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.
Thursday, October 9, 2014
9:30 a.m.
Trial Volume 9

BEFORE: THE HONORABLE THOMAS C. WHEELER

Susanne Bergling, RMR-CRR-CLR, Reporter

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EXHIBITS	FOR ID	IN EVID
Plaintiffs'		
Number2751		1901
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None		

*All exhibits premarked for identification prior to trial.

*See full attached list of admitted exhibits following transcript.

P R O C E E D I N G S

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

THE COURT: Good morning.

ALL COUNSEL: Good morning, Your Honor.

THE COURT: We are on the record for day nine of the trial of Starr International Company vs. the United States.

Good morning, Mr. Geithner.

THE WITNESS: Good morning.

THE COURT: Do you understand you are still under oath in this proceeding?

THE WITNESS: Yes.

THE COURT: All right. Very well.

Whereupon --

TIMOTHY GEITHNER

a witness, called for examination, having previously been duly sworn, was examined and testified further as follows:

THE COURT: Mr. Boies, go ahead.

REDIRECT EXAMINATION (cont.)

BY MR. BOIES:

Q. Mr. Geithner, yesterday I showed you a statement which you had made earlier and I compared it to some testimony that you had given about the extent of the risk that you believed that you were taking with respect to the AIG credit facility. Do you recall that?

A. I do.

Q. And you said would I like you to give an explanation for how you reconciled those two. Do you recall that?

A. I do.

Q. And I didn't take you up on that, but it occurred to me over the evening recess that, in fairness to you, I should let you do that. So, if you have an explanation, you can give it.

MR. DINTZER: Your Honor, if the witness needs it, if counsel could point him to -- and he may not, but I just want to make sure the witness knows he has the option of seeing the document again before answering counsel's question.

THE COURT: Sure.

BY MR. BOIES:

Q. Sure.

The document was 672, which you have up there, at page 59, and there was a statement there that you had made about because of the collateral that you had, you were not taking that much of a risk with AIG, and I was comparing that with your testimony where you said to counsel for the Defendant that you thought it was an

enormous, unprecedented risk of billions, perhaps tens of billions of dollars. Do you recall that generally?
A. I do.
Q. And then I said, "Do you think those are materially different?" And you said no and then you said you had an explanation for why you thought that. I'm now giving you an opportunity to give that explanation.
A. Thank you.
At that time, when we first considered providing that credit facility, we thought there was substantial risk in -- for us in that, and that risk came from the fact that the value of the assets of the firm, including those underlying insurance companies, although potentially valuable if the firm survived and if the world economy didn't fall into a great depression, were of uncertain value.
And our judgment was that they were valuable enough that, over time, if the company did not collapse and the world economy did not collapse, that we had a reasonable prospect of recovering the proceeds of that loan. But it was my judgment at the time that there was enormous risk still in that context, and I believe that judgment was supported not just by what we knew at the time but by the events that unfolded.

So, for example, just as one measure of that, the value of those underlying insurance companies eroded substantially in the eyes of the market in the months after the initial transaction. Many of those insurance companies lost market share to their competitors during that time frame. As the world economy deteriorated dramatically, the losses AIG was facing went up very substantially.

One measure of that was the fact that ultimately, they requested and required another $100 billion in assistance in order to avoid downgrade and default. So, I guess, Counsel, that's what I would say in response to your offer to allow me to explain.

Q. Let me just follow up on that. Do you have 672 in front of you? I think that is in your book.

A. Thank you.

Q. And the portion that I had directed your attention to was on page 59, and I understand the explanation that you have just given me, but my question is, when you made the statement on page 59 that you could legally lend against the AIG collateral "without taking that much risk," do you accept that the conclusion that you were not taking that much risk is at odds with your testimony that there was an enormous, unprecedented risk, billions or tens of billions of

dollars?
A. I do not believe so, no.
Q. Now, you say that the value of the insurance companies eroded in the months after the credit agreement was executed. Is that correct?
A. Yes.
Q. Did you ever see anything in writing that indicated that there had been that erosion?
A. I don't -- I do not recall if I saw or what I may have seen in writing that led me to that judgment.
Could I just say one thing in clarification? That, you know, in the financial markets every day, you could see a measure of people's perception about value. That was in writing to the extent it was on a screen. So, I could see those things. Beyond that, I'm not sure I recall what else I might have seen that supported that judgment.
Q. The things that you saw on your screen every day, those were not valuations of the AIG insurance subsidiaries, correct?
A. Well --
Q. Could we start with a yes or no and then -- I am going to get you -- give you a chance to explain, Mr. Geithner, but I would like you to focus on the question.

A. They incorporated a judgment -- yes, they incorporated, in part, a judgment about perceptions about the underlying companies of the consolidated entity.

Q. Did you see on your screen anything that estimated the value of the AIG insurance subsidiaries?

A. Of the individual subsidiaries?

Q. Let's take the individual subsidiaries first.

A. Not of individual subsidiaries.

Q. Did you see anything on your screen that valued the AIG insurance subsidiaries together, in the aggregate; that is, a valuation for the AIG insurance subsidiaries?

A. Separate and apart from the rest of the firm?

Q. Yes.

A. No.

Q. Did you ever see anything in writing that said that the value of the AIG insurance subsidiaries that were the collateral for your loan was less than the outstanding balance of the credit facility?

A. Now, by "in writing," do you mean including market perceptions or market estimates of the value of the consolidated entity?

Q. You keep talking about the consolidated entity, and that's the AIG parent. Is that right?

A. I would say the AIG as a -- as a whole, the parent as well as the subsidiaries. That's what I mean.

Q. Well, the only valuation that you ever saw on the screen was a valuation of the A -- of AIG, the parent company, correct, because that's the only thing that was displayed on the screen?

A. True, but which owned -- if I'm not mistaken, which owned -- which held shares in a mix of insurance subsidiaries.

Q. Sure. It had a bunch of insurance subsidiaries, it had some other assets, it had a bunch of liabilities, and you saw a valuation of the parent that included all of those assets and liabilities, correct?

A. That's correct.

Q. And that's all you saw on your screen about AIG, correct?

A. Probably that's true, yes.

Q. Now, what you had done is you had taken a security interest in the AIG insurance subsidiaries, correct?

A. Among other things, yes.

Q. Among other things.

A. Yes.

Q. And the AIG insurance subsidiaries had a value and the Federal Reserve Bank of New York estimated that

value, correct?
A. That's correct.
Q. And the Federal Reserve Bank of New York would update the estimates of the value of those insurance subsidiaries over time as things changed, correct?
A. I suspect that's the case, yes.
Q. Well, more than suspecting that's the case, you know that's the case, correct, sir?
A. I believe that to be the case, although I'm not -- yes, I believe that to be the case.
Q. And, again, more than just believing it to be the case, you know it is the case, correct, sir?
A. I guess it just depends on your -- what you meant by the words "valuation" and "analysis," but it -- but I guess I'm happy to say yes to your question.
Q. Okay. Now, at any time did the estimated value of the AIG insurance subsidiaries ever fall below the outstanding balance of the September 22nd credit facility?
A. Counselor, would this be a moment where I could provide explanation in response to your question or do you want me to wait for that?
Q. If you could begin with a yes or no, I will then allow you to do any explanation you want.
A. Well, then, I will say no, but I'd like to

follow that up with an explanation.

Q. All right, sir.

A. At each point we were faced with a substantial additional request for billions or tens of billions of additional assistance for AIG, we needed to make a judgment about whether, in doing so, we would be secured to our satisfaction. And each time we made that judgment, we concluded that, again, there was a reasonable prospect that we had a reasonable chance of recovering the proceeds from that additional investment over time.

But it's also true that at each point, consistent with the fact that they were asking for more money and facing higher losses and some erosion in the perceived value of those underlying insurance companies, there was substantial risk in that context. And if at any of those times we had failed to achieve a vote of five governors of the Federal Reserve Board, for example, or some other factor had led us to make the judgment that it was no longer prudent or appropriate for us to lend, then we would have been at risk of very, very substantial losses, because it was the judgment of the firm at that time that that would lead to bankruptcy and default.

So, that's why it's a complicated answer, because when we make a judgment about "secured to our satisfaction," we're making a judgment that if, over time, the company survives and the world doesn't fall into the abyss, then in that context, we had a reasonable chance of recovering our investment. But that was a highly uncertain judgment, and it was dependent on not just our continuing ability to lend but on a set of circumstances that were well beyond our control and those of AIG.

Q. Let me follow up. First, every time you lent money, you had to reach a conclusion that the money that you were lending was secured to your satisfaction, correct?

A. That's correct.

Q. Second, with respect to the money that was advanced by the Federal Reserve after September 22nd, that was all secured by assets other than the insurance subsidiaries, correct?

A. I don't know if that's actually or technically the case.

Q. Did you ever try to find out?

A. Yes, in the sense that we had to make a judgment about what was the security, the collateral we were going to rely on for that judgment. And so, yes, we would have tried to have a foundation for that judgment, but what I can't recall today is what was the mix, composition of the incremental or different or shifting composition of collateral for those subsequent extensions of credit. I can recall some but not all.

Q. Let me ask you to look at Plaintiffs' Trial Exhibit 668. This is another transcript of statements by you, and I am again going to offer it, as I have the earlier transcripts, where I am offering the statements made by other people not for the truth of the matter asserted but only for the context it provides for your statements.

