position at that time?

18 A. Well, my sense at that time was that he had a lot
19 of reservations about whether it made sense for us to
20 act.

21 Q. And was that consistent with your position?

22 A. Yes.

23 Q. And then the last sentence -- or the last two
24 sentences of that paragraph, which I won't read, but they
25 begin "At the end we could blink," do you see that?

1 A. Yes.

2 Q. And what did you understand him to be suggesting
3 there?

4 A. Well, the way I interpreted this is he said that
5 if we decide they're systemic or their failure would
6 cause systemic damage and of course implicitly if we had
7 the legal authority to lend, then that would un- -- that
8 would -- that would -- well, his phrase was "open up an
9 unknown can of worms," but that would raise expectations
10 that a variety of other institutions might view us as a
11 source of financing. And implicitly he's saying that
12 would be a bad thing.

13 And he also says that if we're to act in this
14 case, we have to make sure that it's going to be
15 effective in helping them avoid failure over a longer
16 period of time.

17 Q. Now --

18 THE COURT: Mr. Dintzer?

19 Mr. Geithner, who is Jacob in this message?

20 THE WITNESS: I believe Jacob in this case is
21 Jacob Frenkel, who at that point was a senior sort of an
22 advisor at -- he was a senior official at AIG.

23 THE COURT: Thank you.

24 BY MR. DINTZER:

25 Q. Do you know or have any memory as to whether he

1 was a -- had any role in the Board of Governors in the
2 past?

3 A. Jacob Frenkel?

4 Q. Yes.

5 A. No.

6 Q. Looking at the top paragraph, sir, now, I
7 understand this is -- it's listed from Edward Quince, but
8 you understand that that was Chairman Bernanke?

9 A. That that was Chairman Bernanke.

10 Q. And he writes, "This does not necessarily bring a
11 whole new class of firms to the window ... AIG is in
12 trouble because it is acting like an investment bank,"
13 and then it goes on.

14 Do you see that?

15 A. I do.

16 Q. And did you agree with that statement?

17 A. I did not agree with that statement.

18 Q. Why? Why, sir?

19 A. Well, there's several statements in the
20 highlighted paragraph, but in the sense of it does not
21 necessarily bring a whole new class of firms to the
22 window, I don't think I would have said it that way just
23 because -- because, by definition, once you went beyond
24 not just banks but the primary dealers, which is a
25 limited class of institutions who serve a critical

1 market-making function in the government securities and
2 other markets, then, by definition, you were in new
3 territory and would be raising expectations among a
4 potentially broader class of institutions, not just
5 insurance companies, not -- not -- not -- including
6 insurance companies but possibly not just insurance
7 companies, that they may, too, be able to come to the
8 Fed.

9 Q. And was it unusual for you to disagree with one or
10 more of the members of the Board of Governors?

11 A. Well, on the big things, the consequential things,
12 we were in remarkable agreement, but we debated
13 everything and often, you know, started with different
14 views on things.

15 Q. Was that the nature of the relationship?

16 A. Yeah. And that was a good thing.

17 Q. No further questions on that document, sir.

18 And I see I haven't offered it into evidence.

19 Your Honor, we offer DX 273 into evidence.

20 MR. BOIES: No objection, Your Honor.

21 THE COURT: Defendant's Exhibit 273 is admitted.

22 (Defendant's Exhibit Number 273 was admitted into
23 evidence.)

24 BY MR. DINTZER:

25 Q. You know, while we're there -- well, we'll come

1 back.

2 Sir, over -- over the course of Lehman weekend,
3 did you hear anything about AIG's ongoing efforts or the
4 result of AIG's efforts to raise capital?

5 A. Well, I did throughout the -- throughout the
6 course of Saturday and Sunday, yes.

7 Q. Did you talk to any of AIG's financial
8 counterparties over that weekend?

9 A. Well, many of them were in the room or the various
10 rooms at the New York Fed at that time, so yes.

11 Do you mean about AIG?

12 Q. Yes, sir.

13 A. Yes, I did.

14 Q. And was -- and just so that we're clear, would you
15 define "counterparty," please.

16 A. A counterparty in the simplest way is a firm with
17 which another firm has a financial obligation to. That
18 would be one, one definition.

19 Q. Was Goldman Sachs --

20 A. If I owed you money or you owed me money, we might
21 be counterparties to each other.

22 Q. Was Goldman Sachs one of AIG's counterparties?

23 A. Yes.

24 Q. Did you have any cause to have discussions with
25 Goldman Sachs' CEO that weekend about AIG?

1 A. I did.

2 Q. What was the nature of that conversation to the
3 extent you remember?

4 A. Well, we had -- just to be clear, we had a
5 variety of conversations with a group of major financial
6 institutions over the course of the weekend about what
7 was happening in markets and various aspects of those
8 problems, including AIG in a general sense. But I think
9 what you're referring to is a set of conversations I had
10 with him about what was Goldman Sachs' direct exposure to
11 the risk of default by AIG.

12 Q. And who initiated that conversation?

13 A. I did.

14 Q. Why?

15 A. Because there was a perception in the markets at
16 the time the week before that Goldman Sachs was uniquely
17 exposed to AIG or substantially exposed to AIG.

18 Q. And who is Goldman Sachs' CEO at that time?

19 A. Lloyd Blankfein.

20 Q. And did you ask him about that?

21 A. I did.

22 Q. And what was the nature of that conversation?

23 A. Well, I asked him if he would let me know, if he
24 would tell me what was the direct exposure to AIG.

25 Q. And did he?

1 A. He did.

2 Q. What was it?

3 A. What he said at the time is their exposure was
4 essentially flat, meaning, for the remaining exposure to
5 default by AIG, the direct exposure, apart from the
6 collateral they held, they had felt they had hedged,
7 bought protection against that remaining exposure.

8 Q. Could we bring up DX 401, please.

9 Sir, do you recognize this document?

10 A. Yes.

11 Q. What is it?

12 A. This is an e-mail to me from Brian Peters, copied
13 to a number of other Fed, New York Fed, officials,
14 reporting on a conversation with the person I believe
15 is -- was in charge of or at least knowledgeable about
16 risk management at Goldman Sachs.

17 Q. And the subject is GS/AIG.

18 Did you understand that to mean Goldman Sachs/AIG?

19 A. Yes.

20 Q. And the first sentence: "Art and I spoke with
21 Craig Broderick."

22 Do you know those individuals?

23 A. Art Angulo and Brian Peters were both senior
24 officials in bank supervision at the New York Fed.

25 Q. And you're listed as the recipient on this e-mail;

1 is that right?

2 A. Yes.

3 Q. And if you look at the fifth sentence down, "They
4 have credit hedges."

5 Do you see that?

6 A. Yes.

7 MR. BOIES: Objection until the exhibit is
8 offered.

9 MR. DINTZER: That's fair, Your Honor.
10 We offer DX 401 into evidence.

11 MR. BOIES: I would object if it's offered for the
12 truth of the matters asserted in that the witness has
13 identified this as a document that is recording what
14 Goldman Sachs told somebody, so what you have is triple
15 hearsay at least. But more important, it is hearsay from
16 somebody who's not related to the case.

17 THE COURT: Mr. Dintzer?

18 MR. DINTZER: Your Honor, the witness has said
19 that he specifically asked for this information, it was
20 provided by a financial institution to him based on his
21 request, and so it has indicia of reliability.

22 THE COURT: I'm going to sustain the objection.
23 Hearsay grounds.

24 MR. DINTZER: Your Honor, can we then offer it not
25 for the truth of the matter asserted but to show the

1 effect on the New York Fed?

2 THE COURT: I'm okay with that.

3 So I'll admit the exhibit for that limited
4 purpose.

5 MR. DINTZER: Thank you, Your Honor.

6 (Defendant's Exhibit Number 401 was admitted into
7 evidence.)

8 BY MR. DINTZER:

9 Q. So, Secretary Geithner, what was your
10 understanding regarding Goldman Sachs' position after you
11 read this e-mail?

12 A. It was consistent with what the CEO of
13 Goldman Sachs told me, which is, of their remaining --

14 MR. BOIES: Objection, Your Honor. He's now going
15 to go back into hearsay.

16 MR. DINTZER: Your Honor, if I may be heard, I'm
17 not asking him actually for the truth of the matter
18 asserted. As plaintiffs' counsel suggested, this is to
19 be offered to indicate what effect it had on the
20 New York Fed. Whether it turned out to be accurate or
21 not, I'm only asking about his understanding.

22 MR. BOIES: Your Honor, on that basis I'll
23 withdraw the objection. As long as this is not offered
24 for the truth of the matter asserted, I have no
25 objection.

1 THE COURT: All right. On the basis of an
2 agreement, we'll move ahead.

3 MR. DINTZER: Thank you, Your Honor.

4 BY MR. DINTZER:

5 Q. Do you need the question back, sir?

6 A. That would be helpful. Yes.

7 Q. After receiving this document, what was your
8 understanding as to Goldman Sachs' position and exposure
9 to AIG on -- in September 2008?

10 A. My understanding was that they had purchased
11 protection in the form they described as had hedges of an
12 amount sufficient to offset their remaining exposure to
13 AIG net of collateral.

14 Q. Okay. No further questions on that document,
15 sir.

16 Did there come a time when you heard that AIG's
17 private efforts to raise capital in 2008 had failed
18 completely?

19 A. In September 2008?

20 Q. Yes.

21 A. Yes. Sometime on either late Monday night or
22 early Tuesday morning.

23 Q. Did the Fed make any efforts to help find a
24 private solution for AIG after AIG's efforts had failed?

25 A. We did.

1 Q. And could you describe that.

2 A. Well, over the course of the weekend we meet with
3 AIG and their financial advisors and outside counsel,
4 and I believe in that context also encountered some of
5 the people who were considering providing them
6 assistance.

7 But then on Monday morning I, as I testified
8 earlier, spoke with Mr. Willumstad about making another
9 effort to see if we could help them mobilize some
10 private financing. And on that basis, I convened a -- or
11 I asked two banks, after consulting with Mr. Willumstad,
12 to undergo an effort to assess whether they could arrange
13 a substantial source of private financing.

14 Q. And one of these was JPMorgan and was
15 Goldman Sachs?

16 A. That's correct.

17 Q. And I believe during your direct you suggested
18 that there might be a context for why one or both of
19 these firms was there, and I don't think you had a chance
20 to offer that context.

21 A. Well, I believe I asked Mr. Willumstad who he
22 thought made the most sense to play a lead role in that
23 effort, and it was on that basis that I asked the two of
24 them to do that, and I think -- I interpret that as
25 meaning that they had prior, ongoing investment banking

1 relationships with AIG.

2 I'm certain that was the case for JPMorgan because
3 they were in the room at Mr. Willumstad's request in some
4 of our meetings or at least one of our meetings on
5 Saturday or Sunday.

6 Q. Was this effort similar to the New York Fed's role
7 in the Bear Stearns transaction?

8 A. No.

9 Q. How so?

10 A. In the Bear Stearns transaction, there was a
11 willing buyer large enough and financially strong enough
12 to take on the vast bulk of the obligations and the risks
13 of Bear Stearns, and we were able to take on or to
14 finance, take the risks in a series of -- a pool of
15 financial assets.

16 In this case, we were simply asking or trying to
17 explore whether the major banks in the world were able to
18 mobilize a loan large enough to be material to AIG's
19 challenges.

20 Q. What was your involvement in these efforts?

21 A. I asked them to start. I asked them to do it.
22 And I am not certain, but I think I met with them
23 initially just to start the effort, and then I waited to
24 hear from them.

25 Q. Do you recall saying anything about whether the

1 New York Fed would provide assistance to AIG in that
2 meeting, that consortium meeting?

3 A. My recollection -- and I'm not sure who was at
4 that meeting -- was that I made it clear at that point
5 they should conduct their assessment without any
6 expectation the Fed would provide assistance.

7 Q. And why did you make that statement?

8 A. Because even at that point I was not convinced
9 personally that it would be possible or make sense for us
10 to do that. And perhaps as important, I did not know if
11 the Board of Governors or a sufficient number of the
12 members of the Board of Governors would be willing to do
13 so.

14 So in that context I did not think it would make
15 sense for me to convey an expectation that it would be
16 possible.

17 Q. What is your understanding of what these private
18 actors did?

19 A. I don't know what they did. I know what they
20 concluded.

21 Q. Which was what?

22 A. They concluded that there was not sufficient
23 willingness in -- among the major banks in the world to
24 provide a large loan to AIG.

25 Q. Was AIG's liquidity needs known for sure at that

1 point?

2 A. I don't know that AIG had a confident assessment
3 of the scale of their needs, and partly for that reason I
4 don't think their potential creditors had a strong basis
5 for any assessment of the scale of those needs.

6 Q. What were you doing that Monday while the
7 private-sector discussions were going forward at the
8 New York Fed?

9 A. I was continuing my discussions internally with
10 the New York Fed staff and my colleagues in Washington
11 about the complex set of policy considerations, judgments
12 we had to face on whether to lend to AIG, again,
13 whether -- what was the size of their needs, what would
14 be the risk to us, who would be secured to our
15 satisfaction, were there alternative means available in
16 the insurance regime to mitigate some of the fallout from
17 a failure of AIG, what would be the systemic
18 implications, that set of things.

19 I spent part of my time that Monday meeting with
20 my colleagues, talking through those questions. And I
21 was spending quite a lot of my time that day on a range
22 of other things we were considering to try to stem,
23 mitigate, arrest the unfolding panic.

24 Q. And was that related to Lehman's failure?

25 A. Partly related to the aftershocks induced by

1 Lehman's failure, but those pressures were very strong
2 going into the weekend and they were -- even by Friday,
3 you know, you could say I think accurately that the
4 broader financial system in the U.S. and around the world
5 was under -- was undergoing a run, a classic run and a
6 classic panic.

7 Q. What was the result of the private bankers'
8 attempt to syndicate a loan on Monday?

9 A. Well, they informed us sometime on Monday night or
10 Tuesday morning that -- as I said, that they were not --
11 that those efforts would not be successful.

12 Q. Did you have an understanding as to why they were
13 not successful?

14 A. I think it was a mix of the risks too great and
15 the needs too high, too large. And you know, it's worth
16 noting that the world was burning around them, so there
17 was no institution in the world at that point I think
18 that was in the position to take on a large amount of
19 additional risk --

20 Q. And --

21 A. -- particularly if in doing so they couldn't be
22 confident that they would be mitigating or, you know,
23 reversing the broader pressures unfolding across the
24 system.

25 Q. You said no institution had the ability to take on

1 a large amount of additional risk.

2 Did AIG and lending to AIG at that point represent
3 such risk?

4 A. Of course.

5 Q. What do you recall about the terms of a private
6 sector loan that the financiers were considering at that
7 point?

8 A. My recollection is that they were considering --
9 at least the initial outlines of the terms they were
10 considering included a very large amount -- I can't
11 remember exactly what it was -- maybe in the range of
12 \$70 billion, with a very high interest rate and with a
13 condition that AIG provide stock representing roughly
14 80 percent of the company.

15 I believe those were the broad conditions that
16 they were considering.

17 Q. At that time on Monday, September 15, what was
18 your thinking -- where was your thinking about the
19 prospect of extending a loan?

20 A. Well, over the course of Monday I was
21 reconsidering many of the earlier conclusions I had
22 reached, or I should say aversions I had or presumptions
23 against. And I was reconsidering those on the strength
24 of the -- my conversations with my colleagues about what
25 the scale of the systemic damage might be, whether we

1 could do something legally, be secured to our
2 satisfaction, that would have a reasonable prospect of
3 avoiding a failure.