MR. DINTZER: We assert an objection of hearsay, Your Honor.

THE COURT: Even with the restriction offered by counsel?

MR. DINTZER: Even with -- we understand that the Court is going to overrule us, but just to -- just so the Court knows, just to preserve the objection.

THE COURT: You're right about that. The objection is overruled. Plaintiffs' Trial Exhibit 668 is admitted with the stated restrictions.

(Plaintiffs' Exhibit Number 668 was admitted into evidence.)

BY MR. BOIES:

Q. If you could turn to page 47, sir, at the top of the page, where you begin by saying, "The AIG case is very different," and you were talking about being very different from Lehman, correct?

A. Yes.

Q. And you say, "The AIG case is very different, because AIG is a very different business. It had hugely profitable, pretty stable earnings power in their insurance businesses. And we could lend against those businesses." Do you see that?

A. Yes.

Q. And you believed that to be an accurate statement at the time you made it, correct?

A. Yes.

Q. And then, continuing at line 8, "we took 80 percent of the firm, 90 percent of the firm, in return for, in effect, giving them enough money that they wouldn't suffer a liquidity crisis." Do you see that?

A. I do.

Q. And you also believed that at the time you said it, correct?

A. Yes.

Q. And when you say "we took 80 percent of the firm," you're talking about the Federal Reserve taking 80 percent of AIG, correct?

A. I'm talking about AIG giving the Federal

Government that amount of the firm in return for the -- as a condition for the loan we provided.

Q. When you say "we," you're referring to the Federal Reserve, correct?

A. Yes, although ultimately, of course, those shares were held in a trust for the benefit of the Treasury.

Q. But when you say "we" took, you're talking about the Federal Reserve, correct, sir?

A. Not necessarily. Sometimes I use "we" to mean the actions of the Treasury and the Federal Reserve Board and the -- and the Federal Reserve Bank of New York. It just depends on the context.

Q. And in the context here, when you said "We took 80 percent of the firm in return for, in effect, giving them enough money that they wouldn't suffer a liquidity crisis," is the "we" there the Federal Reserve?

A. In a technical sense, the "we" there I think is probably the broader -- the broader context of Treasury and the Fed. So, I'm not sure precisely who I meant in this context, but I think technically it would be the Treasury, the Fed.

Q. Now, the Treasury wasn't giving AIG enough money that they wouldn't suffer a liquidity crisis, was it?

A. That is correct, although later, they did provide substantial additional resources.

Q. Later.

A. That's correct.

Q. But when "we took 80 percent of the firm," at that point, the "we" that was giving the money to AIG was the Federal Reserve, correct?

A. Yes.

Q. And the "we" that was taking the 80 percent of the firm was the Federal Reserve, correct, sir?

A. That was given by AIG, 80 percent of the firm, yes. At that point -- at that point in time, I guess you could say it was the Federal Reserve Bank of New York.

Q. And when you refer to "the firm" here, you're referring to AIG, correct?

A. Yes.

Q. Now, if you go down to line 21 on this page, 20 and 21, do you see where you say, "The Federal Reserve Bank of New York could undergo a transaction if we had some assured source of repayment."

Do you see that?

A. Yes.

Q. And that was your view in September of 2008, correct?

A. Yes.

Q. And then you say, over on the next page at line 3, "In the AIG case, we could justify that, because we were lending against a pretty profitable business." Do you see that?

A. Yes.

Q. And those statements were also true, correct, sir?

A. Yes.

Q. You have said several times that you believe that if the company collapsed, referring to AIG, that the value of the insurance subsidiaries would be affected, correct?

A. Yes.

Q. Did the Federal Reserve ever attempt to make any estimate of how much the value of the insurance subsidiaries would be affected if AIG collapsed?

A. I do not know.

Q. You've also said that the value of the AIG insurance subsidiaries would be affected if the economy collapsed, correct?

A. Yes.

Q. If the economy collapsed, presumably the value of every asset would be affected adversely, correct?

A. Absolutely.

Q. You said yesterday that -- and I think you

repeated it today -- that you believed there was a substantial risk in the AIG credit facility, correct?
A. Yes.
Q. Did you also believe that there was substantial risk in the Bear Stearns credit facility?
A. Yes.
Q. Did you also believe that there was substantial risk --
A. Could I -- I'm sorry. Could I just go back to one -- just clarify that in one sense? I believe there was -- I'm not sure I would use those same words. You said "substantial" in both cases. So, I just wouldn't want to -- my answer, saying yes, to imply that the risk was equivalent. There was significant risk in the Bear Stearns case although on a much smaller dimension than the AIG case, I mean, by definition.
Q. I'm just trying to get your words. So, your testimony would be that there was substantial risk in the AIG credit facility, and significant risk, but not substantial risk, in the Bear Stearns credit facility.
A. I would say there's substantial risk in Bear Stearns, too; I just wouldn't want to imply that they were equivalent in magnitude.
Q. Was there substantial risk, as you use those terms, in the credit facility that was provided by the

Fed to Citigroup?

A. I'm not sure what adjective I would use. Definitely significant risk. You're talking about the 13(3) facility approved in late November 2008?

Q. Yes.

A. Definitely significant risk. I wouldn't quite know how -- I would have to think about it if you wanted me to compare the two.

Q. Was there substantial risk, as you use that term, in the 13(3) credit facility that was provided to Bank of America?

A. I'd give the same answer. Certainly significant risk. I'm not sure how I would compare the two.

Q. And when you say "not sure how you would compare the two," what are the two there?

A. Either Bank of America to Citi or Bank of America and Citi to AIG.

Q. Was there substantial risk, as you use that term, in the 13(3) credit facility that was provided to primary dealers?

A. Counselor, just a clarification. Are you asking me to compare the amount of risk or -- because I'm -- I guess what I'm uncomfortable doing is using the same adjective to describe three different or four different sets of different types of risks.

If it's helpful to you, I'm willing to say there was substantial risk in all of them, as long as I can explain that there were very, very different, fundamentally different types of risk and magnitude of risk across those facilities.

Q. Let's begin with the term "substantial risk," because that was a term that you had actually used, correct, sir?

A. Yes, although I'm not quite sure in which context I've used it now, though I think I've definitely used it in the AIG context.

Q. And recognizing that it is your testimony that the nature and extent of the risk varies from credit facility to credit facility, would you characterize the risk that the Federal Reserve faced with respect to the Bear Stearns credit facility, the Citi credit facility, the Bank of America credit facility, the PDCF credit facility all as substantial risks?

A. I'm sort of uncomfortable doing that just because they're so different.

Q. Let me take them one at a time, then.

A. Could I get a different adjective for each one?

Q. If you have a different adjective. I'm using the term "substantial risk" because that's what you used in describing the AIG credit facility to counsel for

Defendant, and the answer can be yes or no, and if the answer is no, I'll ask you what other adjective you want to use.

But I want to begin by asking you whether or not, as you use the term "substantial risk," there was substantial risk in the Bear Stearns credit facility.

A. I guess I would say yes.

Q. And just so that we know how you use these terms, am I correct that as you use the terms, a substantial risk is more of a risk than a significant risk?

A. Yes.

Q. Was there substantial risk in the 13(3) credit facility for Citi?

A. At the risk of irritating you, can I ask one more clarifying question? Just as to something you asked me to clarify yesterday, which is that when we say substantial, we are using the adjective relative to the amount of the loan? Can we say it that way? Is that helpful?

Q. Yes.

A. Okay. In the Bear Stearns case, yes, there was substantial risk relative to the size of the facility.

Q. And with respect to Citi, was there substantial risk in relationship to the size of the facility?

A. I would say less than substantial. Significant, let's say.

Q. And with respect to Bank of America, was there substantial risk in relationship to the size of the facility?

A. I would use the same adjective I used in the prior question, significant.

Q. And with respect to the PDCF, was there substantial risk in relationship to the size of the facility?

A. I guess I would say significant, too, in that context.

Q. Were you ever aware of any written analysis or estimate that compared the amount of risk in the PDCF to the amount of risk in the AIG credit facility?

A. Sure, yes.

Q. And who prepared that?

A. I don't know, but by definition -- by construction --

Q. I'm just asking --

A. -- by design --

Q. I'm not talking about design or construction. I'm asking you whether you are aware of any written analysis or estimate that compared the amount of risk in the PDCF to the amount of risk in the AIG credit facility.

A. Do you mean in a single document?

Q. Let's start with a single document.

A. No.

Q. Okay.

A. I do not recall.

Q. Okay. And would the answer be the same if I asked you whether you were aware of any written analysis or estimate that compared the amount of risk in the AIG credit facility to the Citi credit facility or the Bank of America credit facility or the Bear Stearns credit facility?

A. I'm not aware of a single document. I don't recall there being one that sought to make that comparison.

Q. Let me turn to your testimony to counsel for the Defendant concerning the difference between lending to banks and lending to other financial institutions. Do you recall that, generally?

A. I do.

Q. Now, to start with, in the United States, banks only represent about 50 percent of our banking system, correct, sir?

A. It depends on what the point in time is, but in 2007, if that's what you're asking, I think their share was somewhat under that, somewhat below that.

Q. That is, the share of the banking system represented by banks themselves -- and by "banks," you mean commercial banks, correct?

A. Well, actually, no. That was the share of the financial system which involves the provision of credit that is accounted for by banks, and in that context, I usually mean commercial banks and holding companies.

Q. When you say the provision of credit, is that what you refer to generally as the banking system?

A. No. It would go -- I mean, for example, Fannie Mae and Freddie Mac are, in effect, in the business of providing credit.

Q. But you don't consider them part of the banking system, do you, sir?

A. No, but part of the financial system.

Q. I want to talk about the banking system. The banking system is part but only part of the financial system, correct?

A. That's correct.

Q. And I just want to talk about the banking system. With respect to the banking system itself, banks only represent about 50 percent of the United States banking system, correct?

A. I don't know -- I don't -- that's not a --

that's not a formulation that I'm typically -- that I typically use or am familiar with. In this case --

MR. DINTZER: Your Honor, just because I'm afraid -- I mean, what counsel said is with respect to the banking system itself, banks only represent 50 percent of the United States banking system, and I don't know if that's what he intended, but --

MR. BOIES: Yes.

MR. DINTZER: Okay.

THE WITNESS: In that case, I misspoke. I meant to say that banks relative to the financial system, not to the banking system. So, if that was my statement, I misspoke.

BY MR. BOIES:

Q. Let me ask you to look at Plaintiffs' Trial Exhibit 676, and this is another interview transcript.

Again, I offer it with the limitation that the statements attributed to people other than Mr. Geithner are not being offered for the truth of the matter asserted but merely to provide context for Mr. Geithner's statements.

MR. DINTZER: Objection merely for preservation purposes, Your Honor.

THE COURT: The objection is overruled. I will admit Plaintiffs' Trial Exhibit 676 with the limitations stated by Plaintiffs' counsel.

(Plaintiffs' Exhibit Number 676 was admitted into evidence.)

BY MR. BOIES:

Q. Let me ask you to look at page 19 and down at pages or lines 21 through 23. This is a statement where you are comparing the United States banking system with banking systems from other countries, correct?

A. That's correct.

Q. And one of the things that you say there is that in foreign countries, banks were 80 percent of their banking system and not 50 percent like ours. Do you see that?

A. Yes.

Q. And what you were saying there was that in the United States, banks represented only about 50 percent of the United States banking system, correct?

A. No.

Q. Let me ask you to look at the -- what you say here. You're talking about guaranteeing foreign banks, correct, the possibility of that?

A. It's just a simple explanation, Counselor. This is a misstatement, just like the one you just quoted me from was a misstatement. In both cases, I'm trying to compare the relative importance of banks to the financial system as a whole in the -- both the U.S. and in Europe or other developed countries. So, if I used, as I did here apparently, banking system as the comparator, that was a misstatement. It should say financial system.

Q. All right. 13(3) does not distinguish between or among borrowers, correct?

MR. DINTZER: Objection, Your Honor. Vague as to if he's referring to the language of the statute or the application of it. I mean, it's a very, very broad and confusing question.

THE COURT: Overruled. I think it's a clear question.

THE WITNESS: By definition, it distinguishes between banks and entities that are not banks, referred to as IPCs. It doesn't distinguish among IPCs, IPCs being -- I think the phrase was individual, partnership, or corporation.

BY MR. BOIES:

Q. That's a useful clarification.

13(3) is the statute that is used to lend to nonbanks, correct?

A. That's correct.

Q. And by "nonbanks" there, you're talking about commercial banks as in common distinction to investment banks, correct?

A. Among other things, yes.

Q. And 13(3) talks about lending to any individual, partnership, or corporation, correct?

A. That's correct.

Q. And that's sometimes referred to as IPC lending.

A. That's correct.

Q. And the IPC lending under 13(3) is something that, I think we've established, only takes place under unusual and exigent circumstances.

A. Yes.

Q. Other than requiring there to be unusual and exigent circumstances and requiring that the loan be secured to your satisfaction and approved by the five members of the Board of Governors and that the borrower not have other adequate sources of credit, there is no other distinction among potential borrowers, correct?

A. Yes.

Q. And when the Federal Reserve set up credit facilities for primary dealers, the Federal Reserve could have set up similar or the same credit facilities for other individuals, partnerships, or corporations, correct?

A. In theory, if they had met the other conditions of the law, of course.

Q. Yes. They have always got to meet those four conditions, correct?

A. (Witness nods head.)

Q. And you had to find that the primary dealers met all four of those conditions, correct?

A. Yes.

Q. That is, you had to find that the primary dealers were operating in a time of unusual and exigent circumstances, correct?

A. Yes.

Q. And you had to find that the primary dealers did not have access to alternative, adequate sources of liquidity, correct?

A. Yes.

Q. You talked about the concept of moral hazard. Do you remember that?

A. I did.

Q. And do I understand your testimony to be that the greater the risk of the credit facility that is being offered, the greater the moral hazard?

A. I believe I made that statement in the context of listing a number of other factors that might contribute to the relative moral hazard involved, but among those factors, that would be one.

Q. And am I also correct that it is your belief that the moral hazard is higher if a credit is not made available on similar terms to similarly situated institutions?

A. Generally I believe that, yes.

Q. And you also believe that moral hazard is higher when the Federal Reserve enters what you referred to as new territory, which I think you said risks raising expectations, correct?

A. Yes, I've said that.

Q. Now, using the terms as you have used them, did the Federal Reserve enter what you referred to as new territory, risking raising expectations, when the Federal Reserve made the Bear Stearns 13(3) credit facility available?

A. Yes.

Q. And did it do that when it made the PDCF credit facility available?

A. Yes.

Q. And similarly when it made the other credit facilities available that you testified earlier were made available pursuant to 13(3), correct?

A. Yes.

Q. With respect to the loans that were made to banks and investment banks and primary dealers, there were criticisms of those credit facilities on the grounds that the Federal Reserve had not adequately taken into account moral hazard concerns, correct?

A. I guess that's fair, although they were kind of quaint relative to the concerns that came later. But, yes, I guess that's true.

Q. And those -- those criticisms didn't just happen one time; those criticisms happened over a significant period of time, correct, sir?

A. Yes.

Q. And your response to those criticisms was that the -- you called them moral hazard fundamentalists. Do you recall that?

A. I have used that phrase quite a bit, although not -- not really to refer to the people who were concerned about the moral hazard and us lending to banks or under a PDCF. Typically, I was using that phrase in other contexts, but, yes, generally I've used that phrase, and it probably captures those critics, too.

Q. Let me ask you to look at page 518 of your book. At the top of the page -- this is 518 of the book, not 518 of the whole exhibit. This is 518 in the published book.

MR. DINTZER: I'm sorry, Counsel, if you could just explain that. Are we on 518 of the book or 518 of the exhibit?

MR. BOIES: 518 of the book --

MR. DINTZER: Thank you, Counsel.

MR. BOIES: -- which has now been marked as Plaintiffs' Trial Exhibit 709.

BY MR. BOIES:

Q. And at the top of the page -- I will read this for context, although the part I'm particularly interested in is the last sentence -- you write:

"The inconvenient truth of financial-crisis response is that the actions that feel right are often wrong. The natural instinct is to wait as long as possible before intervening, to escalate as gradually as possible, to minimize taxpayer exposure to losses, to impose stringent conditions on assistance, to teach the arsonists a lesson, to address the root causes of the crisis. Let failing firms fail. Let the creditors who financed their binges pay the price, but that is the recipe for making a systemic crisis worse."

And this is the part I want to focus you on: "The public will want Old Testament justice, punishment for the venal. The moral hazard fundamentalists will want to send a message that irresponsible behavior will not be rewarded. If policymakers listen, they will court disaster."

And you -- that's what you wrote in your book, correct?

A. Yes. Thank you for reading it.

Q. And that's what you believe.

A. That's what I believe, yes.

Q. Now, when you were talking there about moral hazard fundamentalists, what firms were you talking about?

A. Well, I would have to go back to the context of the book, but I think in this context I'm referring specifically to debates we had about whether we should haircut creditors in the context of our interventions or not. And that debate, as you know and you'll recall, was, of course, implicit in the Lehman context, definitely in the AIG debate, certainly in the WaMu debate, and in other circumstances where there's a risk of failure to the firm.

Is that helpful?

Q. Did that relate to investment banks like Morgan Stanley and Goldman Sachs?

A. Yes. Again, in my -- when I'm having -- when I'm describing this set of judgments about crisis response, I'm talking about the debate between people who think you should let firms fail or people who think that if you're going to save them, you should try to impose losses on their creditors as well. So, in that context, yes, that debate included the broader actions we took to prevent default generally. Yes.

Q. And it was not only the creditors, it was also the firms themselves, correct?

A. In -- in what sense?

Q. Well, maybe a faster way is just to have you look at page 6 of your book, the second or third paragraph up from the bottom, where you say, "I agree but with the qualification..." Do you see that paragraph?

A. Yes.

Q. You say, "There was intense pressure on us to punish the Wall Street gamblers who had gotten us into this mess." Do you see that?

A. Yes.

Q. And the Wall Street gamblers who had gotten us into this mess were what firms, sir?

A. Well, in this context I'm referring to a perception, a characterization, and it was meant to describe the general perception that "Wall Street" was partly responsible for the crisis. And Wall Street in that definition -- it depends who was using it -- could include anybody, any bank, any financial firm. It certainly could have included AIG.