4 So I was thinking through those things again. I
5 was moving towards a judgment that we might be able to do
6 this and perhaps it was the right thing to do.

7 Q. What did you do after the private sector efforts
8 failed on September 15 or 16?

9 A. Well, at that point I was already deeply involved
10 with my colleagues in trying to figure out what might be
11 the potential shape of a proposal by us, so those
12 discussions, you know, continued late into Monday and
13 then intensified on Tuesday morning.

14 Q. And we could go to DX 398.

15 Sir, do you have an understanding of what this
16 is?

17 A. This is an e-mail conveying an attachment that's
18 titled Systemic Impact of AIG Bankruptcy.

19 Q. And it's dated September 16, 2008; is that right?

20 A. Yes.

21 Q. And if you go down to -- the one to you is date --
22 it has a 9:59 time stamp. If you go down just a little
23 farther, the one from Mr. LaTorre to you and a range of
24 other people, do you see that?

25 A. Yes.

1 Q. The time stamp is 3:16 a.m.?

2 A. Yes.

3 MR. DINTZER: And Your Honor, we move for the
4 admission of DX 398.

5 MR. BOIES: No objection, Your Honor.

6 THE COURT: Isn't this the same exhibit we've seen
7 elsewhere?

8 MR. DINTZER: Yes. And I just got that note,
9 Your Honor. I'm sorry. It has already been admitted.

10 THE COURT: Okay.

11 MR. BOIES: I hope I didn't have an objection that
12 time.

13 BY MR. DINTZER:

14 Q. And he writes, "Attached is a document that
15 summarizes some of our discussion earlier."

16 This -- was this the type of discussion that you
17 were having -- and it addresses the systemic impact of
18 AIG bankruptcy.

19 And my only question, sir -- this is timestamped
20 at 3:16 a.m. -- what was the nature of the discussions
21 leading up till 3:00 a.m. that morning?

22 A. Well, part of those discussions were about the set
23 of questions that are -- that this document seeks to
24 capture, which is what might be the impact of AIG's
25 failure on the financial system, on the global economy,

1 so these -- this document represents a summary prepared
2 by one of those participants about the at least initial
3 conclusions of that group.

4 Q. And why did you -- and I take it you were
5 involved in that discussion topic through 3:00 a.m. that
6 morning?

7 A. Well, I didn't really sit in with the group
8 through all their discussions, but they came and
9 presented to me the conclusions of their discussions at
10 various points along the way, including early that
11 morning.

12 Q. And why were they up at 3:00 in the morning
13 presenting to you or discussing and then presenting to
14 you?

15 A. Because the world was falling apart and we were
16 trying to figure out whether we could do anything about
17 it.

18 Q. And at this point when you're having these
19 discussions at 3:00 a.m. on September 16, had a final
20 decision been made about whether to lend to AIG?

21 A. No.

22 Q. No further questions on that document.

23 Now, on -- sometime on September 16 did you reach
24 conclusions about whether -- you described earlier
25 whether it was possible and whether it was appropriate --

1 did you reach conclusions about those two items with
2 respect to the possibility and appropriateness of lending
3 to AIG?

4 A. Sometimes late -- sometime late on Monday or early
5 Tuesday -- I'm not sure precisely when -- I reached the
6 judgment personally that I thought it would make sense
7 for us to act and I thought we had a legal basis for
8 doing so and that I would recommend that to my colleagues
9 in Washington.

10 Q. And earlier -- I'm hoping to bring this up --
11 earlier you mentioned that the first element in
12 considering whether to make a 13(3) loan was whether the
13 circumstances were unique and exigent.

14 Did you reach a conclusion about whether the
15 circumstances were unique and exigent regarding a
16 possible loan to AIG?

17 A. Oh, yeah.

18 Q. And what was your conclusion?

19 A. That they were because the world was so fragile
20 and AIG's -- the consequence of AIG -- in that context,
21 the consequences of AIG's failure were so great that I
22 was very confident that we could meet that test.

23 Q. Now, the second -- or actually I'm going to jump
24 ahead. The third item that you identified was secured to
25 satisfaction.

1 Did you at some point on the 15th or 16th
2 conclude that a loan could be secured to your
3 satisfaction?

4 A. Yes.

5 Q. And what did you understand that standard to
6 mean?

7 A. To me, that -- and to us, that meant that we had
8 a reasonable prospect over time of recovering the
9 proceeds we might provide and that even if there was
10 substantial risk to us in acting, that there was a
11 reasonable basis that we could be -- we could recover any
12 assistance we provided.

13 Q. And did AIG offer any collateral as part of its
14 request for a loan?

15 A. Yes.

16 Q. And what did you understand the collateral was
17 that it was proffering?

18 A. Well, I think in effect it was the entire assets
19 of the company, but specifically in the sense of what was
20 most material to this decision was the value of the
21 assets of the underlying insurance subsidiaries.

22 Q. To your knowledge, had the Fed ever extended a
23 loan with that type of collateral?

24 A. I did not -- not -- not -- certainly not since the
25 Great Depression.

1 Q. And what was the typical type of collateral that
2 the Fed relied upon when providing -- making a loan?

3 A. Well, can I make a distinction between a bank and
4 a nonbank?

5 Q. Please.

6 A. In a bank, meaning an institution that was subject
7 to a set of constraints on the risk they could take, we
8 would typically at least consider lending against a very
9 broad range of collateral, from securities that trade in
10 the market with pricing available every day to bank loans
11 that might be very illiquid that would have a long
12 maturity.

13 In the context of the nonbank lending facilities
14 that were then in existence, of which case -- of which
15 the PDCF was the most material, in that circumstance we
16 were only lending against marketable securities, very
17 short-term, with haircuts, meaning with discounts or
18 reductions so that we had some protection against the
19 risk they would fall in value while we were lending
20 against them.

21 So the -- the type of collateral and the type of
22 risk we were taking in this case or considering taking
23 in this case was fundamentally different because in this
24 case we were going to be forced to rely principally on a
25 judgment about the underlying value of those insurance

1 companies over time.

2 The reason why those, Your Honor, were
3 collateral, valuable collateral, was because they
4 generated a fair amount of earnings and profits over
5 time. And if the company survived and the world didn't
6 fall apart, we thought there was a basis for concluding
7 that they might have enough value in the future, not
8 tomorrow, not in September, but in the future, to allow
9 us to recover the proceeds of any assistance we
10 provided.

11 Q. What's the difference between -- in risk between
12 relying on marketable securities and potentially
13 unmarketable securities?

14 A. Well, in the PDCF context where we're lending
15 against marketable securities, we're doing it for very
16 short periods of time, again with haircuts we put in
17 place, so in that context we have much better basis for
18 judging what's the level of risk we're taking. And it's
19 a much, dramatically smaller amount of risk even if the
20 numbers are huge.

21 So just as an example, probably at the peak we
22 were lending well over a hundred billion dollars, perhaps
23 over two hundred billion dollars through the PDCF, but
24 because those loans were against marketable securities,
25 with haircuts to protect our risk, and because the

1 maturity of our loans were so short, the nature of the
2 risk we were taking was -- it was not immaterial, but it
3 was much, much smaller than in the context where we
4 would be making a long-term loan against the uncertain
5 value of a set of businesses whose fate was fundamentally
6 tied to the overall health of the institution, of the
7 company.

8 Q. What would -- and what was your analysis of what
9 would have happened to the value of the collateral AIG
10 was proffering if AIG ended up in bankruptcy?

11 A. It would decline -- our judgment was that the risk
12 is it would decline sharply in value.

13 Q. Now, on your direct exam, you drew a distinction
14 between illiquid and marketable. Do you recall that?

15 A. I believe I do.

16 Q. Can you explain what you meant, and if you don't
17 recall it, then you don't have to explain what you
18 meant.

19 A. Illiquid -- some things are illiquid at the
20 beginning. You know, for example, if I make a bank --
21 I'm a bank and make a bank loan, it's hard for me to be
22 able to sell that loan quickly with confidence about what
23 I could recover or whether I could sell the assets the
24 loan was designed to finance, for example, a house, in a
25 short period of time to recover value, so typically

1 people might think about those types of loans or credit
2 as illiquid.

3 In contrast, they might judge a marketable
4 security like a -- like a Treasury security or a highly
5 rated mortgage-backed security as liquid. But of course,
6 as we saw in the crisis, even those instruments -- some
7 of those instruments, the more risky among them, became
8 illiquid in the crisis, meaning people were reluctant to
9 buy them, found it hard to sell them.

10 Q. When did you determine that equity in insurance
11 companies might form the basis for a loan?

12 A. Sometime on Monday.

13 Q. And did you discuss the risks of a possible loan
14 with Secretary Paulson and Chairman Bernanke in the days
15 leading up to the decision to provide assistance?

16 A. Extensively.

17 Q. And did you discuss -- and what was the nature of
18 that discussion?

19 A. Well, it was in my judgment that any loan would
20 have very substantial risks and was very hard for us to
21 assess those risks because -- not just because the world
22 was uncertain and AIG's fate was uncertain but because we
23 were in that context trying to do something that we
24 didn't normally do, which is try to assess the potential
25 value of a set of insurance companies.

1 Q. Did questions exist at that time regarding AIG's
2 solvency?

3 A. Of course.

4 Q. How so?

5 A. Because, you know, fundamentally at that point the
6 scale of losses AIG was facing were so large and growing
7 so rapidly that they by definition gave rise to concerns
8 in the market at least about whether they were -- whether
9 they were solvent or would be solvent.

10 Q. What were your views on the risk of loss when you
11 offered the loan on September 16?

12 A. I thought we were taking enormous, unprecedented
13 risks and that there was substantial risk that we would
14 lose billions of dollars, if not tens of billions of
15 dollars.

16 But I also believed that there was a reasonable
17 prospect that over time, over a longer period of time, if
18 we were successful in preventing AIG's failure and if we
19 were successful in averting another global depression
20 that we had a reasonable chance of recovering our
21 assistance.

22 Q. Sir, I'm going to put in front of you
23 Joint Exhibit 80.

24 Sir, I'll just hand it to you.

25 May I approach, Your Honor?

1 THE COURT: Yes.

2 BY MR. DINTZER:

3 Q. And sir, there's been some discussion that these
4 were notes from -- is it up? No -- that were taken by
5 Mr. Alvarez.

6 And I just want to draw your attention to -- it
7 says "board meeting." Then it says "TG. AIG."

8 Do you see that?

9 A. I do.

10 Q. And that very first paragraph, "with proper
11 management would be able to realize positive net value in
12 sale of company over time," do you see that?

13 A. I do.

14 Q. And I'm not going to ask you if you remember this
15 discussion, but what I'm going to ask you is, was that
16 consistent with your belief on September 16, 2008?

17 A. Yes.

18 Q. And if you could explain what the nature of
19 positive net value means.

20 A. Meaning we would in effect be able to recover,
21 either because the firm would repay us or we'd be able to
22 sell the assets of the firm over time or someone else
23 would take us out of our position, that we'd be able to
24 recover funds sufficient to offset or to match the funds
25 we provided.

1 Q. No further questions on that document, sir.

2 We can do -- actually let's skip it.

3 Now, how did subsequent events inform whether your
4 judgment -- you know, after September 2008 inform your
5 judgment about whether you were right that there was risk
6 in the loan?

7 A. Are you descending into perilous territory of
8 hindsight?

9 Q. Yes. With a little bit of hindsight. With a
10 little bit of hindsight.

11 A. Well, maybe I should answer it this way.

12 Over the course of the succeeding weeks, really
13 almost immediately, AIG was -- was -- was facing
14 escalating losses and a dramatic escalation in their
15 needs for liquidity. And within a very short period of
16 time, those needs were -- seemed likely to exceed the
17 \$85 billion number we initially defined in the credit
18 facility.

19 And as you know, over the succeeding six months,
20 we ultimately provided commitments equal to another
21 hundred billion dollars on top of the initial 85 through
22 a variety of different types of assistance, and it was
23 only then that we were more confident that we had averted
24 the risk of a downgrade spiral leading to the risk of
25 failure.

1 Q. And so we've talked about that "unique and
2 exigent" term and we've talked about secured to your
3 satisfaction.

4 A third element that you said needed to be
5 satisfied for you to even think of a loan as being
6 possible was no adequate funding source.

7 What did that mean, sir?

8 A. No alternative adequate source of funding
9 available, meaning that there was no private source of
10 funding available on a scale to prevent failure.

11 Q. And why does 13(3) contemplate that, to your
12 understanding?

13 A. Because, by design, you want the Fed to be -- to
14 not lend when the market would lend.

15 So the way the law is defined, is designed, the
16 Fed in effect can't lend under 13(3) in circumstances
17 where the market is able to provide financing on an
18 adequate scale.

19 Q. How did you come to conclude that this final or
20 third element, the adequate funding source element, was
21 sat- -- would be satisfied at least to your satisfaction?

22 A. Because AIG had a very strong incentive to explore
23 all possible means to raise private financing, and they
24 had done so at least as recently as that weekend, and
25 they had briefed us on those discussions, and those

1 discussions had not identified any meaningful source or
2 viable source of external financing. And even after the
3 additional efforts we helped them undertake on Monday,
4 they were unable to mobilize or identify an adequate
5 source of alternative financing.

6 Q. So at that point were you satisfied with respect
7 to that element of 13(3)?

8 A. I was.

9 Q. Once you determined -- so just to wrap this all
10 up, when did you conclude in total, at least to your
11 satisfaction, that these three elements of 13(3) were met
12 and it was possible to offer a loan to AIG?

13 A. I would say that I reached that judgment --
14 you know, I said -- I think I said earlier sometime late
15 Monday or early Tuesday, but on that piece of it,
16 you know, certainly by the middle of the morning on
17 Tuesday.

18 MR. DINTZER: Shall I go on, Your Honor? I was
19 just about to turn to a different topic.

20 THE COURT: So we divide the afternoon evenly, why
21 don't you go maybe 15 minutes longer and then we'll take
22 a break. Is that okay?

23 MR. DINTZER: Excellent, Your Honor.

24 BY MR. DINTZER:

25 Q. Once you determined it was possible to act -- you

1 said that there was two elements, possible and
2 appropriate -- did that mean that the New York Fed had to
3 act?

4 A. No. Of course not.

5 Q. Why?

6 A. Because, you know, we still had to make a judgment
7 of whether the benefits of our action would be
8 significant relative to the risks we were taking and
9 relative to the moral hazard risk we were creating, and
10 that was a judgment partly on policy and partly on
11 whether we had the ability to design a facility that
12 would work, work in all sense of the word, you know, give
13 us some protection against the risks we were taking,
14 mitigate the moral hazard risk we were creating, and be
15 effective in helping the company avoid collapse.

16 Q. Once the decision to extend assistance to AIG,
17 once you believed that it was possible, did all your Fed
18 colleagues agree with that decision?

19 A. I do not believe so, but let me distinguish the
20 two.

21 You're saying about whether it was appropriate to
22 act?

23 Q. No. Just on the possible side.

24 A. Well, I don't believe that -- I don't believe
25 that I was aware of any of my colleagues having a

1 count- -- a different judgment on the -- whether we
2 had -- on whether we had the legal authority to act at
3 that point. It's possible they did. I just don't know.
4 I'm not aware of that.

5 Q. How about on whether it was appropriate to act?

6 A. I think there were substantial reservations among
7 my colleagues about whether it was appropriate to act.

8 Q. And why?

9 A. I would say, you know, maybe on some mix of
10 whether the risks were worth it, how confident we could
11 be that we would be effective, and of course about the
12 precedent, the moral hazard risk we were creating.

13 Q. Did your views about AIG's remoteness from the
14 banking system ever change?

15 A. In what sense?

16 Q. Did -- did you ever conclude that they were closer
17 to the -- that they were like banks?

18 A. No. I mean, you know, banks are special by
19 design, meaning they have this special mix of privileges
20 in terms of access to the deposit insurance and to the
21 discount window and the constraints they're subjected
22 to.

23 So, as I said before, part of the really
24 exceptional moral hazard created by lending to an
25 institution so remote from that set of constraints, that

1 set of expectations -- you know, I'm just repeating my
2 basic framework, so because they were so remote, because
3 they operated with no standing set of constraints by
4 anybody really but certainly not by the Fed to limit the
5 risks they were taking, and because they were unique in
6 coming to us for assistance and certainly unique in terms
7 of the scale of assistance and the risks we were taking,
8 they created an exceptional set of moral hazard risks and
9 really challenges to our judgment about whether we could
10 be confident this would work.

11 Q. Now, did the Department of Treasury play any role
12 in the decision to lend to AIG?

13 A. They were a part of our discussions, and although
14 it was not their authority, I believed that the
15 implications of what we were considering were so great
16 and the risks were so great and the potential cost to the
17 taxpayer so great that, as you know, I asked the
18 secretary of the Treasury to write me a letter, a public
19 letter, that would explicitly state support for our
20 actions and acknowledge that the government recognized
21 that ultimately any losses we faced would be borne by the
22 taxpayer.

23 Q. Did you talk to Mr. Willumstad on Tuesday,
24 September 16, in the morning?

25 A. I did.

1 Q. And I know you mentioned it with the plaintiffs.
2 What do you recall from that conversation?

3 A. In the morning?

4 Q. Yes, sir.

5 A. In the morning, as I said, I believe that I was
6 told by my colleagues that they had heard that AIG was
7 considering putting in motion steps that -- on the path
8 to filing for bankruptcy that would be hard to reverse.
9 And because of that and because I knew at that point we
10 were considering helping, I called him and said we're
11 considering whether we can help, and I tried to
12 discourage him from putting in motion the actions that
13 would be difficult to reverse.

14 Q. Now, did the New York Fed have the authority to
15 lend at that time?

16 A. No. We had not made that judgment, no.

17 Q. And had the Board of Governors provided
18 authorization at that time?

19 A. No.

20 Q. Did you tell Mr. Willumstad that AIG should not
21 file for bankruptcy or give him a command as to how to
22 act?

23 A. I certainly discouraged him from doing so. Or
24 maybe to put it more fairly, I made it clear to him that
25 we might have an alternative for him that he would be

1 able to consider; and therefore, if he wanted to be able
2 to consider that alternative, he wouldn't want to set in
3 motion things he couldn't reverse.

4 Q. Now, the plaintiffs asked about your conversations
5 with Mr. Dinallo on September 16 regarding the fact that
6 assistance wasn't needed from the New York State
7 Insurance Department. Do you recall that?

8 A. I do, in general, yes.

9 Q. Can you explain why you decided to or what the
10 nature of your decision to call them and talk to them
11 was?

12 A. Well, I don't know if I spoke to them on that
13 weekend.

14 You mean why he was part of the discussions over
15 the preceding days?

16 Q. At some point was it concluded that the Fed would
17 consider making a loan and that the New York State
18 Insurance Department's efforts weren't necessary?

19 A. Yes.

20 Q. Why?

21 A. Well, first of all, the scale of resources they
22 thought they could mobilize from the insurance
23 subsidiaries were not sufficient by a long shot in
24 covering the potential needs that AIG identified, and so
25 it was not an alternative to a loan by the Fed.

1 So the question we faced was would it be something
2 we should do in conjunction with a loan from the Fed.
3 And for a variety of reasons, it didn't seem to make
4 sense because, by definition -- and I think that this was
5 our rationale, but I'm not -- I'm not certain in
6 retrospect -- in that case you were going to take a bunch
7 of liquid securities out of those insurance companies,
8 replace them with illiquid securities that had a lot of
9 risk in them. And even if the insurance commissioners
10 thought that might make some sense, it wasn't clear that
11 would materially add to the objectives we were trying to
12 achieve.

13 So at that point we sort of thought that the only
14 feasible option was for us to act. And I think we had
15 very substantial basis for that judgment. And we didn't
16 think the efficacy of our approach was going to be
17 enhanced by trying to cobble together a set of other
18 complicated set of arrangements.

19 Q. Now, when it came time to consider the possible
20 terms for a loan from the New York Fed, generally, who
21 had responsibility or which organization had
22 responsibility to take a first crack at those?

23 A. Well, fundamentally that responsibility rested
24 with me to both propose and ultimately approve, but I
25 shared that responsibility with the Board of Governors.

1 And in effect because I made it clear to the Treasury
2 that in order to act I would like them to write me a
3 letter, in effect you could say I was asking them for a
4 judgment, too, on the conditions on which it might make
5 sense for us to lend.

6 Q. Can you walk through this -- or actually, who is
7 Dan Jester?

8 A. Dan Jester was one of a group of senior officials
9 that were advising Secretary Paulson at that time.

10 Q. And did he have any role in providing assistance
11 to the New York Fed?

12 A. Oh, he was closely involved in advising me in
13 particular and my colleagues at the Fed about how we
14 should structure our assistance.

15 Q. Do you know if he had any role in designing the
16 term sheet?

17 A. I believe he did.

18 Q. Now, you've described the private term sheet, and
19 earlier with the plaintiffs you described it -- its --
20 its information for you when divining or designing the
21 New York Fed's term sheet.

22 How were the key terms of the proposed loan by the
23 New York Fed put together? How were they ultimately
24 identified?

25 A. When we -- again, we're trying to figure out a way

1 to provide assistance large enough to help avoid -- AIG
2 avoid a failure, on terms long enough that they had some
3 time to work through their problems, on conditions that
4 were set to help protect us against the risks we faced
5 and conditions that were tough enough to try to mitigate
6 some of the exceptional moral hazard that was inherent in
7 this type of action.

8 And in making that judgment, we looked at a --
9 obviously a wide range of potential types of conditions,
10 including, as I said this morning, the types of
11 conditions that the private sector had been considering
12 both over the weekend and in response to my calls on
13 Monday. But we also were able to look at the terms of
14 the conservatorship established by the Treasury for
15 the -- by the FHFA for Fannie and Freddie. And of
16 course, we had a common knowledge of what were typical
17 terms by rescue lenders in a crisis.

18 Q. And what were the goals in designing or
19 identifying these terms?

20 A. The ones I just described. We wanted to make
21 sure that they were set to help mitigate the risk we
22 faced. They were designed to help offset some of the
23 moral hazard creating. And to be honest, they were
24 designed to avoid creating an undue windfall for the
25 existing shareholders. But that was for -- as I said,

1 for moral hazard reasons.

2 Again, those were the principal terms, but,
3 you know, we were going to be a major creditor, and we
4 wanted to have the ability to protect our interests as a
5 major creditor, so I think that reflects the set of
6 considerations that went into the conditions.

7 Q. And who decided ultimately upon the interest rate?

8 A. I did ultimately, but that judgment had to be
9 concurred in by the Board of Governors.

10 Let me just say -- let me clarify that a little
11 bit.

12 As we discussed I think yesterday, they gave me
13 some discretion, some flexibility to set conditions, but
14 I discussed the core conditions extensively with the
15 chairman and the vice chairman and his staff.

16 Q. Why did you allow the private sector term sheet to
17 play a part or to inform your considerations?

18 A. Because in general, you know, because of the moral
19 hazard considerations involved, you wouldn't want us
20 lending on terms more favorable than the private sector
21 was considering, so we would look at those as a
22 reference.

23 Q. Do you know how the interest rate compared to the
24 interest rate suggested by the private deal?

25 A. I believe it was substantially higher.

1 Q. And was that intentional?

2 A. Oh, yes.

3 Q. Why?

4 A. For the reasons I said. I mean, we were facing
5 exceptional risk. That would help compensate us for
6 some of the risk. But also we wanted to make the
7 conditions tough enough that they were not viewed as
8 attractive by firms at the time in a similar
9 circumstance or firms in the future that might face
10 financial difficulties.

11 Q. And if we could go to PTX 318. And that's in the
12 plaintiffs' binder.

13 And plaintiffs' counsel showed you this document.
14 Do you remember that, sir?

15 A. I do.

16 Q. And if you go to the last paragraph -- or the
17 second to last paragraph, and it note -- it has that
18 language "crazily high one that was forced on us (meaning
19 Federal Reserve Bank of New York)."

20 Do you see that?

21 A. Yes.

22 Q. Was a rate forced on you or the Federal Reserve
23 Bank of New York, in your opinion?

24 A. No. I was ultimately responsible for deciding
25 that was the rate we should propose for recommending that

1 to the Board of Governors, but of course in setting that
2 rate I consulted with the people that were going to have
3 to be party to that decision.

4 Q. And who would that be, sir?

5 A. And they had some views.

6 The Board of Governors and their staff and the
7 senior officials at the Treasury.

8 Q. Did you ultimately believe in and agree with the
9 rate that you proposed?

10 A. I did. Although, as this implies, I subsequently
11 decided that we should bring it down.

12 Q. And was it brought down when you decided that?

13 A. Yes.

14 Q. And was that part of the restructuring that
15 occurred in November?

16 A. Yes.

17 THE COURT: Why don't we take that break now, and
18 we'll reconvene at 3:15.

19 (Court in recess.)

20 THE COURT: All right. Let's go ahead,
21 Mr. Dintzer.

22 MR. DINTZER: Thank you, Your Honor.

23 BY MR. DINTZER:

24 Q. Secretary Geithner, you indicated that one of the
25 purposes of the terms was to compensate the taxpayer; is

1 that right?

2 A. Was to offset some of the risks we were taking.

3 Q. And how did the equity term affect this goal?

4 A. Not directly except to the extent that by
5 providing voting rights, a substantial share of voting
6 rights, to the trust on behalf of the Treasury, it
7 provided the government the ability to affect the
8 composition of the board, and in that sense it gave us
9 some additional ability to help protect our economic
10 interest.

11 Q. How so?

12 A. By reducing the risk the board could take action
13 that might be adverse to those interests.

14 Q. And on the flip side, if the value of the equity
15 rose, how would that affect the taxpayers' interests?

16 A. Well, if the value of the equity rose, then we
17 would -- we would --

18 Q. Let me try a better question.

19 A. Yeah.

20 Q. Was the equity element that was part of the loan
21 terms that you've discussed -- did that have any role in
22 compensating the taxpayers for the risk that you
23 described?

24 A. Well, I think only in the event that there was
25 value to the equity.

1 Q. Was there anticipated to be value in the equity at
2 the time that the deal was put together?

3 A. I think its value was highly uncertain.

4 Q. Now, you already discussed moral hazard.

5 How did the terms affect or touch on the moral
6 hazard of the deal? How did they affect the moral hazard
7 of the deal?

8 A. Well, by making the terms very exact and very
9 tough, it helped mitigate the risk that other
10 institutions would find them attractive terms and helped
11 reduce the risk they would make decisions based on the
12 expectations that they would be insulated from the
13 consequences of those decisions. But also by -- by
14 avoiding any windfall to existing shareholders, by
15 reducing the windfall that would come to existing
16 shareholders from success, we also helped mitigate the
17 moral hazard involved in acting.

18 Q. How did the New York Fed set the amount of equity
19 it was seeking?

20 A. In that case, we were trying to balance two
21 considerations. One is, we thought it should be
22 substantial for moral hazard reasons, and in that context
23 we look as reference to what were typical terms by rescue
24 lenders and terms the private sector had been considering
25 over that weekend and on Monday.

1 We also looked, as I said earlier, at the terms
2 that were in the conservatorship of Fannie Mae and
3 Freddie Mac.

4 But we also felt at that point that we could not
5 be above 79.9 percent without creating some risk that
6 the -- that we'd be forced to consolidate AIG's balance
7 sheet with the balance sheet of the federal government.

8 Q. Was the equity stake intended to punish
9 shareholders?

10 A. The equity stake -- I think some would say it that
11 way. In fact, I may have, too. I think a more precise
12 way of saying it, it was designed to avoid giving them an
13 undue windfall.

14 Q. Were moral hazard -- you spoke with the
15 plaintiffs about the request that Mr. Willumstad would
16 step down.

17 Was that tied to moral hazard in any way?

18 A. In some sense, yes. But I would say the
19 principal reason is that we did not -- were not
20 confident that he was fully capable of managing that
21 complicated institution in the midst of a pretty
22 complicated world. And that was important to us of
23 course because we had -- we were contemplating taking
24 substantial exposure to the risk of failure of the
25 institution.

1 Q. Did the market's perception of the competence of
2 AIG's management play any role?

3 A. Yes.

4 Q. How so?

5 A. It helped inform our judgment.

6 Q. If you could explain that.

7 A. Well, only in the sense that it increased our
8 incentive to try to effect a change in the management
9 because we thought if the market was not confident,
10 didn't have that much basis for confidence, that by
11 definition that made us less confident.

12 Q. Now, plaintiffs' counsel asked you at some length
13 if AIG engaged in excessive risk or mismanagement before
14 the loan, and you explained your position. I'm not going
15 to ask you to repeat it.

16 But what I did want to ask is, how did any
17 perception about AIG's prior investments and management
18 affect your determination of the proposed terms?

19 A. It didn't except to the extent to which that the
20 judgments they had made affected the scale of losses they
21 were going to face and the amount of assistance they
22 needed. But in that sense, they affected it because we
23 were being asked to take on a huge amount of risk and to
24 create a huge amount of moral hazard, and we felt that
25 the conditions of the loan should be designed to help

1 mitigate both those risks and the moral hazard concern.

2 Q. And if you could go to PTX 648, which is a
3 document that plaintiffs' counsel provided to you.

4 Now, I understand that you testified that this was
5 a draft. Is that right?

6 A. Yes.

7 Q. Did you ever complete this article?

8 A. No.

9 Q. Okay. And if you could turn to page 8, the one
10 plaintiffs' counsel directed you to, and that bottom
11 paragraph.

12 And the first sentence there: "We set a powerful
13 example for future leaders of financial institutions in
14 America and for future investors in those institutions."

15 What concept are you addressing there?

16 A. Well, this is in reference to moral hazard risk.

17 Q. How so?

18 A. Because if we acted in a way that was perceived as
19 generous about what was available in the private markets
20 or generous or soft or whatever, that might encourage
21 other institutions, other investors to rely on the
22 expectation in the future that the government might step
23 in to insulate them from the losses or risks they faced.

24 Q. And the sentence that plaintiffs' counsel directed
25 you to, "We forced losses on shareholders proportionate

1 to the mistakes of the firm," he didn't ask you what did
2 you mean by that, but what did you mean by that?

3 A. What I meant -- what I used this phrase to do --
4 and remember, I'm -- I mean, I'm not sure this is helpful
5 for the context -- I'm trying to describe in simple terms
6 what went into our strategy against a perception that was
7 very widespread at the time, and I think still is the
8 dominant perception, that we were acting with undeserved
9 and exceptional generosity to the financial system.