Q. AIG and Goldman Sachs and Citi and --

A. Yeah. In people's perceptions, it would have included the whole lot of them.

Q. Let me turn to your testimony about the terms of the AIG credit facility, and you testified to counsel for Defendant that it was your recollection that there were terms prepared by JPMorgan and/or Goldman Sachs, and you gave three such terms: A $70 billion amount, a "very high interest rate," and "AIG provides stock representing roughly 80 percent of the company." Do you recall that?

A. Yes.

Q. First, am I correct that you don't recall how you came to this recollection; that is, whether it was somebody showing you something or somebody telling you something? Is that right?

A. Except to the extent that I believe it came from one of my colleagues in the Fed or the Treasury, not from outside.

Q. But when it came from one of your colleagues, you don't recall who that colleague was, correct?

A. I don't.

Q. And you don't recall whether that colleague presented you with this information in writing or orally, correct?

A. That's correct.

Q. Now, with respect to the third term, that AIG, as you said, would provide stock representing 80 percent of the company, were you meaning to say stock or were you using "stock" in a broad sense to include any form of equity?

A. The latter.

Q. So, did you understand that the terms that JPMorgan or Goldman Sachs were talking about were terms where any equity provided would be in the form of warrants?

A. I did not -- I do not know what the form of equity they were considering -- I don't recall if I knew the form of equity they were considering.

Q. With respect to the AIG credit facility, there were a number of constraints that were imposed on AIG to limit risk-taking, correct?

A. Are you saying -- are you asking in the facility itself or pursuant to the broader set of conditions that were established?

Q. Both.

A. Certainly the latter and I suspect the former, but I couldn't recall them.

Q. Now, with respect to the PDCF, the Federal Reserve did not have any ability to set constraints on risk-taking by broker-dealers, correct?

A. That's not quite true. Could I -- could I explain?

Q. Yes, but let me ask you to look at your deposition at page 104 so that I get the explanation in that context. Let me begin by directing your attention to page 104, lines 16 through 18, where I say:

"QUESTION: The Federal Reserve doesn't regulate the broker/dealers?

"ANSWER: That's correct."

And then there's a long discussion about holding companies and the like, and then, on page 105 -- and if you wish, I'll read in the intervening portion -- but on 105, it says:

"QUESTION: You are not saying the Fed would use its authority over the holding company to regulate the broker/dealer function, are you or are you?

ANSWER: No, I don't believe it can, but the health of the broker/dealer can effect [sic] the health of the rest of the entity, but I don't believe, under the law, we had the ability or the authority to, for example, set constraints on risk taking of the broker/dealer."

Do you see that?

A. Yes.

Q. And that was accurate testimony at the time you

gave it?
A. Yes.
Q. And is there an explanation for that testimony that you now would like to give?
A. Just in response to the question you just asked me before. So, the distinction, Counselor, is this, and I think it was -- that's why I said there's an explanation. Although it is true that before the primary dealer credit facility was established, that we had, I think, effectively no authority to directly regulate or limit the risk-taking of broker-dealers.
After the primary -- after the primary dealer credit facility was put in place, we did put teams from the New York Fed into those institutions so we could better monitor their liquidity, funding risk, how they were managing risk, and we did that in full cooperation with the SEC.
So, after that point, we had some capacity -- which I think the phrase you used was "to affect," and that capacity did not include formal -- I don't think, really -- legal or regulatory authority. That's the distinction I was trying to make.
Q. Do I take it the distinction you're making is between being able to find out what the issues were and having the power to prevent broker-dealers from taking

certain risks?

A. I was also making -- yes, and I was making a distinction in time between the world before we established the facility and after.

Q. After you established the facility, it was still the case that although you may be able to place people with the broker-dealers to find out what was happening, you couldn't direct or constrain or prevent them from taking particular risks.

A. Well, perhaps I should just -- just one additional clarification, which is that we were at that point, in effect, a creditor. As a creditor, you do have additional capacity to influence that you would not have, and so in that context, yes, we had some additional ability to affect, but that is not the same as a legal authority as supervisor or regulator.

Q. And the ability that you had to affect risk-taking by the broker-dealers after the PDCF was an ability that came from your status as a creditor and not from either any regulatory status or any contractual status or any ownership status, correct?

A. That's correct.

Q. You also told counsel for the Defendant that JPMorgan and Goldman Sachs concluded that there was not sufficient willingness among the major banks in the world to provide a large loan to AIG. Do you recall that?

A. Yes.

Q. Do you know what major banks, if any, JPMorgan or Goldman Sachs actually contacted?

A. I don't.

Q. Do you know whether they actually contacted any banks?

A. I believe they did, but I do not know for certain.

Q. You also said that there was a request of the Secretary of the Treasury for a letter saying he supported the AIG credit facility. Do you recall that?

A. Yes.

Q. There was also a request of the Secretary of Treasury for a comparable letter for the Bear Stearns, Bank of America, and Citi credit facilities, correct?

A. I certainly remember Bear Stearns. I'm not sure I remember the Citi and B of A ones.

Q. Let me ask you to look at Plaintiffs' Trial Exhibits 2750, 2751, and 2752.

THE COURT: Did you say 2750, also?

MR. BOIES: I did, and I am getting that one, Your Honor. I've handed up 2751 and 2752, which I would offer.

MR. DINTZER: Your Honor, none of these appear on the exhibit list, so we object just for that reason alone.

THE COURT: Mr. Boies?

MR. BOIES: These are designed to deal with his testimony on what was, in effect, direct examination by the Government. He also has said he doesn't recall, and I think it would be appropriate -- I think for a variety of reasons --

THE COURT: I am going to allow the examination.

MR. DINTZER: Your Honor, we have no objection to the examination, him showing them to the witness. We just have -- he offered them, I think, into evidence, and we would object to that given the fact that they are not on the exhibit list.

THE COURT: Nevertheless, I think we will allow it on the basis of good cause shown.

(Plaintiffs' Exhibit Number 2751 was admitted into evidence.)

(Plaintiffs' Exhibit Number 2752 was admitted into evidence.)

BY MR. BOIES:

Q. Do you recall these two letters from the Department of Treasury with respect to the Bank of America credit facility, which is 2751, and the

Citigroup credit facility, which is 2752?
A. I see them, but I don't -- I don't believe that I was aware of them at the time. It's possible.
Q. And I think you testified that you do remember receiving and requesting such a letter with respect to Bear Stearns, correct?
A. Yes.
MR. BOIES: Your Honor, I have the Bear Stearns letter. That's Plaintiffs' Trial Exhibit 2750. I don't think it's essential. I think it would help complete the record, but -- if they object to it, I don't think it's essential, and I will do whatever the Court thinks is appropriate.
THE COURT: If you have it, I'd like to complete the record. Thank you.
MR. BOIES: I would offer Plaintiffs' Trial Exhibit 2750.
MR. DINTZER: Objection only insomuch as it's not on their exhibit list.
THE COURT: All right. The objection is overruled, and I will admit Plaintiffs' Trial Exhibits 2750, 51, and 52. Actually, I think I already admitted 51 and 52, so 50 -- 2750 also is admitted.
(Plaintiffs' Exhibit Number 2750 was admitted into evidence.)

BY MR. BOIES:

Q. During your testimony with counsel for the Defendant, you talked about whether or not the AIG shareholders got a windfall. Do you recall that?

A. Yes.

Q. And you used the term "windfall." Did the Citigroup shareholders get a windfall as a result of government assistance?

A. Yes.

Q. Did the Goldman Sachs shareholders get a windfall as a result of government assistance?

A. Yes.

Q. Did the Bear Stearns shareholders get a windfall as a result of government assistance?

A. I think that's a -- I think that's sufficiently different, I wouldn't be comfortable using the same phrase in that context. A benefit, yes.

Q. Did all of the firms that had access to the primary dealer credit facility get a windfall as a result of that facility, as you use that term?

A. Yes.

Q. You said that part of the Government's objective with respect to AIG was to reduce the scope and scale of AIG in order to reduce future risk. Do you recall that?

A. Yes.

Q. Did the Government also have that objective with respect to Citigroup?
A. Yes.
Q. Did the Government have that objective with respect to Bank of America?
A. Could you repeat the first part of the question again, the way -- the phrase you used?
Q. Yes.
You had said that part of the Government's objective with respect to AIG was to reduce the scope and scale of AIG in order to reduce future risk. And I asked you whether the Government also had that objective with respect to Citigroup; you said yes. And then I said did the Government have that objective with respect to Bank of America, meaning the same objective.
A. Could I -- could I make a slight distinction between the two, between Bank of America and Citigroup?
Q. Yes.
A. We had -- definitely had the objective in every case of reducing the potential future risk those firms would pose to the financial system and the economy. The means by which we sought to achieve that objective differed significantly among them and significantly between Bank of America and Citi, although in all cases we sought to assure they had a stronger financial

foundation, capital, more conservative funding relative to the risks they were taking.

And the distinction I was making is that I don't believe -- I don't know if the Fed did, but I don't believe that we -- I conceived our objective in the context of Bank of America as to reduce their scope. That's the distinction I was trying to make.