10 And that perception was very damaging to political
11 support for the strategy we were undertaking, and it was
12 not consistent with what I thought was a reasonable
13 understanding of what we tried to do, so I was trying to
14 emphasize that we had a general strategy where the
15 assistance was exceptional in magnitude in the risks it
16 presented, in the benefits to shareholders and creditors,
17 and in the moral hazard risk it presented that we were
18 going to impose very tough conditions.

19 And among those conditions were not just a --
20 sometimes a higher interest rate, but sometimes they
21 involved either a condition that as a condition for that
22 loan we'd be provided equity, like in the case of AIG,
23 but in other contexts we forced institutions to go raise
24 private capital as a condition for our assistance. And
25 in that context, too, we left the existing shareholders

1 with a smaller share of the company than they had --
2 after than they had before we forced them to raise
3 equity.

4 And the amount of the capital provided, the
5 assistance provided, the equity we forced them raise, was
6 in general a reflection of the level of losses they had
7 faced or might face in the future and in that sense was
8 proportionate to the, as I wrote here, mistakes of the
9 firm, but you might want to say more charitably the
10 judgments the firm had made.

11 Q. And were these losses that the shareholders had to
12 undertake -- were those losses generated by the
13 New York Fed or generated by the market?

14 A. Well, I'm not sure to state either way. I mean,
15 the -- the -- the -- you have to ask the question losses
16 relative to what. And of course, in most of those
17 circumstances, I think all of those circumstances, absent
18 the interventions of the sort we provided, the
19 shareholders, in the view of the boards of those firms,
20 would have been faced -- would have faced much, much
21 greater losses.

22 Q. And then the next sentence says, "And we made it
23 clear in the GSEs and AIG that they would be
24 dismembered."

25 Do you see that?

1 A. I do.

2 Q. And "not allowed to live as independent entities
3 with the scope and reach they had before the crisis."

4 Now, understanding that the GSEs are a separate
5 situation not really being dealt with here, with respect
6 to AIG, what did you mean by that?

7 A. We meant that we did not want as a consequence of
8 our action to leave them with the same set of risks they
9 presented to the system, and we did not want them to --
10 we were not acting to give them the chance to sustain the
11 level of risk or the size or the scale of operations they
12 had before the crisis, because if we had done that, that,
13 too, would have added to moral hazard apart from the
14 concerns about risk.

15 So we wanted to make it clear as part of our --
16 part of the -- one objective of our action was to reduce
17 the risk those firms might face, might present to the
18 system in the future.

19 Q. As part of the AIG loan, was there an
20 understanding with AIG that the company would sell off
21 assets?

22 A. Yes. That was part of it, so you're reminding me
23 another objective was to make sure that we could maximize
24 the chance that we would recover the proceeds of the loan
25 we provided.

1 Q. And who was it that proposed the idea that assets
2 be sold as part of the paying off of the loan?

3 A. Well, that was central to AIG's strategy from the
4 beginning. That's what they were considering over the
5 weekend on Saturday and Sunday. And I think they
6 believed, quite understandably, that that was going to be
7 a part of any successful strategy to get themselves to a
8 more viable place in the future.

9 Q. Okay. No further questions on that document,
10 sir.

11 Now, Secretary Geithner, did you have an
12 understanding, at the time of the loan, of whether the
13 New York Fed could legally condition lending on AIG's
14 agreement to convey an equity interest?

15 A. I did.

16 Q. And what was the basis of that understanding?

17 A. I would say it came in two stages. I had a
18 variety of conversations and exchanges of memoranda with
19 my lawyers in the New York Fed in the spring and summer
20 about what was our -- the legal scope we had to be given
21 equity as a condition for assistance. But then of
22 course, in the course of our deliberations with the
23 Board of Governors in the days around September 12, I --
24 I found that conclusion that my lawyers said affirmed by
25 those at the Board of Governors.

1 Q. Sir, I'm going to direct your attention to
2 DX 118, which I understand, Your Honor, is already in
3 evidence.

4 A. Is that in the black binder or the white binder?

5 Q. It is in the white binder that was handed up.

6 A. DX?

7 Q. 118, sir.

8 A. Okay.

9 Q. And do you recognize this document?

10 A. Yes, I do.

11 Q. And what's your understanding of what it is?

12 A. This is in response to an e-mail I sent to
13 Tom Baxter and another lawyer at the New York Fed and my
14 chief of staff on a -- about another memo they sent me
15 in March, so they're responding to that, those
16 questions.

17 Q. And the question -- and this is going to the --
18 the bottom part of the e-mail. You wrote, "I thought we
19 couldn't own equities or hold them as collateral. How
20 would this be permissible?" Is that right, sir?

21 A. That's correct.

22 Q. And that was in May 2008?

23 A. That's correct.

24 Q. And did Charles Gray write you back?

25 A. He did.

1 Q. And who is he?

2 A. He was a lawyer at the New York Fed, works for
3 Tom Baxter I believe.

4 Q. And -- and he writes, in part -- and this is in
5 the middle of the first paragraph of his e-mail -- "I
6 concluded that there is no legal impediment to the
7 Federal Reserve Bank of New York requiring that a
8 broker-dealer issue it warrants or other equity interests
9 as an inducement for us to extend discount window
10 credit."

11 Do you see that?

12 A. I do.

13 Q. What was your understanding or your takeaway from
14 that?

15 A. That we had the legal authority to condition a
16 loan on the provision of equity as consideration for that
17 loan.

18 Q. And if you go to the first page of this e-mail --

19 A. Well, I should say that I considered -- I
20 concluded that was his view.

21 Q. And if you could please go to the first page of
22 the e-mail, is this an e-mail from Tom Baxter to you?

23 A. Yes.

24 Q. And he was and still is general counsel?

25 A. Yes, that's right.

1 Q. And I'm not going to read the first two sentences
2 or three sentences of that e-mail. I believe they've
3 already been brought into the record. But if you could
4 just read those three sentences to yourself, sir.

5 A. Yes. You're talking about the last three
6 sentences?

7 Q. The first three. "You said, 'We did not have'" --

8 A. Okay.

9 Q. Do you see that?

10 A. I do.

11 Q. Was it your understanding after reading this
12 e-mail -- or what was your understanding after reading
13 this e-mail regarding Mr. Baxter's position on the
14 ability to seek equity?

15 A. Well, it's consistent with the prior memo I think
16 that Baxter concurs in the judgment that as a condition
17 for the loan or in the context of providing financing
18 under section 13(3) we could be provided equity.

19 Q. Okay. No further questions on that document,
20 sir. And instead, if you could turn to DX 161, please.

21 And there's an e-mail on the front page -- this is
22 also in evidence I understand, Your Honor.

23 Is this an e-mail to you?

24 A. Yes.

25 Q. July 11, 2008?

1 A. Yes.

2 Q. And we could go to the second page of this.

3 What is this? Just generally, what type of
4 document is this?

5 A. It's a memo from Joseph Sommer at the New York Fed
6 to me.

7 Q. And who is Joseph Sommer?

8 A. Joseph Sommer is a lawyer or was then a lawyer at
9 the New York Fed.

10 Q. And if you look at the second paragraph there, he
11 writes, "We believe that there are many different
12 permissible routes to a finding that a Reserve Bank is
13 empowered to take an equity kicker under either
14 Section 10B or Section 13(3) lending authority."

15 Do you see that?

16 A. I do.

17 Q. And then it continues on.

18 Was this -- is this a memo that you would have
19 read when you received it in July --

20 A. Yes.

21 Q. -- 2008?

22 A. Yes.

23 Q. And what was your takeaway from this memo?

24 A. My takeaway was that Mr. Baxter and his
25 colleagues at the New York Fed believed that we had the

1 authority to be provided equity pursuant to and in the
2 context of or condition on a loan we were providing under
3 section 13(3).

4 Q. And did anything that happened in September of
5 2008 alter that, your understanding?

6 A. No. I think as I said a few minutes ago, it
7 confirmed that understanding because of course that
8 judgment was concurred in by the lawyers of the
9 Federal Reserve Board.

10 Q. And plaintiffs' counsel showed you PTX 409. If
11 you could look at that, please. And that's in
12 plaintiffs' binder.

13 And I'm going to just take your -- show your
14 attention -- bring your attention to the first page
15 first.

16 Do you see that this is a -- this was a hearing;
17 is that right?

18 A. Yes.

19 Q. Do you remember this hearing?

20 A. Yes.

21 Q. And this -- it's dated January 21, 2009?

22 A. That's correct.

23 Q. So this was roughly four months after the AIG
24 loan?

25 A. Yes.

1 Q. Did anything happen between the AIG loan and this
2 hearing to make you think that there was any question
3 about the legality of taking equity as part of the
4 compensation for a 13(3) loan?

5 A. No.

6 Q. And if you could turn to the page that
7 plaintiffs's counsel showed you, which is page 177 of
8 PTX 409.

9 And there is a sentence here that says, "Under
10 section 13(3)" -- do you see where I'm reading?

11 A. I do.

12 Q. -- "of the Federal Reserve Act, the Fed is
13 prohibited from taking equity or unsecured debt positions
14 in a firm."

15 Do you see that?

16 A. I do.

17 Q. So what did you mean by that sentence?

18 A. What I meant by that sentence is we didn't have
19 the ability to purchase equity in a firm, even pursuant
20 to section 13(3).

21 Q. So it was your conclusion that --

22 A. Inject capital, meaning to provide funds to
23 purchase equity issued by the firm.

24 Q. Ultimately did TARP -- and I'm kind of jumping
25 ahead just -- for just a moment -- did TARP provide that

1 authority to any institution?

2 A. TARP provided the authority for the Treasury to
3 purchase a range of different types of assets, including
4 equity.

5 Q. So we've moved around to the -- three of the
6 elements that are required for a 13(3) loan, but the
7 fourth one that you identified was that there needed to
8 be a board vote with five members; is that right?

9 A. That's correct.

10 Q. And so I'd like to go ahead and let's walk
11 through -- ultimately that did happen, didn't it?

12 A. Yes, it did.

13 Q. So I'd like to walk through that and I'd like to
14 start by showing you JX 10 and -- and that's your phone
15 log, and it's in the plaintiffs' binder.

16 And if you go to page 18 of JX 10.

17 And you can tell me if -- are you there, sir?

18 A. Yes.

19 Q. And am I reading it right that the way you read
20 this is the first call that you had on September 16 was
21 with Bob Kelly at the BONY and then that goes up?

22 A. Yes. I believe that's what this -- the way this
23 was ordered.

24 Q. And do you see that at 12:33 it shows a call with
25 Chairman Bernanke on September 16?

1 A. Yes.

2 Q. And then there's a series of other calls.

3 Do you recall a series of calls with
4 Chairman Bernanke and Secretary Paulson that day?

5 A. Oh, yes.

6 Q. And the calls before the board meeting -- were
7 there calls before that meeting?

8 A. I suspect so.

9 Q. Do you have -- and just to the best of your
10 memory, sir, do you have any memory of it?

11 A. I don't know when the board meeting was, but we
12 typically talked many, many, many times a day.

13 Q. And -- and we'll come back to that document. You
14 can put that document aside for just a minute.

15 Now, you indicated that you attended the board
16 meeting by telephone; is that right?

17 A. Yes.

18 Q. Was it typical that you attend board meetings?

19 A. No.

20 Q. Why?

21 A. Because they were meetings of the
22 Federal Reserve Board and I was not a member of the
23 Federal Reserve Board.

24 Q. And you testified earlier that you don't have
25 recall of who said what, and I'm not going to ask you

1 that, but generally what was your takeaway from the
2 September 16 board meeting?

3 A. My judgment was that there was broad support among
4 the members of the Board of Governors, I would say not
5 enthusiasm, but there was broad support for going
6 forward.

7 Q. Okay. If you look at JX 10, and it shows the
8 12:33 call, could that have been the board meeting?

9 A. It's possible.

10 Q. Okay. And it shows a call with Mr. Willumstad
11 less than an hour before; is that right?

12 A. Yes.

13 Q. Now, when you were in the board meeting, just
14 generally what do you remember about the discussion of
15 the terms?

16 A. Just that I think a mix of -- a mix of myself and
17 maybe perhaps Scott Alvarez outlined the terms to the
18 Board of Governors, and there was some discussion about
19 those terms and some discussion about the risks we were
20 taking and some discussion about whether this made sense,
21 but that's -- that's basically what I remember.

22 Q. And ultimately after the -- did you come to an
23 understanding that the Board of Governors had approved a
24 13(3) loan to AIG?

25 A. Yes.

1 Q. And what was your understanding about the nature
2 of the terms that they had approved?

3 A. That they had approved those -- well, I mean, as
4 you recall from our discussion yesterday, they had --
5 the resolution that they adopted gave me some flexibility
6 on the setting of those terms, but I believe that they
7 were generally supportive of the mix of interest rate and
8 equity term amount that we were proposing, but they came
9 to that judgment I would say with a huge amount of
10 trepidation and reluctance.

11 Q. Did you have an understanding as to whether the
12 form that the equity would take -- whether that was
13 within your discretion? Was that a takeaway from you?

14 A. Yes.

15 Q. And when the -- to your understanding, when the
16 Board of Governors --

17 A. Can I say -- tell you differently?

18 Q. Sure.

19 A. I didn't feel like I had the -- whatever the
20 language of the resolution was, I felt like I had to keep
21 them -- keep the chairman and the vice chairman informed
22 of our deliberations about the form of the equity, how it
23 was held, and those deliberations were being conducted
24 really jointly among us, with Mr. Baxter and Mr. Alvarez
25 and others considering alternatives.

1 So I don't feel I had discretion, the sole
2 discretion to decide independently of that what form it
3 should take, and I felt I had to keep them informed and
4 consult with them. But the resolution -- and my
5 understanding was that they acknowledged that we hadn't
6 reached a final judgment on that, and so those questions
7 about the form of the equity, how it was going to be
8 held, were in a state of evolution.

9 Q. And did you in fact keep the Board of Governors
10 informed as that evolution took place on the week of
11 September 16?

12 A. I kept the chairman and the vice chairman
13 informed and perhaps others among them, and I know that
14 Mr. Baxter and my colleagues kept their counterparts
15 informed.

16 Q. Now, to your understanding, when the
17 Board of Governors authorized the offering of a loan to
18 AIG, did -- to your understanding, was it the board's
19 intent to save AIG or its shareholders? Was that their
20 goal?

21 A. I don't see what you mean. You mean the ultimate
22 goal of the action?

23 Q. Yes.

24 A. No. Of course, the ultimate goal of the action
25 was to help reduce the risk to the stability of the

1 financial system and to the broader economy.

2 Q. After the Board of Governors' authorization, what
3 discussions did you have with respect to -- about the
4 terms of the offer?

5 A. Well, I had extensive discussions over the course
6 of the next few days with the chairman, the vice chairman
7 and perhaps others on the staff or the board of the
8 Federal Reserve System.

9 Q. As things were on September 16, had a decision
10 been made or a final conclusion been adopted as to the
11 form that the equity might be?

12 A. I don't believe so.

13 Q. How were things left on that day?

14 A. With the Board of Governors?

15 Q. No. After the Board of Governors meeting, before
16 any terms were proposed to AIG.

17 A. Well, I think we had -- I felt we had broad
18 agreement on the basic terms, the amount of the equity,
19 the amount of the loan, the tenor of the loan, the
20 interest rate, and I was given the authority to go ahead
21 and make that proposal to the board of AIG, which I did.

22 Q. And do you have an understanding as to the form of
23 the equity that was proposed to AIG?

24 A. I don't. My recollection is that we made it
25 clear -- made the amount clear but the form to be

1 determined.