Q. And that was exactly the question I was asking here. I understand that you wanted to reduce risk as a general proposition, but I was focusing on your testimony about reducing risk by reducing the scope and scale of an enterprise. Do you understand that?

A. Yes, I do.

Q. And I -- and I have your answer on Bank of America. Now, let me ask the same question with respect to Morgan Stanley.

A. I don't know how I would say it in that -- can you -- could you pick a point in time or are you talking about the whole span of time in which we had an equity position in the firm?

Q. Let me take the period of 2008, 2009, 2010. Was one of your objectives with respect to Morgan Stanley to reduce the scope and scale of that enterprise as a means -- as one of the means of reducing risk?

A. I don't believe I would describe it that way, certainly not in comparison to how we thought about AIG and Citigroup.

Q. And would your answer with respect to Goldman Sachs be the same as your answer with respect to Morgan Stanley?

A. Yes.

Q. Let me ask you to look at Defendant's Exhibit 118, which I think you have in the Defendant's book, the white book. This is a document that counsel for the Defendant asked you about. Do you recall that?

A. Yes.

Q. And this is an email from Mr. Baxter in which he begins, "You said 'We did not have the authority to acquire an equity interest in either Bear or JPMorgan Chase, nor were we prepared to guarantee Bear's very substantial obligations.'"

Do you see that?

A. Yes.

Q. When had you said that?

A. I believe that was a quote from my written testimony before the Senate Banking Committee in the context of the Bear Stearns/JPMorgan transaction, but I'm not certain.

Q. And Mr. Baxter then goes on to talk about equity kickers in the residual. Do you see that?

A. Yes.
Q. And the residual was what was going to be left over in Maiden Lane, LLC, after the loans had been paid off, correct?
A. I'm not actually sure why -- what he actually meant by that. I think -- can I tell you what I believe he meant? No, I shouldn't do that either, should I?
I think -- I think what this refers to is not the phrase I used. I think what this refers to is in the facility we financed, we had the risk in that facility, after JPMorgan's first loss, and we had the gains in any appreciation in the value of those securities.
If that's accurately described as an equity kicker in the residual, then that's fine, but that's not the phrase I usually use.
Q. And the facility that you financed, that you refer to there, was Maiden Lane, LLC, or what we've sometimes inaccurately referred to as Maiden Lane I, correct?
A. Yes.
Q. Mr. Baxter then goes on to say, "That said, we in New York read much into the incidental powers clause of Section 4 of the Act. And, we don't always succeed in convincing our colleagues to the South."

Do you see that?

A. Yes.

Q. And the colleagues to the south was a reference to the Federal Reserve Board of Governors, correct?

A. Mostly to Mr. Alvarez, I believe, but yes.

Q. Who was general counsel for the Federal Reserve Board of Governors?

A. That's correct.

Q. And then you said, "And, there are many who see our interpretive conduct as 'loophole lawyering.'" Do you see that?

A. Yes.

Q. And did that include the people who are referred to here as your colleagues to the south?

A. I don't believe so, because it says "and." I don't think that's what he meant, but I shouldn't speculate on what he meant.

Q. You told Mr. Dintzer that there needed to be a deadline to AIG as to whether they would or would not accept your offer on October 16th, because AIG needed the money and you were coming up to when you had to shut down the Fed wire. Do you recall that?

A. Yes.

Q. Now, it would have been possible to loan AIG money on a secured demand note without having reached agreement on the term sheet, correct?

A. Yes, if the demand note -- what you refer to as the demand note allowed us to be secured to our satisfaction. Yes, in theory, that's true.

Q. And, in fact, on September 16th, you did lend to AIG based on a secured demand note, correct?

A. Among other things, yes.

Q. And that secured demand note did not incorporate any of the terms of the term sheet, correct?

A. I don't recall precisely.

Q. Do you recall generally whether any of the terms of the term sheet were part of the documentation related to the secured demand note on which $14 billion was loaned to AIG on September 16th?

A. I don't know whether -- I do not recall whether they were incorporated specifically into the demand note itself.

Q. You said that you believed that the term sheet on September 16th was "enforceable." Do you recall that?

A. Yes.

Q. Did anyone tell you that they believed that the term sheet was enforceable?

A. Yes.

Q. Who told you that?

A. Mr. Baxter, among others, I believe.
Q. It's your testimony that Mr. Baxter told you that the term sheet of September 16th was enforceable?
A. Maybe I should clarify. I don't know that he used the word "enforceable," but I believe he made it -- he gave me -- he led me to believe, made me confident that we had a binding commitment from the board of the firm. But I don't recall precisely what word he used.
Q. But it's your testimony that Mr. Baxter told you that he believed that the September 16th term sheet was a binding commitment.
A. Yes. That is my recollection.
Q. I take it he told you that orally, not in writing?
A. I don't recall. Likely orally.
Q. Did you ever ask anybody to provide you with any written opinion or advice as to whether the September 16th term sheet was a binding agreement or was enforceable?
A. Beyond the signature -- AIG's signature on the term sheet itself? I don't recall.
Q. Did you ever read that term sheet yourself?
A. I believe I did, but I can't be certain I read every word in that term sheet.
Q. Certainly. Let me ask you to look at Joint

Exhibit 63, which is in our book. I'm going to ask you to turn to the page that is the term sheet, the beginning of the term sheet. Do you have that? That's page 5 of Joint Exhibit 63.

A. Yes.

Q. And do you see right at the very beginning, in italics, it says, "This Summary of Terms is not intended to be legally binding on any person or entity..." Do you see that?

A. I do.

Q. And then the next sentence says, "Any binding agreement with respect to the matters referred to herein shall be evidenced by appropriate documentation, executed by the applicable parties." Do you see that?

A. I do.

Q. Did you read that portion of the term sheet?

A. I believe -- well, I don't know -- this -- this is the draft term sheet that was presented to the Board of Governors, I believe that's what this suggests, and I don't recall precisely whether I read that provision of this draft term sheet that was the basis for that consideration at that board meeting.

Q. Did you ever see any term sheet on September 16th or September 17th that did not have the language that I just quoted?

A. I do not recall.
Q. You talked a number of times with counsel for Defendant about AIG's losses from its CDS business. Do you recall that?
A. I don't know if I referred specifically to losses from the CDS business, but I generally referred to losses, yes.
Q. And did you also mean to refer to losses from the CDS business itself that occurred after September 22nd?
A. I don't remember the context for that question, so I'm not certain what I was referring to in that context.
Q. Let me ask the question this way: As you understand it, in the period after September 22nd, were there any losses that AIG suffered from its CDS business?
A. Could I make one -- could I ask one clarifying question?
Q. Certainly.
A. If by "losses" you include requirements for funding to meet margin collateral calls, or are you referring to the realization of losses, or are you referring to the mark-to-market estimate of the extent of AIG's remaining obligations on those CDS positions?

Q. Let me -- let me take those one at a time. First, after September 22nd, 2008, as you understand it, did AIG lose any money on CDSs in the sense of realized losses?

A. I don't recall.

Q. Okay. Now, after September 22nd, 2008, did AIG have to post additional collateral?

A. Yes, I believe so.

Q. And third, after September 22nd, 2008, was AIG making or were you making for AIG estimates of what its mark-to-market obligations might be in the future?

A. I don't know if we were, but I believe the rating agencies did, as would their creditors and equity analysts.

Q. And the mark-to-market obligation was an obligation to put up collateral, correct?

A. I believe so in that -- yes, I believe that's correct.

Q. Now, when collateral was posted, it didn't go to the counterparties, correct?

A. Counsel, I'm not certain I could speak to that with confidence.

Q. Was it your understanding at the time that when AIG posted collateral, that collateral was held in an account and not given to the counterparties?

A. That seems consistent with my recollection, but I'm not certain.

Q. And if AIG posted collateral to an account because of a drop in the reference price or reference value of the CDS, if the CDS value came back, AIG would get that collateral back from the account, correct?

A. I believe that's correct, although technically the collateral requirement was a function not just of the price of the asset but also the perceived default risk in AIG. But if either of those two indicators moved in AIG's favor, I believe you're correct to say that that collateral would come back to them.

Q. When the counterparties were paid par with respect to Maiden Lane III, those counterparties then actually got cash themselves, correct?

A. I believe that's correct.

Q. And that --

MR. DINTZER: Objection, Your Honor. Beyond the scope. I'm pretty sure I didn't ask any questions about Maiden Lane III.

THE COURT: I think that's true, Mr. Boies.

MR. BOIES: I think that is true, but he did ask questions about the counterparties, Your Honor, and if he is saying that his reference to counterparties was unrelated to Maiden Lane III, I'll stop asking these questions.

MR. DINTZER: Your Honor, I -- I don't possess a photographic memory and I can't remember the exact context, but I was pretty careful about not asking about Maiden Lane III.

THE COURT: Yes, I am going to sustain the objection. I think it's beyond the scope.

MR. BOIES: All right.

My recollection -- and in looking at my notes, I'm not 100 percent sure, but in view of the last objection, I will ask the witness as a preliminary matter, in your testimony with counsel for the Defendants, were you talking about Goldman Sachs and Goldman Sachs' financial status?

My notes say that you testified about Goldman Sachs having a flat exposure to AIG. Now, am I misremembering that?