2 Q. And when the Board of Governors authorized the
3 New York Fed to propose an offer to AIG, I believe you
4 testified with plaintiffs' counsel that there was a phone
5 call with Mr. Willumstad?

6 A. You mean when he -- when I called him initially or
7 when he called me back?

8 Q. When you called Mr. Willumstad regarding the
9 anticipation of the term sheet.

10 A. Yes. I called him and told him we were going to
11 send him a proposal.

12 Q. And if you look at -- and do you recall if anybody
13 else was on that phone call?

14 A. I believe Secretary Paulson was on that phone
15 call, but I'm not certain. And I am quite confident that
16 Mr. Baxter or one of my colleagues at the New York Fed
17 would also have been on the phone call.

18 Q. And Secretary Paulson's book is in evidence, and
19 if we look at page 239 -- and I'll just for the sake
20 of -- if you can -- can you pull it up?

21 PTX 706 page -- exhibit page 272.

22 Or actually, here, maybe this will be easiest.
23 It's sort of old school.

24 So this would be -- this is from -- this is from
25 Secretary Geithner -- I mean, Secretary Paulson's book.

1 MR. BOIES: This is page 239 in the book?

2 MR. DINTZER: It is book's page 239, exhibit
3 page 272.

4 MR. BOIES: I think we agreed we were going to
5 renumber the books with the exhibit numbers.

6 MR. DINTZER: Okay. Well, just for the sake of
7 this, if you could.

8 BY MR. DINTZER:

9 Q. And Secretary Paulson writes: Ben and I
10 arranged to meet with the congressional leaders that
11 evening, but first Tim and I had to call AIG chief
12 Bill (sic) Willumstad to confirm that the Fed was on
13 track to make the loan.

14 Do you see that?

15 A. Yes.

16 Q. Okay. And I want to take a moment to identify
17 that for you, sir. If you could go back to your call
18 log, this was an issue that came up with the plaintiff
19 and I just want to make sure the record is clear on it.

20 If you look at JX 10, page 18, at 4:20 p.m., do
21 you see that you have a call with Hank Paulson?

22 A. Yes.

23 Q. Could it be that you called him and that he then
24 called in Mr. Willumstad and that that's why it shows up
25 as a call to Paulson?

1 A. Or it could be that I called him and then my
2 office conferenced in Willumstad.

3 Q. So --

4 A. That sounds like the right time frame, but I'm not
5 certain.

6 Q. And that's fine.

7 Would it be consistent with your memory that that
8 call from Willumstad about to expect a term sheet came
9 around 4:00 or 5:00 that evening?

10 A. Yes.

11 Q. Okay. And -- and you indicated, I think when
12 testifying with the plaintiffs, that you told
13 Mr. Willumstad that he would be expecting a term sheet;
14 is that right?

15 A. Yes.

16 Q. And why were you calling him and why were you
17 sending him a term sheet?

18 A. Because we were going to propose to him a -- in
19 response to his request, a substantial package of
20 financial assistance.

21 Q. And the portion -- and I can show it to you --
22 plaintiffs' counsel showed you something that suggested
23 that you told Mr. Willumstad that he wasn't going to like
24 it.

25 Do you have any memory as to that or why you might

1 have said that?

2 A. Well, there are two reasons why he might not like
3 it. One was that the terms were going to be tough, and
4 of course not tough -- not as tough as what they'd face
5 in bankruptcy, but still tough. But also I was going to
6 tell him that he wasn't going to have the privilege of
7 running the firm.

8 So those are two reasons why I might have told him
9 that.

10 Q. And did you give -- did you in fact give
11 Mr. Willumstad and AIG a deadline?

12 A. Yes.

13 Q. And why did you give them a deadline?

14 A. Because AIG needed a substantial amount of money
15 that night to meet its obligations, and to be able to
16 provide that money in time, they needed to decide whether
17 they wanted to accept this proposal and agree to its
18 conditions.

19 And we couldn't keep the Fedwire, which is the
20 mechanism we would make that payment and they would make
21 payments to their counterparties, we couldn't keep that
22 open indefinitely without causing a lot of damage to the
23 rest of the markets.

24 So typically I think we close Fedwire in the
25 6:00 p.m. range, so we could keep it open for a while but

1 not indefinitely, so I wanted to make it clear to him
2 that they had a limited time in which to act.

3 Q. And just briefly, without getting too deep into
4 the weeds, why are people outside the Fed necessary to
5 keep the Fedwire open?

6 A. Well, if we were going to make them a payment and
7 allow them to make payments to their -- on their
8 obligations, you had to keep Fedwire open.

9 Q. So to your understanding, was a term sheet in fact
10 sent to Mr. Willumstad?

11 A. Yes.

12 Q. And did he then contact you about that offer?

13 A. Yes. As I testified earlier, he called me back, I
14 think with outside counsel on the line, and asked if I
15 would be willing to reconsider some of the terms or at
16 least one of the terms.

17 Q. And if you could go back to JX 10 and look at
18 7:54 where it shows, still on September 16, a call with
19 Mr. Willumstad.

20 Do you see that?

21 A. I do.

22 Q. Would that be consistent with your memory
23 regarding the phone call?

24 A. Yes. That sounds about right.

25 Q. And you already covered this with plaintiffs'

1 counsel that there was a request to negotiate and your
2 response.

3 Why did you refuse to negotiate with
4 Mr. Willumstad on the equity term?

5 A. Well, for two reasons. One is, just to be direct
6 about it, you can't let firms negotiate the terms of
7 their rescue without the risk of creating just terrible
8 moral hazard.

9 I mean, can you imagine? If you put them in a
10 position of identifying and accepting that their failure
11 would be systemic and gave them the chance to soften the
12 terms, that would be terrible.

13 But also I had to have the support of five
14 governors of the Federal Reserve Board and the secretary
15 of the Treasury, legally the five governors, but because
16 I felt this was so consequential that I had to get the
17 secretary of the Treasury to write me a letter supporting
18 it, I had to believe -- I had to make sure that these
19 terms were consistent with the conditions they'd set, and
20 I did not believe there was any prospect that they would
21 be open to modifying those terms in any way.

22 Q. If AIG's board had refused the terms that you had
23 provided, what would you have done?

24 A. We would not have provided them assistance.

25 Q. And AIG would have failed?

1 A. And they would have been left to make whatever
2 choices they wanted to make, but presumably they would
3 have filed for bankruptcy.

4 Q. Now, had the Fed, the New York Fed, considered at
5 all -- actually I -- if we could go to DX 416.

6 A. Where is that? In your binder?

7 Q. It's in both actually, so you can't choose wrong,
8 although I think I just did.

9 A. DX 496?

10 Q. 416, sir.

11 A. 416. Okay. I found it.

12 Q. And I think you discussed this with plaintiffs'
13 counsel?

14 A. Yes.

15 Q. And the only thing I wanted to point out because I
16 don't think that this got addressed, was Michelle Smith
17 is sending you this e-mail; is that right?

18 A. Yes.

19 Q. And what she's writing is -- and you indicated
20 that you were saying "good" to the contents of her
21 e-mail, and I just wanted to make sure that the record
22 was clear.

23 What she's writing is, is that "just in case the
24 whole thing falls through," and did you understand --
25 what did you understand she meant that -- in referring to

1 the whole thing?

2 A. In the event that AIG decided to file for
3 bankruptcy, decided that they did not find attractive the
4 conditions we were proposing.

5 Q. She writes "here's a quick rough draft of
6 something we might put out." And then it's sort of set
7 off: The Federal Reserve stands ready to employ the full
8 range of its liquidity tools to support the orderly
9 function of financing -- of financial markets in the wake
10 of the announcement by AI- -- American International
11 Group. Is that right?

12 A. Yes.

13 Q. And is that the thing you were saying "good" to?

14 A. Yes.

15 Q. So it was contemplated within the New York Fed,
16 according to this e-mail, that if AIG said no that that
17 would be the alternative.

18 A. Yes. And that was clearly the view at the
19 Federal Reserve Board, too.

20 Q. No further questions on that document, sir.

21 And plaintiffs showed you PTX 564. If you can go
22 to that, sir.

23 And do you remember when plaintiffs -- and go to
24 page -- exhibit page 139.

25 And all the way at the bottom, plaintiffs'

1 counsel --

2 A. Sorry. This is PTX 139?

3 Q. No. I'm sorry. It's PTX 564 page 139.

4 A. I see.

5 Okay.

6 Q. And plaintiffs' counsel -- I believe he identified
7 the portion "We did not have the option of bankruptcy."

8 Do you remember that?

9 A. Yes.

10 Q. And I just wanted to draw your attention to the
11 sentence -- actually to the beginning of this -- of
12 this -- of your statement, where you say: I think about
13 this a lot, and one of the great strengths of our
14 country, again, people have to look back and come to
15 their own judgment whether we made the best choices. I
16 am very confident that we made the best of a set of
17 terrible choices.

18 Do you see that?

19 A. I do.

20 Q. And what did you mean by "choices"?

21 And it's specifically in relation to the fact that
22 plaintiffs' counsel showed you the no option in the next
23 sentence.

24 A. Well, in this case I'm referring to our choice to
25 propose a financial package to them. I thought that was

1 the best choice of a set of bad alternatives, and I
2 believed it was a better choice than bankruptcy, a better
3 choice than allowing default or inducing default on any
4 of their counterparties, and a better choice than
5 imposing haircuts on their creditors.

6 Q. Thank you, sir. No further questions on that
7 document.

8 Did AIG accept the New York Fed's offer for a
9 loan?

10 A. They did.

11 Q. And how did you learn that AIG chose to accept the
12 Fed's offer?

13 A. I don't recall directly whether Mr. Willumstad
14 called me or whether his -- he -- his counsel or his
15 colleagues called Mr. Baxter.

16 Q. Was it your understanding that there was also a
17 written confirmation?

18 A. Yes.

19 Q. And do you know who asked or requested the written
20 or signed confirmation from Mr. Willumstad?

21 A. I don't. It may have been me. I don't know.

22 Q. What did you understand that AIG's acceptance
23 signified on September 16, 2008?

24 A. That they had agreed to the terms of the -- of the
25 facility or the proposed loan.

1 Q. And I'm not going to ask you about a contract
2 because I -- that's a legal question, but did
3 you yourself understand that AIG had an enforceable
4 commitment?

5 A. That the Federal Reserve Bank of New York had an
6 enforceable commitment?

7 Q. Yes.

8 A. Yes.

9 Q. When did the New York Fed make the first funds
10 available to AIG?

11 A. That evening.

12 Q. And would you have authorized the New York Fed to
13 loan AIG money that evening if you didn't think there was
14 a commitment from AIG?

15 A. No.

16 Q. Plaintiffs' counsel showed you PTX 2736.

17 And all I wanted to do is ask you a question.

18 Well, I guess the first question is, did you see
19 this article back when it was -- when it was put out?

20 A. I don't know if I did.

21 Q. And do you have any personal knowledge as to
22 what -- what was or wasn't said by any of your staff
23 members to this reporter?

24 A. I don't know who these Fed staffers were. I
25 don't -- I couldn't -- can't tell if they were

1 Board of Governors staff or if they were Federal Reserve
2 Bank of New York staff or some mix of the two. And I
3 don't believe I was present at their briefing nor their
4 conversations.

5 Q. Okay. No further questions on that document,
6 sir.

7 If you could go to DX 419.

8 A. I don't seem to have that in the black binder. Is
9 that in the white binder?

10 Q. That's in the white binder.

11 And this was attached to an e-mail that the
12 plaintiffs showed you, but if this is the New York -- the
13 Federal Reserve press release?

14 A. Yes.

15 MR. DINTZER: Your Honor, this is the
16 Federal Reserve press release. We'd move for this to be
17 moved into evidence.

18 MR. BOIES: Your Honor, may I inquire whether this
19 is the same press release that is a part of the
20 Joint Exhibit 63?

21 MR. DINTZER: We'd have to look at that. We can
22 look at that, Your Honor.

23 BY MR. DINTZER:

24 Q. Sir, my only question for you is on the last
25 sentence -- if -- with the Court's permission, while

1 we're checking that, may I go ahead and question the
2 witness?

3 THE COURT: Yes.

4 BY MR. DINTZER:

5 Q. The last sentence that says, "The U.S. government
6 will receive a 79.9 percent equity interest in AIG and
7 has the right to veto the payment of dividends to common
8 and preferred shareholders," do you see that?

9 A. Yes.

10 Q. Was that consistent with your understanding of the
11 deal as of September 16, 2008?

12 A. Yes.

13 Q. No further questions on that document, sir.

14 THE COURT: Well, let's just see if we should
15 admit this document or go with the JX 63.

16 MR. DINTZER: We're going to do a side-by-side
17 comparison. That might take a minute.

18 (Pause in the proceedings.)

19 Yes, Your Honor, it's identical to the attachment
20 of the board minutes.

21 THE COURT: Well, let's just go with JX 63 then.

22 MR. DINTZER: That's fine. We'll withdraw that.

23 THE COURT: Okay.

24 BY MR. DINTZER:

25 Q. Secretary Geithner, plaintiffs' counsel talked to

1 you about Ms. Dahlgren and the monitoring team. Do you
2 recall that?

3 A. I do.

4 Q. What was the purpose of the monitoring team?

5 A. Well, we were the largest, I'll say a very
6 substantial creditor to AIG. We had a lot of risk in
7 our exposure to AIG. And we were integral to
8 constructing the trust which held the shares, the voting
9 rights that were held on behalf of the Treasury, so we
10 had a set of interests and obligations that we had to try
11 to protect.

12 Q. Over the week from September 16 through
13 September 23, who did you understand controlled AIG?

14 A. Sorry. Over what period of time?

15 Q. September 16 to September 23.

16 A. The -- I believe that the board of the -- the
17 board of AIG controlled AIG.

18 Q. And are you aware of or know of any efforts by
19 Ms. Dahlgren or anybody else to scare AIG's board into
20 accepting Fed control?

21 A. No.

22 Q. Now, plaintiffs asked about AIG compensating the
23 Fed for the monitoring expenses. Do you recall that?

24 A. I guess I recall that.

25 Q. Well, I'll withdraw the question then. Let me ask

1 you this.

2 You testified about Ed Liddy and him becoming CEO.

3 Do you recall that?

4 A. Yes.

5 Q. And who proposed him as the candidate for CEO?

6 A. Well, I think -- in effect I think I was the one
7 to propose him, but the suggestion came to me from either
8 Ken Wilson directly or Ken Wilson through
9 Secretary Paulson.

10 Q. Do you remember or do you have an understanding as
11 to why Secretary Paulson suggested Mr. Liddy as a
12 candidate?

13 A. Because he was judged as a person with enough
14 relevant, credible experience because he'd managed a
15 large insurance company, and although I didn't know him
16 directly, they had a lot of confidence in his judgment.

17 Q. Do you recall which insurance company Mr. Liddy
18 ran?

19 A. Allstate? Does that sound familiar? Is that
20 right?

21 Q. I'm not supposed to give him the answer, so --

22 A. Sorry. He was the head of an insurance
23 company.

24 MR. BOIES: We'll stipulate it was Allstate.

25 THE COURT: All right.

1 BY MR. DINTZER:

2 Q. Did AIG ever indicate to you that they did not
3 think Mr. Liddy was qualified to serve as the CEO?

4 A. No.

5 Q. What was the final form that the equity took in
6 the transaction?

7 A. I believe it was in the form of preferred stock.

8 Q. And why did the ultimate form of equity become
9 preferred shares, to your understanding?

10 A. I'm not sure I can speak to the detailed
11 considerations, but it was a complicated mix of
12 considerations, including -- including how to make sure
13 that there were voting rights that came with the equity
14 and probably about our relative seniority to other people
15 in the capital structure.

16 Q. Was the intent for the New York Fed or the
17 government to assume day-to-day control of AIG?

18 A. No.

19 Q. Why -- did you understand that the
20 Board of Governors' original authorization was broad
21 enough to permit the equity form to be preferred stock?

22 A. Absolutely.

23 Q. And did your conversations that you have already
24 described with the Board of Governors members and staff
25 play into that understanding?

1 A. Of course.

2 Q. When -- when the loan was extended to AIG on
3 September 16 -- I think you've already referred to
4 this -- you indicated that there was risk in that loan;
5 is that right?

6 A. Yes.

7 Q. Could you compare that risk in any way to the risk
8 in other 13(3) loans in 2008?

9 A. Well, I considered it, for the reasons I've said,
10 substantially greater. The -- the size of the loan to --
11 was very substantial. The maturity of the loan was much
12 longer.

13 And more importantly, the security for the loan,
14 rather than being marketable securities with a haircut,
15 were principally a set of insurance companies whose
16 ultimate value was very hard to determine and whose fate
17 was completely wrapped up inextricably in the -- in the
18 fate of AIG, the firm, its survival, and of course
19 ultimately in how the world economy -- how far the world
20 economy fell in some sense.

21 So because of those factors, I think the nature
22 of the risk was much greater and much harder to
23 determine.

24 Q. And plaintiffs' counsel showed you PTX 169. If
25 you could take that out, sir.

1 Do you have it, sir?

2 A. No. I mean, it must have been provided to me
3 separately. It's not in this binder. Oh, it's that --
4 that one, yes.

5 I found it.

6 Q. And I understand you testified that you hadn't
7 seen this before. I just have --

8 A. I don't think I did.

9 Q. Okay. And I just have one question. If you could
10 go to page 5 of the document.

11 A. Yes.

12 Q. And -- and on the lower half, in the second column
13 from the left?

14 A. Yes.

15 Q. The heading here is Quality of Collateral Posted.
16 Do you see that?

17 A. Yes.

18 Q. And the second -- the second column from the left
19 says, "The Federal Reserve Bank of New York may not have
20 accurate information to perform an informed assessment of
21 credit exposure. Collateral may be insufficient to
22 mitigate credit risk."

23 Now, I'm not asking you about the document because
24 you indicated you hadn't -- you may not have seen it, but
25 was that something that played into your concerns, that

1 concept that's expressed there?

2 A. Yes. We found it very challenging to try to get a
3 sense of the actual risk in the company, and it was clear
4 from the company's difficulty getting their hands around
5 the risk that that concern was justified, and it -- that
6 was one factor that made us wary and careful and
7 concerned and aware of the fact that there was
8 substantial risk.

9 Q. If you'd go to PTX 672. This is another document
10 plaintiffs' counsel showed you.

11 And we're going to be going to page -- exhibit
12 page 59.

13 A. Yes.

14 Q. And the paragraph that they brought you to was the
15 one that begins "And just to demonstrate."

16 Do you see that?

17 A. Yes.

18 Q. And I'd like to focus on the clause "because they
19 had income-generating insurance businesses around the
20 world that were going to be fine over a five-year time
21 frame."

22 Do you see that?

23 A. Yes.

24 Q. What did you mean by that?

25 A. Well, I didn't know they were going to be fine,

1 although this was -- this document was written I think in
2 or recorded in 2013. What I meant was that over time,
3 again, if the firm survived and the world didn't fall off
4 the cliff, we thought there was a reasonable prospect
5 that those businesses would be valuable enough, would
6 earn enough money, would be expected to earn enough money
7 in the future that they would provide adequate security
8 to cover our exposure.

9 Q. And the next sentence, "So, we could legally lend
10 against that without taking that much risk," do you see
11 that?

12 A. Yes.

13 Q. And what did you mean there, sir?

14 A. I was using that as a phrase to describe that we
15 could meet the legal test under 13(3) that I was -- that
16 I was -- felt we could be secured to our satisfaction.
17 But in making that judgment, we were taking risk. It's
18 not that this was -- there was no risk in this.

19 Q. In the transaction.

20 A. In the transaction.

21 Q. No further questions on that document, sir.

22 At the time you authorized the 13(3) loan to AIG,
23 what was your expected outcome about the Fed's return on
24 the loan?

25 A. At that time?

1 Q. Yes, sir.

2 A. I thought that we were at risk of losing a lot of
3 money. It was inconceivable to me at that point we had
4 any prospect of earning a profit on that loan, earning a
5 positive return on the funds we'd committed or were going
6 to commit.

7 Q. Now, if the New York Fed had lost money on the AIG
8 loan, would that have affected taxpayers?

9 A. Yes. Ultimately any losses incurred by the
10 Federal Reserve go directly to the budget. That would
11 directly affect the taxpayer --

12 Q. And if you could --

13 A. -- ultimately.

14 Q. -- go to JX 129.

15 And go to page 2 of 3.

16 A. Yes.

17 Q. Do you recognize what this page is, sir?

18 A. I'm sorry. I'm on the wrong document. Just give
19 me a minute.

20 Q. No problem, sir. JX 129.

21 A. Sorry. Where is that document?

22 Q. It should be in the government's binder.

23 A. Can I just look on my screen?

24 Q. Of course.

25 A. Yes, I recognize this document.

1 Q. What is it?

2 A. This is the letter that I asked Secretary Paulson
3 to send me.

4 Q. And if I could draw your attention to the second
5 part of the second paragraph, "On behalf of the
6 Department of the Treasury," that sentence there?

7 A. Yes.

8 Q. What did you understand Secretary Paulson was
9 doing there?

10 A. He was acknowledging that if there was any losses
11 from this facility that ultimately those losses would
12 reduce the net earnings transferred by the
13 Federal Reserve Bank of New York to the Treasury general
14 fund and therefore ultimately be borne by the budget and
15 the taxpayer.

16 Q. No further questions on that document, sir.

17 THE COURT: Mr. Geithner and I keep hoping that
18 you might put a period after the word "questions" before
19 getting to "on that document, sir."

20 MR. DINTZER: I'll try, Your Honor.

21 BY MR. DINTZER:

22 Q. Secretary Geithner, do you understand that the
23 terms offered to AIG were different than some of the
24 Fed's other assistance to other firms?

25 A. Yes.

1 Q. As a general matter, can you explain for the Court
2 why the Fed's terms to AIG were different?

3 A. Well, we've discussed those reasons. I'm happy to
4 repeat them.

5 Q. No. Just -- just with respect to -- well, let me
6 try it this way.

7 With respect to the PDCF, could you compare
8 those -- the PDCF versus the AIG loan.

9 A. Well, the interest rate on the PDCF was lower,
10 substantially lower, and the maturity, the length of the
11 commitment, was much, much shorter, and the type of
12 collateral we were lending against had much less risk.

13 Q. Was AIG eligible for the PDCF?

14 A. No.

15 Q. Did you consider making the PDCF available to
16 them?

17 A. I did not believe we had any basis for doing
18 that.

19 Q. Regarding the collateral required, did the Fed
20 expand the PDCF's collateral requirements over time?

21 A. Yes.

22 Q. How?

23 A. We made them broader at several points.

24 Q. Could that have aided AIG's ability to obtain PDCF
25 relief or access?

1 A. Meaning, would that have affected their
2 eligibility for PDCF? No.

3 Q. Do you have any idea as to whether the PDCF would
4 have altered AIG's outcome without further government
5 assistance?

6 A. You want me to engage in hypothetical? You mean
7 if they were -- if they were a primary dealer, if we had
8 made them a primary dealer, and if therefore they had
9 access to the PDCF, you're asking would that have been
10 sufficient for them to avoid failure?

11 Q. Let me ask it so that it's not a hypothetical.

12 Sir, do you have any idea as to whether AIG had
13 enough pledgeable collateral under the PDCF so that it
14 could have obtained the relief that it needed on
15 September 16?

16 A. I don't believe so, no.

17 Q. Do you know if Lehman Brothers had access to the
18 PDCF?

19 A. Yes, they did.

20 Q. And was that enough to save Lehman?

21 A. No. Of course not. They borrowed extensively
22 before they filed for bankruptcy, and that was not
23 sufficient. They borrowed in the week -- in the week
24 after bankruptcy, too, and through the broker-dealer,
25 which helped reduce some of the ultimate losses, but of

1 course not. That access did not -- now, just to be fair,
2 as you said before, the collateral they're eligible to
3 borrow against that week before they failed was somewhat
4 narrower than what was available on September 15 when we
5 broadened the eligible collateral somewhat.

6 Q. In 2008, did the New York Fed ever consider
7 providing guarantees to assist a financial institution?

8 A. Considered in the sense that I -- we discussed
9 internally at the New York Fed whether we had the legal
10 authority to do that.

11 Q. And with respect to what institution?

12 A. Not -- well, we discussed it in general as part of
13 our contingency planning over the course of the summer,
14 and then we -- I revisited that on Sunday, September 14,
15 in the context of Barclays Bank's consideration of
16 acquiring Lehman.

17 Q. And what was your personal understanding based on
18 these conversations as to whether that was within the
19 scope of the New York Fed's authority?

20 A. My understanding was that it was the judgment of
21 my general counsel and the general counsel of the
22 Board of Governors that that was not within the scope of
23 our authority.

24 Q. After the term sheet was signed -- actually, sir,
25 you know, before the AIG crisis, I think you've

1 testified that you were familiar with Mr. Greenberg; is
2 that right?

3 A. Yes. We'd met several times.

4 Q. And you indicated that you did not invite
5 Mr. Greenberg to assist in the New York Fed's efforts to
6 find a resolution for AIG; is that right?

7 A. Not -- not in those days around September 16.

8 Q. Could you explain why not.

9 A. I guess there were a variety of reasons. Without
10 being unfair, he was complicated, wasn't clear that his
11 presence would help, not clear to us that the board of
12 the firm would have welcomed that. We had to be -- try
13 to be evenhanded, and we thought the most efficient way
14 was to deal with the board as the representative of all
15 the shareholders of AIG.

16 Q. Did you ever talk to Mr. Greenberg about AIG after
17 the credit agreement was signed?

18 A. Many times.

19 Q. Did you discuss the equity component of the loan?

20 A. Many times.

21 Q. And what was the nature of those conversations?

22 A. Well, the first time he came to see me, but the
23 conversation was very similar every time we had it in the
24 succeeding years, was that this firm was very valuable.
25 He was very optimistic in the underlying value of the

1 firm. And he believed that AIG had given the government
2 too much of the equity of the firm and thought we should
3 in effect give it back.

4 Q. And what was your response?

5 A. That we would welcome any credible proposal for
6 people to reduce the risk we'd taken because we
7 weren't -- we didn't do this with any expectation we'd
8 make money for the taxpayer. We did it for other
9 reasons.

10 So if he'd be willing to take us out of the risk
11 we'd taken, we'd be happy to consider that.

12 Q. And did he take you up on that offer?

13 A. No.

14 Q. Did Mr. Greenberg or his Starr colleagues ever
15 complain to you, in the days or months after the loan was
16 made, that the loan was illegal in any way?

17 A. Not to my recollection, no.

18 Q. Now, Secretary Geithner, was the \$85 billion line
19 of credit extended to AIG in September 2008 sufficient to
20 stabilize AIG?

21 A. No.

22 Q. What do you recall happening after the loan was
23 made and the credit agreement was signed?

24 A. They were about to conclude the quarter. They
25 were -- they had faced a very substantial increase in

1 losses that quarter. Those losses were building as the
2 world was falling apart. They were facing a risk of
3 downgrade. And it quickly became clear to us that we
4 were both going to have to increase the amount of
5 assistance we provided and restructure the form of that
6 assistance if it was going to be effective. And I think
7 we did that in three separate rounds.

8 Q. And sir, I'm going to direct your attention to
9 DX 594.

10 A. In which binder?

11 Q. In the government's binder.

12 Sir, do you have an -- are you there?

13 A. Yes.

14 Q. Do you have an understanding of what this is,
15 sir?

16 A. Yes.

17 Q. What is it?

18 A. This is a note, an e-mail from a governor of the
19 Federal Reserve Board named Elizabeth Duke in response to
20 a conversation we had.

21 Q. And is this to you?

22 A. Yes.

23 MR. DINTZER: Your Honor, we move into evidence
24 DX 594.

25 MR. BOIES: No objection, Your Honor.

1 THE COURT: Defendant's Exhibit 594 is admitted.
2 (Defendant's Exhibit Number 594 was admitted into
3 evidence.)

4 BY MR. DINTZER:

5 Q. And sir, if you could go to the first sentence:
6 Thanks -- "Tim, Thanks for your call today offering to
7 brief me on the current situation with AIG."

8 Do you see that?

9 A. Yes.

10 Q. This is October 6, 2008.

11 A. Yes.

12 Q. Do you have a general memory as to what that
13 current situation was?

14 A. Things were falling apart. It wasn't looking
15 good. It looks like they might need more assistance.
16 She was deeply uneasy. She probably had the sense that
17 she might have to consider approving additional action
18 and she wanted to have a better feel for what was
19 happening.

20 Q. And farther down, after the word "Betsy," two
21 paragraphs down, she writes, "What do you think are the
22 prospects of keeping AIG out of bankruptcy? If not, how
23 long do we think we can forestall bankruptcy?"

24 Do you see that?

25 A. Yes.

1 Q. In October 2008, was there a real concern of AIG
2 falling into bankruptcy?

3 A. Yes.

4 Q. And what did -- what -- were you -- did you have
5 any concerns about that?

6 A. Yes.

7 Q. Do you recall how you responded to
8 Board Member Duke?

9 A. In the form -- the format -- the form?

10 Q. Just generally.

11 A. The form in which I responded?

12 I can't recall. It probably was a mix or further
13 conversations with me and with board staff and my staff.

14 Q. If you could turn to DX 595.

15 And do you recognize this document?

16 A. Yes.

17 Q. And what is this?

18 A. This is an e-mail from Chairman Bernanke to me and
19 copied to Don Kohn and Kevin Warsh, reporting on the
20 board approval of the additional financing we provided
21 AIG in October.

22 MR. DINTZER: And Your Honor, we'd like to move
23 for the admission of DX 595.

24 MR. BOIES: No objection, Your Honor.

25 THE COURT: Defendant's Exhibit 595 is admitted.

1 (Defendant's Exhibit Number 595 was admitted into
2 evidence.)

3 BY MR. DINTZER:

4 Q. And Chairman Bernanke writes to you -- and this is
5 October 6, 2008 -- "The board approved the extra AIG
6 financing today, but it was a near thing as Governor Duke
7 was very concerned about pouring good money after bad
8 without a clear plan."

9 Do you see that?

10 A. I do.

11 Q. Do you remember that it being a close call with
12 respect to providing that assistance?

13 A. Yeah. I think it was a close call for all of us.

14 Q. Why?

15 A. Because we weren't confident that we had the
16 ability to prevent default at acceptable cost and
17 acceptable risk, so I think it -- we were all concerned
18 about that.

19 Q. Was AIG profitable in the third quarter of 2008?

20 A. I don't believe so. No.

21 Q. And how did the --

22 A. I think they faced -- they were reporting
23 stunningly large losses.

24 Q. And how did these losses affect AIG?

25 A. Well, they made them vulnerable to downgrade and

1 left them at the edge of default.