MR. DINTZER: I -- perhaps I can add some -- I believe that that was as of September 16th. I believe the transcript -- I can find it if the Court wants, but I believe that that was as of that date and thus would not have addressed anything after the credit agreement regarding Maiden Lane II or III.

BY MR. BOIES:

Q. Let me focus just on September 16th if that's where counsel says the testimony was related to.

Did you have an understanding, as of September 16th, that Goldman Sachs had what you described as a flat exposure to AIG?

A. What I described and what they had described as a roughly flat exposure.

Q. That is what they had told you, correct?

A. That's correct.

Q. Had you done any independent assessment of that?

A. Well, in the sense that -- you mean at that -- at that precise -- at that precise moment on -- I can't remember the specific time frame you were talking about, but it is -- it is true that in the days after the email we talked about yesterday, I did seek a written confirmation from that firm of what their actual exposure was.

Q. And that was something that they were providing to you?

A. That's correct.

Q. Did you ask that any independent analysis of Goldman's exposure to AIG be made; that is, other than just asking Goldman?

A. Do you mean did we go through each of the elements of their exposures and the hedges and try to independently assess whether they were accurate or --

Q. No.
A. -- any of the elements or all of the elements?
Q. No. My question -- my preliminary question is simply whether you did anything to check what Goldman had told you; that is, had you gone to any independent party or done any independent analysis, other than relying on what Goldman told you?
If the answer to that is yes, I will then go on and explore what that was, but I just -- at the beginning, I'm just trying to find out whether you --
A. No, we did not -- we did not conduct -- we did not ask any other party to conduct a separate examination of the documentation and the evidence in that piece of paper they provided us.
Q. That was half my question. Did you internally do any analysis or attempt to check what Goldman had told you?
A. I do not know what my colleagues did or did not do to try to assess the credibility of that -- that -- those numbers.
Q. You were asked some questions about Defendant's Exhibit 595. Do you recall that? Do you still have that document up there?
A. Yes.
Q. With respect to this financing that's being

talked about in Defendant's 595 on October 6th, 2008, did you ask for a letter from the Department of Treasury supporting this financing?

A. I don't -- I don't recall whether I did.

Q. Let me turn to the subject of Mr. Greenberg. You told counsel for the Defendant that Mr. Greenberg on a number of occasions told you that AIG was more valuable than either you or other people were asserting, correct?

A. Not I think that I was asserting.

Q. What you believed?

A. Than what many people believed. I don't know if he challenged my view on what I believed. I recall believing his -- regarding his view as optimistic relative to my view.

Q. There came a time when you told Mr. Greenberg that he was the only one who was right about the value of AIG, correct, sir?

A. I don't recall if I said that to him, but I -- I found his confidence and optimism unique.

Q. In addition to considering him unique, do you recall, on December 16th, 2010, attending a dinner that Mayor Bloomberg gave for George Osborne?

A. I recall that dinner, yes.

Q. And do you recall Mr. Greenberg was at that dinner?

A. I don't -- I don't recall that.

Q. Do you recall telling Mr. Greenberg at that dinner, "You are the only one who is right about the value of AIG"?

A. I don't recall that, but it's possible I did that, because as I said, I found his confidence and optimism distinct.

Q. In addition to finding it distinct, did you find that there came a time when you agreed with him?

A. Well, I don't know if I agreed with it, but I -- there came to be a time when, against all my expectations, there seemed to be a reasonable prospect that the taxpayer would earn a positive return on our investment. But I don't recall precisely when that was in relation to that dinner.

Q. The reason I'm pursuing this a little bit is I asked you whether you told Mr. Greenberg at this dinner, "You are the only one who is right about the value of AIG," and you said you didn't recall, but it was possible. Do you recall telling me that?

A. I do, but I don't think I said that -- I said something different, I think, which is that -- not that -- well, let me tell you what my belief was. Can I describe what my belief was since I don't remember what

I said to him?

Q. Yes, but then I want to come back to my question. But go ahead.

A. Okay. I did not know what Mr. Greenberg believed was the actual value of the firm, so it's unlikely that I felt he was right about the actual value of the firm. I believed that his optimism and his confidence in the value of the firm, to my surprise -- well, let me put it differently.

To my surprise, the firm -- events unfolded in a way that eventually allowed us to realize a positive return. He seemed to be confident of that from the beginning, and in that sense, that judgment was -- certainly was correct with the benefit of hindsight. Of course, we did a lot of things to help raise the value of that firm and the assets of the world in subsequent events to September 16th, which partly accounts for the relatively favorable outcomes that were experienced by the AIG shareholders.

Q. I want to pursue that last statement, when you say that you did a lot of things to help raise the value of that firm and the assets of the world through subsequent events. When you refer to what you did there, you're talking about various financial assistance, TARP, liquidity --

A. The stimulus, the Fed's actions.
Q. Right.
A. The full scope of the financial strategy.
Q. And those were actions that were taken that benefited lots of companies, perhaps all companies in some sense, correct?
A. Yes, yes.
Q. Now, you didn't actually say that AIG was the only firm in trouble the week of September 16th, but that was the only firm that you described to Defendant's counsel as being in trouble on September 16th. And so I'd like to just ask you, the week of September 16th, there were lots and lots of firms, other than AIG, that were in severe trouble, correct?
A. Yes.
Q. And in that connection, you talked about Goldman Sachs and Morgan Stanley becoming bank holding companies, and you also talked about them raising additional private capital. Do you recall that?
A. Yes.
Q. And you said you didn't recall whether they tried to do that on Monday or on Sunday. Do you recall that?
A. I believe they were trying on Sunday. What I don't recall precisely is when they concluded, when

those commitments were effectively finalized.

Q. Do you recall that nobody was prepared to put private capital into Morgan Stanley or Goldman Sachs until it was announced that they were going to become bank holding companies?

A. Do I recall that being a fact or saying that?

Q. Was that the fact?

A. Believing that?

Q. Was that the fact?

A. I don't believe that's quite accurate, because I believe my recollection is that they were pursuing sources of private capital before the announcement and had some basis -- some various degrees of confidence about whether that was forthcoming before the announcement and the decision. That's my belief.

THE COURT: Mr. Boies, shall we take a morning break?

MR. BOIES: Yes, Your Honor.

THE COURT: Let's reconvene at 11:20.

MR. DINTZER: Your Honor, if we could just ask, we have Chairman Bernanke here and he is waiting, and if we could get a proffer from Mr. Boies as to about how much more he has?

MR. BOIES: Ten or 15 minutes, Your Honor.

THE COURT: All right. Does that help?

MR. DINTZER: Thank you, Your Honor.
THE COURT: 11:20.
(Court in recess.)
THE COURT: Thank you. Please be seated.
You may go ahead, Mr. Boies.
MR. BOIES: Thank you, Your Honor.
BY MR. BOIES:
Q. Just before the break you were talking about Morgan Stanley and Goldman Sachs becoming bank holding companies and raising money. Do you recall that?
A. I do.
Q. Now, prior to the time that they became bank holding companies, they were trying to raise money, correct?
A. Yes. I believe that's correct.
Q. Yes. Prior to the time that they became bank holding companies, nobody was prepared to actually make a commitment to raise or give them or invest in them additional capital, correct?
A. I don't know if that's correct.
Q. Did you ever try to find that out?
A. I had some sense of that at the time and some sense of that afterwards.
Q. You know that there was an announcement that they were becoming bank holding companies on Sunday,

September 21st, correct?
A. Yes.
Q. And you know, at least, that the announcement of their capital raising came some days after that, correct?
A. It may have been hours in some cases, but some -- I think after.
Q. In what case was it hours after the announcement of Morgan Stanley and Goldman Sachs becoming bank holding companies?
A. I may be mistaken in my recollection, but my recollection is that the announcement of Mr. Buffett's investment in Goldman Sachs came quite quickly.
Q. Quite quickly?
A. Perhaps ahead of the Japanese bank investment in Morgan Stanley, but I can't remember precisely how long the gap was or the timing between those things.
Q. All right. You were asked by counsel for the Defendant whether you would have permitted Morgan Stanley and Goldman Sachs to become bank holding companies in the absence of capital raises. Do you recall that?
A. I do.
Q. Now, in fact, both Morgan Stanley and Goldman Sachs were approved to become bank holding companies

before you knew whether or not they would be able to raise capital, correct?

A. I think it would be more accurate to say before the capital raises were completed, but we had some basis for confidence that they would be able to do that, and that was important to us when we made the judgment to make them bank holding companies.

Q. Did that confidence come from something that you were told by the private parties that were going to inject the capital?

A. Told directly?

Q. Yes.

A. Certainly on the basis of what we were told by Goldman Sachs and JPMorgan -- and Morgan Stanley. I don't recall whether we had any direct indication from those two parties, independent of the firms themselves.

Q. With respect to what you were told by Goldman Sachs and JPMorgan, did they give you anything in writing that indicated what level of confidence, if any, they had about their ability to raise private capital?

A. Before the bank holding company designation?

Q. Yes.

A. I do not recall. I don't believe so.

MR. DINTZER: Your Honor, just so that the record is clear, counsel I believe inadvertently made that Goldman Sachs and JPMorgan, and I think he's got the wrong Morgan, just so the record is clear.

MR. BOIES: I did, Your Honor, and I apologize.