2 THE COURT: Sir, what is a G10 call referred to in
3 this document?

4 THE WITNESS: G10 a group of the central bank
5 governors of the ten -- how should I describe them --
6 major economies, major I would say industrial western
7 economies, so it's the U.S., Japan, Germany, France,
8 Italy, Canada, Belgium, Netherlands -- I don't think I
9 got to ten yet, but --

10 THE COURT: So that statement is sort of changing
11 the subject I guess.

12 THE WITNESS: Oh, he's just saying -- you mean why
13 did he put this here?

14 THE COURT: Yes.

15 THE WITNESS: I think he's just explaining why he
16 was so brief.

17 BY MR. DINTZER:

18 Q. If you could go to PTX 309, which is in the
19 plaintiffs' binder.

20 A. PTX what?

21 Q. 309. Maybe it's not. Maybe it's loose.

22 It's on the screen. It's one of the loose pieces
23 of paper that plaintiffs' counsel gave you.

24 And it's on the screen as well, sir.

25 And if you go to the very bottom, where it says,

1 "Has Liddy shut down the lobbying stuff?"

2 A. Yes.

3 Q. Do you see that?

4 A. I do.

5 Q. Just generally, sir, why were you asking about the
6 lobbying?

7 A. Well, my recollection is that there were a range
8 of people at the Fed and at the Treasury, the Fed in
9 Washington and New York, that felt it was somewhat
10 awkward, inappropriate, at a time when they had borrowed
11 a huge amount of money from the Fed, to be spending that
12 money on lobbying the U.S. government. That was my
13 sense.

14 Q. Okay. No further questions on that document.

15 Now, you've testified about the end of your tenure
16 at the New York Fed and the beginning as secretary of the
17 Treasury.

18 What was your role regarding AIG while at the
19 Treasury?

20 A. Well, while I was secretary, I had substantial
21 responsibility in that role for our broader efforts with
22 the Fed and within the Fed to try to resolve the
23 financial crisis and get the economy out of the mess it
24 was in. And I was at that point in my new capacity,
25 through the TARP equity injections, I had a major,

1 substantial preferred stock position in AIG.

2 Not me personally but the Treasury Department.

3 Q. And was that equity obtained I think you said
4 through the TARP program?

5 A. Yes.

6 Q. Changing gears, sir, to the concept of bank
7 holding companies, did there come a time when
8 Morgan Stanley and Goldman Sachs became bank holding
9 companies?

10 A. Yes.

11 Q. And what was the nature of why they were converted
12 or why they chose to convert to bank holding company
13 status?

14 A. Well, they were at risk of failure in the week
15 after AIG, as we talked about yesterday I believe, and we
16 were exploring a range of ways to try to avoid that
17 outcome. And we ultimately decided that to suggest a --
18 lay out a three-part strategy for avoiding that.

19 The first part was that they -- we -- they become
20 bank holding companies and in that context, as we
21 discussed yesterday, that we would expand to some extent
22 the scope of authority they had to borrow from the
23 Federal Reserve under the PDCF, both them directly and
24 their foreign affiliate -- their London affiliates I
25 believe, and third and in effect as a condition for those

1 actions that they go raise a substantial amount of
2 external capital.

3 So those three things came together on that Sunday
4 night, Monday morning.

5 Q. Do you know if Goldman Sachs and Morgan Stanley
6 already had PDCF access before they became bank holding
7 companies?

8 A. They were eligible to borrow, and I believe they
9 had -- they both had some outstanding PDCF exposure, one
10 perhaps very substantial. I'm not sure about the other.

11 Q. And do you know, sir, if becoming bank holding
12 companies actually expanded their eligibility?

13 A. Well, that act itself didn't, but in the context
14 of the announcement, as we discovered it, as we discussed
15 yesterday, the -- we also expanded eligible collateral
16 for those two institutions and for Merrill Lynch's
17 broker-dealer and for the London affiliates of those
18 three firms.

19 Q. I see.

20 So that was a separate part of the announcement?

21 A. Yeah, that was a separate part of the
22 announcement.

23 And I don't remember in practical terms how
24 material that was. I think it helped.

25 Q. Regarding the third part, the raising of capital,

1 did Goldman Sachs and Morgan Stanley raise capital as
2 part of the requirement?

3 A. They did.

4 Q. And why did you ask them to raise capital?

5 A. Because we did -- I did not believe that the
6 designation of bank holding company status directly nor
7 that combined with the modest additional expansion of
8 borrowing authority itself was likely to be sufficient to
9 allow them to survive. And therefore, we -- I told them
10 that they needed to go out and raise additional capital,
11 which they were considering doing and willing to do and
12 they were able to do.

13 Q. So both Morgan Stanley and Goldman Sachs were able
14 to raise private capital at that time?

15 A. They were.

16 Q. And if we could go to DX 930.

17 And Your Honor, this is a press release. We offer
18 it not for the truth of the matter asserted but just to
19 show that -- the announcement on this date.

20 MR. BOIES: Your Honor, I don't see what the
21 relevance is of this other than as evidence of the truth
22 of the matter asserted. That is, the fact that they made
23 an announcement is irrelevant unless something in here is
24 true.

25 This is not a situation as we have been dealing

1 with in a couple of other situations where I've not
2 objected to defendant's counsel asking about things
3 related to state of mind and the like, so there's no
4 relevance I think to this document unless it's offered
5 for the truth of the matter asserted, which I think
6 counsel recognizes it cannot be.

7 THE COURT: Mr. Dintzer?

8 MR. DINTZER: Your Honor, the -- I'll withdraw the
9 request to enter it into evidence and instead I'll use it
10 simply to refresh the witness' memory.

11 BY MR. DINTZER:

12 Q. Secretary Geithner, do you remember the terms that
13 Morgan Stanley received in raising capital and the
14 approximate time when they raised the capital?

15 A. My recollection is that they had a commitment from
16 this bank, this Japanese bank, on Sunday night, Monday
17 morning, but I don't remember the precise terms.

18 Q. And when you say "Sunday night, Monday morning,"
19 do you remember which day of the week that is?

20 A. You mean which date of the month?

21 Q. No, I'm not going to put you to that, sir. Let
22 me --

23 THE COURT: I'm going to quote that some day.

24 BY MR. DINTZER:

25 Q. Do you remember if Goldman Sachs also raised

1 capital during that time?

2 A. Yes.

3 Q. And from whom did they raise capital?

4 A. I believe they raised a large chunk of capital
5 from Warren Buffet.

6 Q. And do you recall the terms of that capital
7 raise?

8 A. Not precisely, no.

9 Q. Do you recall if and whether either or both of
10 these capital raises was done on a dilutive basis for the
11 shareholders?

12 A. I don't recall that.

13 Q. If they had not been able to raise capital,
14 Goldman Sachs or Morgan Stanley, would you have allowed
15 them to become bank holding companies?

16 A. I don't know, didn't contemplate that.

17 Q. Did AIG ever ask to become a bank holding company,
18 to your knowledge?

19 A. I don't know.

20 Q. Now, let's discuss Citibank.

21 Did Citibank -- I think you've already testified
22 about the troubles that it ran into.

23 What was the Fed's relationship with Citi when it
24 hit those times?

25 A. The Fed, New York Fed, was the consolidated

1 supervisor of the bank holding company of Citigroup. And
2 in that context, we had responsibility with their bank
3 supervisor, which was the Office of the Comptroller of
4 the Currency, and the SEC, which was the supervisor's
5 broker-dealer, we had a shared responsibility for
6 overseeing the entity.

7 Q. And the assistance that was provided to Citi that
8 has been discussed, do you know how that was related to
9 the availability of TARP, TARP funds?

10 A. Well, when the -- when the Congress passed the
11 authority we call TARP, then the Treasury at that point
12 was able to purchase equity in a -- in financial
13 institutions, and it did. And the FDIC in that same
14 context established a guarantee facility that allowed
15 bank holding companies to issue debt up to a certain
16 amount for a certain period of time at a -- for a
17 specific -- with a guarantee of the FDIC for a specific
18 price.

19 Q. And if you could go to PTX 379 at page 3 of the
20 exhibit.

21 A. Is that in the plaintiffs' binder?

22 Q. It is.

23 And do you remember looking at this page with
24 plaintiffs' counsel?

25 A. Yes, I do.

1 Q. And if I recall your testimony, you were not
2 involved in sort of the final stages of putting the
3 assistance together.

4 A. Yes.

5 Q. And so my only question is, is this page
6 identifies three types of assistance: Treasury, FDIC,
7 and the Federal Reserve's financing.

8 A. That's right.

9 Q. And my only question is, is to the extent that you
10 had any involvement or knowledge, was it your
11 understanding that these were completely separate and
12 that each one would or wouldn't have taken place on its
13 own or that these were meant to be intertwined?

14 A. Well, they had to be considered together.

15 Q. And why is that, sir?

16 A. Because they were only effective together. They
17 wouldn't have been effective, I don't believe, done in
18 isolation any single one of them.

19 Q. No further questions on that document, sir.

20 Sir, Mr. Boies asked you about prior written
21 materials that indicated that you at some point thought
22 that the -- that AIG was effectively nationalized. Do
23 you remember that?

24 A. I do.

25 Q. And could you explain for the Court what you mean

1 by nationalization in that context.

2 A. Well, I think I was using that as a shorthand,
3 informal reference to -- to the circumstance in which we
4 were given a substantial amount of equity as part of the
5 assistance we provided.

6 Q. And when you used the term "effectively" before
7 that, what was that, that word, meant to convey?

8 A. Just what I said.

9 MR. DINTZER: If I could have two minutes,
10 Your Honor.

11 THE COURT: Sure. Or less.

12 (Pause in the proceedings.)

13 BY MR. DINTZER:

14 Q. Sir, I'm going to ask you to go ahead and turn to
15 PTX 667. And that was the very last document plaintiffs'
16 counsel gave you. And go to page 4 of that document.

17 A. I don't -- was that handed to me?

18 Q. It was. It was the very last one, so it might be
19 either on the top or bottom depending on your
20 bookkeeping.

21 A. Yes, I have it.

22 Q. Page 4, sir, at the very top.

23 Now, plaintiffs' counsel didn't actually ask you
24 any questions about it, but this was brought into
25 evidence, so I want to make sure that we have a chance to

1 chat about it for just a minute.

2 That first sentence contains the term "effectively
3 wiping out shareholders."

4 Do you see that?

5 A. Yes.

6 Q. And what was your understanding or intent about
7 that or regarding that statement?

8 A. I was using that phrase simply to describe
9 quickly and informally, in summary terms, the very
10 different provisions of the financial packages that were
11 provided to AIG, Fannie and Freddie, Ally and the other
12 companies, but of course they were all somewhat different
13 in the treatment of shareholders.

14 Q. And the next sentence down, you write, "Even for
15 the relatively strong, we forced dilution of shareholders
16 in proportion to the level of risk the firm took, as
17 measured by the stress test results. The levels of
18 dilution for Citi and B of A were appropriately brutal";
19 is that right?

20 A. Yes.

21 Q. And what did you mean by that?

22 A. What I meant is by forcing them to raise
23 capital -- or let me step back for a second. By
24 purchasing equity in the context of and as a condition
25 for the guarantees the FDIC provided on Columbus Day

1 weekend and by forcing them providing -- by providing
2 additional capital, by purchasing additional capital in
3 the context of the subsequent packages that were
4 provided -- that were designed for Citi in November and
5 for B of A in January, and then pursuant to the stress
6 test, by forcing them to raise additional common equity,
7 we were in effect reducing the level of ownership of the
8 prior shareholders in the entity and therefore limiting
9 the extent to which they could benefit from the --
10 financially from the effect of our rescue.

11 Q. And just to go back to this chart here, that would
12 be the assistance that was provided to Citigroup and
13 Bank of America on the plaintiffs' chart.

14 A. Right. But I'm also referring to not just the
15 capital that was purchased by the Treasury under TARP in
16 two successive waves and the additional loss-sharing
17 protections that we discussed with the plaintiffs'
18 counsel earlier today but also to the requirements we put
19 on them in the spring of '09 under the stress test, which
20 forced them to go raise additional common equity.

21 MR. DINTZER: Thank you, Secretary Geithner.

22 No further questions, and we pass the witness.

23 THE COURT: All right. Mr. Boies, do you have
24 redirect?

25 MR. BOIES: I do, Your Honor.

1 THE COURT: Can you give me an estimate of how
2 much time you will need?

3 MR. BOIES: I would estimate about 60 to
4 75 minutes.

5 THE COURT: I'm wondering if it's better to do it
6 all at one time or do you want to start it now and see
7 how far we get?

8 MR. BOIES: We could do it either way, Your Honor.
9 It's almost 4:45 now.

10 THE COURT: Right.

11 MR. BOIES: We could commence this in the morning.

12 THE COURT: How does this factor into the plan for
13 tomorrow?

14 MR. BOIES: I haven't talked with defendant's
15 counsel about that, but I will be guided by their desires
16 in terms of what order we take things in.

17 I might just -- if the Court would indulge me, I
18 might just spend maybe just two minutes on just this last
19 document while it's fresh in everybody's mind and then
20 pick up with the rest of it tomorrow.

21 THE COURT: I think that's fine.

22 MR. DINTZER: That's fine with us, Your Honor. I
23 mean, we -- if counsel is willing, we're happy to go to
24 5:00, but whatever the Court would prefer.

25 THE COURT: Well, to me it seems to be a little

1 cleaner to do -- to say okay, we're at the point of
2 redirect now and we have that yet to accomplish, do it
3 all at one time, but you can go ahead with this one
4 document.

5 MR. BOIES: It's just this one document because
6 it's right before the Court right now.

7 - - - - -

8 REDIRECT EXAMINATION

9 BY MR. BOIES:

10 Q. And you still have Plaintiffs' Trial Exhibit 667?

11 A. Yes.

12 Q. And counsel quoted to you the portion at the top
13 where it's referring to AIG, as we talked about,
14 effectively wiping out shareholders.

15 Do you see that?

16 A. I do.

17 Q. And it also says they are losing discretion over
18 compensation and a restructuring of the business; is that
19 correct?

20 A. Yes.

21 Q. And then he talked about the dilution for Citi
22 and Bank of America? And that was where Citi and
23 Bank of America went out and did capital raises;
24 correct?

25 A. Yes. And we're referring to the cumulative impact

1 of the capital that the Treasury purchased and the
2 capital that we compelled them to raise.

3 Q. But in each case, when Citi and Bank of America
4 sold or transferred equity either to the Treasury under
5 TARP or to private individuals, they were paid for that
6 equity; correct, sir?

7 A. That's correct.

8 MR. BOIES: I have no more questions today.

9 THE COURT: Okay. Mr. Dintzer, are we going to
10 start with Chairman Bernanke tomorrow morning?

11 MR. DINTZER: It would be our hope that we would
12 finish Secretary Geithner in the morning and then have
13 Chairman Bernanke after that. If plaintiffs' counsel's
14 estimate of 60 minutes holds true -- and I don't mean to
15 misquote him. Is that what I heard?

16 MR. BOIES: 60 to 75.

17 MR. DINTZER: 60 to 75.

18 MR. BOIES: Sometimes my estimates depend on the
19 directness of the answers.

20 MR. DINTZER: Given that, the high quality of
21 Secretary Geithner's answers, I would assume it would be
22 looking closer to 60.