THE COURT: All right. Thank you, Mr. Dintzer.

MR. BOIES: I'm back before the Glass-Steagal Act.

THE WITNESS: It was the same Morgan, just different firms.

BY MR. BOIES:

Q. Yes.

With respect to Morgan Stanley and Goldman Sachs, did you ask either or both of them for anything in writing confirming that they believed that they would be able to raise private capital if they were given a bank holding company status?

A. I don't recall if I did.

Q. Now, you were asked some questions about the amount of the capital raises, and I think you testified that you were not familiar with exactly what that amount was. Is that --

A. I was at the time. I just can't recall.

Q. Do you recall that the amount of the capital raised by Morgan Stanley was less than the amount loaned to Morgan Stanley through its UK subsidiary?

A. I do not recall that today, do not know if I was aware of that at the time.

Q. Do you recall that the amount of the capital raise by Goldman Sachs was less than the amount loaned to Goldman Sachs by the Federal Reserve through Goldman Sachs' UK subsidiary?

A. I'm sorry. In the prior question about Morgan Stanley, did you mean loaned by the Federal Reserve to the UK subsidiary?

Q. Yes.

A. Okay, sorry. I didn't -- I do not recall in either case the size of the borrowing at that time or subsequent through the UK affiliates of those two investment banks.

Q. Now, let me turn to one more brief subject, and that is Mr. Ed Liddy. I think you told counsel for the Defendant that you had proposed Mr. Liddy as CEO for AIG.

A. Yes. I believe I said that.

Q. And to whom did you propose Mr. Liddy as CEO of AIG?

A. I do not recall.

Q. When did you propose Mr. Liddy as CEO of AIG?

A. I don't recall a precise date. It would have been in the vicinity of the 16th.

Q. At the time that you proposed Mr. Liddy as CEO of AIG, you knew that Mr. Liddy was serving on the board of Goldman Sachs, correct?

A. I do not know if I was aware of that at that time.

Q. Before proposing Mr. Liddy as CEO of AIG, did you try to find out what Mr. Liddy was at that time doing?

A. Not -- not directly. It's possible that my colleagues did.

Q. When you say you proposed Mr. Liddy as CEO of AIG, even though you don't remember to whom, is it fair to say that you were proposing Mr. Liddy to somebody at AIG?

A. To the board of AIG is my -- is my belief.

Q. But you don't recall whether you proposed him to the board directly or to somebody else. Is that correct?

A. Yes. In fact, I'm not -- I'm not -- I'm not certain that it was -- it was me personally who conveyed that to the board, whether I did it through one of my colleagues and/or to a representative of the board.

Q. Prior to playing whatever role you played in proposing Mr. Liddy to the AIG board to become AIG's CEO, did you try to satisfy yourself that he was an appropriate candidate?

A. I did.
Q. And -- did you say I didn't or I did?
A. I did.
Q. You did. And as part of trying to satisfy yourself that Mr. Liddy was an appropriate person to become AIG's CEO, did you investigate what he was doing at the time?
A. I didn't personally investigate what he was doing at the time, no.
Q. Did you try to find out what he was doing at the time through other people at the Federal Reserve?
A. I relied on the judgments of my colleagues at the Federal Reserve and the advice and recommendations of, as I said yesterday, I believe Ken Wilson and Hank Paulson as to his suitability and competence for that role.
Q. Is it fair to say that you reached your judgment that he was suitable for the CEO role based on the advice and recommendations of Mr. Wilson, Mr. Paulson, and perhaps other people at the Federal Reserve, and did not try yourself to assess his qualifications?
A. I did not -- apart from what I just referred to, I don't recall whether I, in addition to that, sought the advice of others or sought to otherwise assess for myself his qualifications.

Q. The question I'm asking is I understand Mr. Wilson, Mr. Paulson, perhaps others came to you and said, "We think Ed Liddy would be good for the AIG CEO position." Did they tell you more about -- that is, did they tell you why they thought that as opposed to merely telling you that they did think that?

A. Yes.

Q. And in telling you why they thought he was an appropriate CEO, did they tell you what he was doing at the time?

A. They may have. I do not recall what they told me about what he was actually doing at that time.

Q. You -- you did know, either from them or from some source, that he was the CEO of Allstate at some point, correct?

A. Yes.

Q. And did you understand that Allstate was a very different company from AIG?

A. Yes.

Q. You understood that Allstate, for example, had no complex commercial insurance, correct?

A. I don't believe I could have spoken to the scope of their insurance operations with any -- with any, you know, deep knowledge at that time.

Q. Did you know that Allstate had no international insurance business?

A. I probably knew that, but I don't recall what I knew.

Q. Did you know that Allstate had no CDS business?

A. That would not surprise me, but, again, I don't recall what I knew at the time.

Q. Did you know that Allstate had no derivatives book?

A. I did not know that. I did not -- I'm sorry, let me say it differently. I do not recall whether I knew that.

Q. Did you actually talk with Mr. Liddy prior to the time that you proposed him as CEO to the AIG board?

A. I believe you asked me that, but I'm not certain, and I don't recall whether I spoke to him before -- personally before we decided to ask him whether he was willing or before he was asked by someone else. I think when you asked me this before, I think I said that I may have called him to thank him for being willing to do it, and I don't recall if I spoke to him apart from that.

Q. He had already been contacted, both by Mr. Wilson and by Mr. Paulson, before you heard his name, correct?

A. I suspect that's the case, but I'm not certain.

Q. My question is simply whether you had had any conversation with him, other than perhaps to say thank you for doing this, on -- prior to the time that you proposed him as CEO of AIG.

A. I don't recall that I did.

Q. Okay.

Your Honor, I pass the witness.

THE COURT: All right, thank you.

Anything further, Mr. Dintzer?

MR. DINTZER: Yes, Your Honor.

Your Honor, I would like to start by moving in DDX 003, which is the inelegant chart I made during Secretary Geithner's cross examination.

THE COURT: Which is a demonstrative?

MR. DINTZER: Yes, Your Honor.

MR. BOIES: No objection, Your Honor.

THE COURT: All right.

(Defendant's Exhibit Number DDX 003 was admitted into evidence.)

RECROSS EXAMINATION

BY MR. DINTZER:

Q. Secretary Geithner, Plaintiffs' counsel asked you if there was a distinction between IPCs as to whether they satisfy the requirements of 13(3); that is, whether it is possible to lend. Could there be distinctions upon IPCs when the New York Fed is considering whether it should lend under 13(3)?

A. Of course.

Q. How so?

A. Well, the statute gives us -- this design gives us broad discretion in making judgments about what is appropriate -- what might be appropriate to do in different conditions with respect to different firms, different points in time. So, the statute gives us the ability to distinguish, to differentiate, to set different conditions based on the circumstances, the policy judgments we make.

Q. Now, yesterday, Mr. Boies asked you -- and I am going to put it up just so that I don't -- this is obviously a draft transcript, so -- but I'm just going to put it up so I can capture it.

"QUESTION: Did you ever tell that to GAO?"

And he's talking about the riskiness of the loan. Do you remember that?

"QUESTION: Did you ever tell the GAO that you thought that there was a substantial risk that there would be a loss of billions if not tens of billions of dollars on the AIG credit facility?"

Do you see that, sir?

A. Yes.

Q. Do you remember him asking you that?
A. I do.
Q. And, sir, I'm going to ask you to go to PTX 539 in your binder, and that's in the Plaintiffs' binder, I believe.
That's fine, I can go ahead and just do this on the ELMO, but it's -- oh, okay, sir.
May I approach, Your Honor?
THE COURT: Sure.
MR. DINTZER: Your Honor, this is at PTX 539, and it is the "Status of Government Assistance Provided to AIG," and we will move for the admission of this document, if it's not in.
MR. BOIES: It is not in, Your Honor. We have no objection.
THE COURT: All right. Plaintiffs' Trial Exhibit 539 is admitted.
(Plaintiffs' Exhibit Number 539 was admitted into evidence.)
BY MR. DINTZER:
Q. And it's September 2009, the date on this. Do you see that, sir?
A. Yes.
Q. Okay. And I'm going to ask you to go to page -- to exhibit page 49 of that. It's under a heading,

"Despite Efforts to Protect the Government, Some Risks Remain." Do you see that?

A. Yes.

Q. And it says, "Despite these efforts, the Federal Reserve and Treasury continue to carry significant exposure as a result of the assistance to AIG. Until the debt is repaid and the equity interests are repurchased or sold, the Federal Reserve and Treasury remain exposed to credit and investment risks."

Do you see that?

A. Yes.

Q. Okay. And I'm not going to ask you if you read this, but --

MR. BOIES: Just for completeness, could we read the next sentence, Your Honor?

BY MR. DINTZER:

Q. "The ongoing potential of systemic risk remains a concern until AIG is restructured and market conditions improve."

And I'm not going to ask you if you remember this, sir. I'm just going to ask you, do you have an understanding of where the GAO would have gotten information regarding the fact that the Federal Reserve and Treasury would remain exposed to credit risk or investment risk?

A. Well, among other things, they typically would have relied on substantial interaction with officials from the Treasury and the Federal Reserve.