23 The goal would be to complete Secretary Geithner's
24 testimony so that he could be free and allowed to return
25 to New York, and then we would proceed to

1 Chairman Bernanke.

2 I mean, we do know that Chairman Bernanke is on a
3 short day tomorrow because of other commitments and --

4 THE COURT: That's what I'm wondering. I'm
5 wondering if we're leaving enough time for that. I'll
6 leave it up to you gentlemen.

7 MR. DINTZER: We'll talk to plaintiffs' counsel.

8 I mean, our strong preference has always been to
9 push Chairman Bernanke off to next week so that he could
10 do it in one sitting and one day, but -- but we'll work
11 with the plaintiffs to see if we can come up with an
12 accommodating schedule.

13 THE COURT: Well, if we're going to go straight
14 through with Mr. Geithner here, maybe you want to start
15 your redirect then. I was thinking in terms of
16 interrupting it when I said it would be better to leave
17 it for later, but maybe you want to go ahead and do
18 that.

19 MR. BOIES: I could use the time between now and
20 5:00.

21 THE COURT: All right. Let's do that.

22 MR. DINTZER: Thank you, Your Honor.

23 BY MR. BOIES:

24 Q. Good afternoon, Mr. Geithner.

25 You told counsel for the defendant that you

1 believed in September of 2008 that the Federal Reserve
2 was taking enormous, unprecedented risks in making the
3 credit facility available to AIG; correct?

4 A. Yes.

5 Q. And you told defendant's counsel that you believed
6 that there was a substantial risk that the
7 Federal Reserve would lose billions, if not tens of
8 billions of dollars; correct, sir?

9 A. That's right.

10 Q. Did you ever tell that to Congress?

11 A. I don't know -- I don't remember precisely what
12 terms I used with Congress, but I believe --

13 Q. Well, let me ask you whether you used these
14 terms.

15 Did you ever tell Congress that you believed that
16 the Federal Reserve was taking an enormous, unprecedented
17 risk?

18 A. I don't know if I used those precise terms, but I
19 believe I made it clear that we were taking a substantial
20 amount of risk.

21 Q. And when did you do that, sir? When did you make
22 clear to Congress that you were taking a substantial
23 amount of risk?

24 A. I don't know. I'd have to go back and look at my
25 testimony.

1 Q. Can you give me any hint at all as to when you did
2 that?

3 A. Well, I testified many times before Congress, so
4 I'd have to go back and look at the record.

5 Q. Can you tell me what committee you testified this
6 to?

7 A. Well, I testified on AIG before several
8 committees.

9 Q. No. I'm asking, what committee did you tell that
10 you thought that there was a substantial risk in terms of
11 the AIG credit facility?

12 A. I testified before so many committees on AIG,
13 Counselor, that I'm not sure I could -- that I could -- I
14 could not -- I'm not sure I could say to which committee,
15 when, how many times I would have used -- I would have
16 made it clear that we took a lot of risk.

17 Q. Now, you told me a moment ago that you thought
18 you'd told somebody in Congress that there was a
19 substantial risk.

20 Did you ever tell anybody in Congress that you
21 thought there was a substantial risk that the
22 Federal Reserve would lose billions, if not tens of
23 billions of dollars?

24 A. I don't know if I put a number on it.

25 Q. Did you ever tell that to the GAO? Did you ever

1 tell the GAO that you thought there was a substantial
2 risk that there would be a loss of billions, if not tens
3 of billions of dollars on the AIG credit facility?

4 A. I don't recall any of my conversations with GAO,
5 so I don't recall if I would have put a magnitude on the
6 range of potential losses we might face.

7 Q. What about the Congressional Oversight Panel? Did
8 you talk to the Congressional Oversight Panel?

9 A. Yes.

10 Q. Did you ever tell the Congressional Oversight
11 Panel that you thought that the Federal Reserve was
12 taking an enormous, unprecedented risk and a substantial
13 risk that the Federal Reserve would lose billions, if not
14 tens of billions of dollars?

15 A. I don't know if I used that phrase, but if I was
16 asked about the risk, I believe I would have said that we
17 were at risk of substantial losses.

18 Q. I'm not asking you a hypothetical about what you
19 might have said if you had been asked a question that you
20 weren't asked.

21 What I'm asking you is whether at any time you
22 told the Congressional Oversight Panel that you thought
23 that the Federal Reserve was taking an enormous,
24 unprecedented risk.

25 A. I don't know if I used those phrase -- that

1 phrase, those words.

2 Q. Did you tell them that in substance, sir,
3 enormous, unprecedented risk in substance?

4 A. I just can't recall the -- I -- you know,
5 Counselor, I had -- I testified so many times, I just
6 can't -- couldn't tell you about what questions I was
7 asked in what testimony, so I couldn't say with
8 confidence.

9 Q. You also spoke with the Financial Crisis Inquiry
10 Commission; correct?

11 A. I did.

12 Q. And did you ever tell the Financial Crisis Inquiry
13 Commission in words or in substance that you thought that
14 the Federal Reserve was taking an enormous, unprecedented
15 risk?

16 A. I don't know if they'd asked -- would have asked
17 me a question that would have elicited that response.

18 Q. Is the answer to my question that you did not tell
19 them that or that you don't recall whether or not you
20 told them that?

21 A. I don't recall whether I told them that.

22 Q. Now, you have Plaintiffs' Trial Exhibit 672 up
23 there because that's one of the ones that counsel just
24 asked you to look at. Do you recall that?

25 A. I have it.

1 Q. And this is -- turning to page 59, which is the
2 page that defense counsel asked you to look at, this is
3 where you said that you lent AIG \$185 billion and earned
4 \$25 billion for the taxpayer "because they had
5 income-generating insurance businesses around the world
6 that were going to be fine over a five-year time frame.
7 So, we could legally lend against that without taking
8 that much risk."

9 Do you see that?

10 A. I do.

11 Q. Now, would you agree with me, sir, that that is
12 materially different from saying that you were taking an
13 enormous, unprecedented risk with a substantial risk that
14 the Federal Reserve would lose billions, if not tens of
15 billions of dollars?

16 A. I do not.

17 Q. You do not think that those are materially
18 different.

19 A. I don't.

20 Q. All right, sir. Let me ask you to --

21 A. Would you like me to explain that?

22 Q. I'm comfortable with the question and answer
23 that's before the Court.

24 Let me ask you to look at Plaintiffs' Trial
25 Exhibit 598, which is in evidence.

1 And this is a statement that Mr. Baxter made
2 before the Financial Crisis Inquiry Commission on
3 September 1, 2010.

4 Were you aware of this statement?

5 A. I don't -- I don't believe I was, certainly not of
6 the content of it.

7 Q. Let me ask you to look at page 11 and the second
8 full paragraph, the third sentence, where Mr. Baxter
9 says, "Unlike the naked guarantee needed to facilitate
10 the merger of Barclays and Lehman, our committed credit
11 to AIG on September 16, 2008 was fully secured by good
12 collateral, namely, AIG's sound retail insurance
13 businesses. In fact, before any money was disbursed to
14 AIG on September 16, AIG delivered share certificates to
15 the New York Fed that we continue to hold as collateral
16 in our vaults. These shares fully secured every penny we
17 lent to AIG on September 16, 2008. And today, the credit
18 extended to AIG by the New York Fed remains fully
19 secured."

20 Let me ask you the same question that I asked you
21 before.

22 Would you agree with me, sir, that that statement
23 concerning the risk that was undertaken is materially
24 different than saying the Federal Reserve was taking
25 enormous, unprecedented risk, a substantial risk that the

1 Federal Reserve would lose billions, if not tens of
2 billions of dollars?

3 A. Yes, I agree this -- the implication of this
4 statement is different than the one you quoted me
5 saying.

6 Q. Okay. Now, the Federal Reserve had both
7 Morgan Stanley and Ernst & Young undertake separate
8 valuations of the AIG insurance subsidiaries; correct?

9 A. Well, I -- I --

10 Q. If you know.

11 A. I'm not -- I'm not sure I could -- I could -- I
12 know that independently of what you told me or what you
13 showed me earlier today.

14 Q. Let me ask the question this way.

15 Except for what I showed you today, do you have
16 any information as to whether or not the Federal Reserve
17 employed Morgan Stanley to do an independent valuation of
18 the AIG insurance subsidiaries?

19 A. I don't know. I don't recall having that --
20 knowing that, but that's perfectly possible.

21 Q. Let me ask the same question about Ernst & Young.

22 Other than what I've shown you today, do you have
23 any information as to whether or not the Federal Reserve
24 had Ernst & Young do an independent evaluation of the AIG
25 insurance subsidiaries?

1 A. Well, as I testified earlier today, I had not
2 remembered being aware of the fact that we had retained
3 Ernst & Young, so I guess the answer is no.

4 Q. Are you aware whether or not the Federal Reserve
5 had some independent, authoritative firm retained to do
6 an independent evaluation of the value of the AIG
7 insurance subsidiaries?

8 A. I don't remember being aware at the time that we
9 had commissioned them to conduct that. But, of course,
10 you've shown me stuff to half of that effect today.

11 Q. Do you recall that before the credit facility was
12 made available to AIG, an estimate was made as to what
13 the lendable value was of the assets that was going to
14 secure the Federal Reserve credit?

15 A. I have a general recognition of that, but not of
16 the specifics, who provided it, on what basis.

17 Q. Do you recall that after that lendable value was
18 estimated that then there was a haircut applied to the
19 collateral and that collateral after the haircut was
20 enough to fully secure the \$85 billion credit facility?

21 A. I have a general recollection of that, but not of
22 the precise magnitude of the haircut or the source of the
23 estimates.

24 Q. Do you have a recollection that the haircut that
25 was applied to the AIG collateral was significantly

1 greater than the haircut that was applied to collateral
2 being furnished pursuant to the Primary Dealer Credit
3 Facility?

4 A. On the same type of collateral? Just as a
5 clarifying question. Sorry.

6 Q. Well, you've testified that in your view, the
7 collateral was different in type between the PDCF and the
8 AIG credit facility; correct?

9 A. Some of it was.

10 Q. Some of it was.

11 A. Yeah.

12 Q. And with respect to the AIG collateral, as you
13 understand it, was the same haircut applied to all the
14 collateral?

15 A. I don't recall.

16 Q. Do you recall that the haircut that was applied to
17 the AIG collateral, whatever it was, was substantially
18 greater than the haircut that was applied to the PDCF
19 collateral?

20 A. I -- I just want to make sure I -- AIG had
21 collateral that I suspect was similar to what we would
22 finance under the PDCF. AIG had other collateral that I
23 don't believe was eligible for the PDCF.

24 So is your question about the former or the latter?

25 Q. Both.

1 A. Don't know. I assume for the latter it was a very
2 different haircut. I don't know about the former.

3 Q. And the kind of collateral that was set for the
4 PDCF was the collateral that the Federal Reserve in its
5 discretion decided to set; correct?

6 A. That's correct.

7 Q. Because under 13(3) you can take any collateral
8 that you decide is appropriate; correct?

9 A. That's correct.

10 Q. And with respect to the PDCF, the week of
11 September 16, did you -- in addition to expanding the
12 type of collateral on September 14, did you the week of
13 September 16 further expand it to permit Lehman Brothers'
14 broker-dealer to put up collateral that would not have
15 qualified even under the new criteria of September 14?

16 A. I don't recall that with any certainty. But we
17 discussed that yesterday, and it sounds -- it sounds
18 likely we did that, but I -- I didn't recall it
19 independently of our conversation.

20 THE COURT: Shall we break here for today?

21 MR. BOIES: Yes, Your Honor.

22 THE COURT: We'll reconvene at 9:30 tomorrow
23 morning.

24 (Whereupon, at 5:03 p.m., the proceedings were
25 adjourned.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF TRANSCRIBER

I, Josett F. Whalen, court-approved transcriber,
certify that the foregoing is a correct transcription
from the official digital sound recording of the
proceedings in the above-titled matter.

DATED: OCTOBER 9, 2014

s/Josett F. Whalen

JOSETT F. WHALEN, COURT REPORTER

1	ADMITTED EXHIBITS		
2	PX	PAGE	DESCRIPTION
3	7	1610	Doomsday Book v. 4.1
4	109	1640	Email (9/17/2008 4:52 pm) From: Michael Silva
5			To: Charles Duffy re: Re: Hank Greenberg
6	169	1636	E&Y Engagement letter and amendment
7			(9/19/2008)
8	233	1638	Email (9/23/2008 6:57 pm) From: Donald Kohn
9			To: Kevin Warsh re: Re: AIG
10	270	1637	Email (10/1/2008 12:48 pm) From: Sarah
11			Dahlgren To: Chris McShea re: Re: Rating
12			Agency Update
13	309	1623	Email (10/19/2008 7:39 pm) From: Michelle
14			Smith To: Timothy Geithner re: Re: Among other
15			things for Monday
16	310	1625	Email (10/19/2008) From: Sarah Dahlgren
17			To: Timothy Geithner, Thomas Baxter, Terrence
18			Checki re: Updates from Liddy and Huebner
19	318	1690	Email (10/22/2008 11:05 pm) From: Meg
20			McConnell To: Timothy Geithner, cc: Michael
21			Silva re: Call tonight with Board staff
22	545	1620	Transcript of 30(b)(6) Deposition of FRBOG
23			(Jon Greenlee) from Murray v. Geithner, et al
24			Deposition (11/3/2009)
25			

Starr International Company, Inc. v. USA

1 549 1693 2009.11.17 SIGTARP Report: Factors Affecting
2 Efforts to Limit Payments to AIG
3 Counterparties
4 648 1668 Email (3/7/2012) From: Timothy Geithner
5 To: Jenni LeCompte re: Atlantic Attaching TFG
6 Atlantic Essay 3/7/12 Draft
7 651 1610 Doomsday Book v. 5.0
8 667 1695 TFG Draft 5/11/13 On the Politics of the
9 Crisis Response
10 671 1694 Speaking event at Sterling Partners with
11 Timothy Geithner and various audience members
12 672 1684 Transcript of Interview of Timothy Geithner
13 742 1618 Hackley, Board of Governors of the Federal
14 Reserve System, "Lending Functions of the
15 Federal Reserve Banks: A History" (May 1973)
16
17
18
19
20
21
22
23
24
25

1	1564	1644	Cover Email (9/16/08 3:16 am) From: Alejandro
2			LaTorre To: Timothy Geithner, William
3			Rutledge, Patricia Mosser, cc: Richard
4			Charlton, Azish Filabi, James Hennessy, Adam
5			Ashcraft, Alejandro LaTorre, Alexander Psomas,
6			Bard Stermasi, Christopher Calabria, Denise
7			Goodstein, Dianne Dobbeck, Elise Liebers,
8			Erika Gottfried, Jim Mahoney, Kevin Coffey,
9			Mark Scapp, Min Kim, Paul Whynott, Tobias
10			Adrian re: Summary of AIG Bankruptcy Impact
11			Attachment: Systemic Impact of AIG
12			Bankruptcy.DOC
13	2762	1678	News Release by the National Association of
14			Insurance Commissioners, dated September 16,
15			2008
16			
17	DX	PAGE	DESCRIPTION
18	273	1737	EMAIL FROM BOG CHAIRMAN TO DONALD KOHN RE: AIG
19	401	1742	EMAIL FROM BRIAN PETERS TO TIMOTHY GEITHNER,
20			MICHAEL SILVA RE: GS/AIG
21	594	1824	EMAIL FROM ELIZABETH A. DUKE TO TIMOTHY
22			GEITHNER RE: AIG
23	595	1826	EMAIL FROM BOG CHAIRMAN TO TIMOTHY GEITHNER,
24			DONALD L KOHN RE: AIG FINANCING
25			