Q. And do you have an understanding of what the term "credit risk" means?

A. Sure.

Q. What is it?

A. Well, it means -- it might mean the risk of loss on a loan, for example.

Q. Okay. No further questions on that document, sir.

Now, sir, I'm going to direct you -- and this is not in your binder -- to PTX 564, and this is some congressional testimony. It's in the Government's binder from yesterday, not the one you were just handed.

MR. BOIES: I think it may be in the --

THE COURT: It's in the same binder that you just gave us.

MR. DINTZER: Oh, is it also there? I stand corrected. Thank you, Counsel.

THE WITNESS: What number?

BY MR. DINTZER:

Q. It is PTX 564. Do you have that, sir?

A. Yes.

Q. Okay. And if you could just look at the front page, do you have an understanding of what this document represents?

A. It appears to represent a report on a hearing before the Government -- the House Committee on Oversight and Government Reform on January 27th. The title is "Federal Bailout of AIG."

MR. DINTZER: And, Your Honor, this has already been admitted into evidence.

BY MR. DINTZER:

Q. Sir, if you could turn to page 20 -- or, I'm sorry, exhibit page 28 of the exhibit. I'm not going to read this. The -- if you look at the screen, you'll see where I'm indicating. I'm not going to read this into the record, but beginning with "Maiden Lane," if you could just familiarize yourself with that portion, to the paragraph after, "If we had let AIG default," it says, "We did not have the luxury of time..."

If you could just familiarize yourself with that, sir, and let me know when you have.

A. Okay. (Document review.) Yes.

Q. So, in that -- in those three paragraphs, just generally, what's the discussion about?

A. It's kind of about the whole thing.

Q. Okay. And the sentence -- the first sentence that's highlighted underneath, "Now, although the

Government still faces the risk of substantial losses in its overall exposure to AIG, we expect that this particular transaction, the very one that is at the heart of so much controversy, will be paid off in full with interest, generating some profit for the American taxpayer."

Do you see that?

A. Yes.

Q. And so just so we can clarify, "the Government still faces the risk of substantial losses," when you were referring to that, what were you referring to?

A. Just what it says, that even in January of 2010, I believe --

Q. Yes.

A. -- it was at least my judgment that even at that time, we still faced the risk of substantial losses.

Q. And the reference to "this particular transaction," was that in reference to ML III, discussed above?

A. I don't think so. I think it was in reference to AIG, because the prior sentence -- the prior clause says "overall exposure to AIG," and so I was referring to -- I believe I was -- I'm not certain, but I believe I was referring to the entire AIG program as opposed to the other things we did in the crisis.

Q. I see. And that's in January 2010?
A. Yes.
Q. Okay. No further questions on that document -- on that page, sir. If you could turn to page -- exhibit page 42 of that same document. Do you see that at the second paragraph?
A. Yes.
Q. It states, "The U.S. Government is still exposed to substantial risk of losses on its investments in AIG. That risk was inevitable, was unavoidable, and we cannot know at this point what the scale of those losses will be."
A. Yes.
Q. Was that the extent of your understanding of the AIG loan in -- that was made in September 2008?
A. Yes.
Q. And now I'm going to ask you to go to exhibit page 125, and you were asked a question by Mr. Westmoreland:
"QUESTION: It is obvious that the AIG deal is a bad deal for the taxpayers. Is this deal being renegotiated and is anybody at the Treasury working with AIG to try to renegotiate this deal?"
And you gave this answer:
"ANSWER: Congressman, it is a better deal for

the taxpayer than the alternatives, and is proving, in many ways, far better than many of us thought, although, as I said, the U.S. Government is still exposed to substantial risk of losses."

Do you see that?

A. Yes.

Q. And is that consistent with your belief then and earlier in 2008 when you thought that there was risk of loss on the loan?

A. Yes.

Q. No further questions on that document, sir.

Sir, earlier in your testimony you discussed -- I showed you some of Mr. Alvarez's notes. Do you remember that?

A. Yes.

Q. Okay. I'm going to show you a different page of notes, and, again, I'm not going to ask you if you remember them, but these are identified from September 16th, 2008. Do you see that?

And it shows HP and BB. Do you have a sense of who that might be?

A. Henry Paulson and Ben Bernanke, I suspect.

Q. Okay. And then on the second page of those notes, do you see that, TG, as a reference? Would you think that that's you, sir?

A. Yes.
Q. And next to your name it says, "Legal authority, yes. Economic security, reasonable, not free from loss." And then two sentences down, "Reduce risk, believe so, but still -- but risk still."
Do you see that?
A. Yes.
Q. Okay. I'm not going to ask you to remember what was going on in the room then, but are those comments and ideas consistent with what you believed in September 2008?
A. Yes.
Q. And what was that, sir?
A. That although we believed we met the legal test in 13(3), that we could be secured to our satisfaction, that there was still substantial risk or there was still risk in that transaction, and that the collateral we could rely on was reasonable, but, of course, not free from loss, from the risk of loss.
Q. And did you make that point to -- in -- to the best of your memory, sir, in one or more of the meetings with Secretary Paulson and Chairman Bernanke on that day?
A. Of course.
Q. Thank you.

We have no further questions, Your Honor.
THE COURT: All right. Mr. Geithner, thank you very much for your testimony in this matter. You are excused.
THE WITNESS: Thank you.
MR. DINTZER: Your Honor, if it's okay with the Court, could I please walk the witness out and go get the next witness? It will take about two minutes.
THE COURT: I wondered if you wanted to take a few minutes to clear up these Doomsday Book issues?
MR. DINTZER: Oh, okay. That would be fine, Your Honor.
THE COURT: I don't think it will take very long.
I think we first need to hear from Mr. Kiernan regarding the need to treat these documents under seal.
MR. KIERNAN: Yes, Your Honor.
May I approach?
THE COURT: Yes. You can discuss the issue without being under seal?
MR. KIERNAN: Yes. Yes, Your Honor.
THE COURT: Okay.
MR. KIERNAN: Your Honor, you have the copies of the two exhibits in question, and you see that -- what they are, DX 651 and I believe 7 is the other one.

THE COURT: Yes.

MR. KIERNAN: You see what they are is -- that there is some editorial content to them, and they are also a collection, an index to a series of memos on a very broad range of subjects. Those are very sensitive subjects, and they deal with the Federal Reserve's view of its legal authority and various policy issues associated with a wide range of potential emergency conditions that could arise, the overwhelming majority of them having nothing to do with anything involved in this case. So, this is obviously very sensitive material.

Now, we were very mindful of the Court's general indication earlier that it did not presumptively attach confidentiality to documents that dated from several years back. Some of these documents -- there are two forms of this book. One is a 2012 version, another is a 2006 version, but even the 2006 version has memos that have some continuing vitality and sensitivity, and these are matters as to which it was very important to the Federal Reserve that they not become available for public review. These are internal policy matters of great sensitivity to the Board, to the Federal Reserve Bank.

So, what we did, when order number six was issued, is we produced a redacted version of this document, and counsel came back to us, Plaintiffs' counsel, with whom we had very constructive discussions throughout the discovery process, a lot of back-and-forth in order to try to put -- avoid putting matters in front of the Court, in which there was a lot of give and take among both of us. And they pushed back very hard and said, "We have looked at the title of the book, you have given us some memos from this book, we really think we need to see the whole thing in unredacted form."

We said, "It's privileged, has nothing to do with it." And after a lot of discussion among ourselves, we reached the agreement that we would produce to them the unredacted form of the book, but because of the enormous sensitivity, would -- they would agree that it would be for attorneys' eyes only, so the highest level of confidentiality, and that there would be no waiver of privilege attached to it, and that's the agreement that we reached.

They were then able to see that we had provided to them the memos that were responsive to order number six that were under the -- under the book, and now, of the tens of thousands of documents that we have produced in this case, the Federal Reserve Bank of New York has sought to retain confidentiality because of the internal sensitivity of only this one, and I don't think it's disputed by any of the parties that this does contain confidential, proprietary, and important sensitive information of the Bank.

THE COURT: What I need to know is to what extent are we talking about whether the document needs to be sealed, on the one hand, and on the other hand, whether portions of it ought to be produced at all?

MR. KIERNAN: Well, so, what we -- what we did, Your Honor, was we -- the -- as part of the compromise process of the discovery process, we originally took the position that it shouldn't be produced at all. Given that the thrust of the Court's rulings on discovery matters, which clearly indicated that the Court was inclined to resolve doubts in favor of letting Plaintiffs see things, we reached the conclusion in discovery that the right answer, rather than have further motion practice before the Court, was with respect to this unique document to treat it with great care, produce it to them, but get from them the attorneys' eyes only arrangement and the understanding that they would agree not to oppose its being treated as under seal throughout the case.

So, I think -- it's been produced now. We -- we didn't oppose its coming into evidence, because there are portions of it that are relevant. We didn't propose a redacted version, because we had agreed that it wouldn't be redacted, but we did reach the proposal that it be kept under seal, and we did follow that.

THE COURT: But if I understand you then, the entirety of the two documents have been produced to Plaintiff?

MR. KIERNAN: Produced to Plaintiffs on an attorneys' eyes only basis.

THE COURT: Right, right, okay.

MR. KIERNAN: Yes, Your Honor.

THE COURT: All right.

Mr. Boies?

MR. BOIES: Let me just clarify the last statement, because while I don't think it relates to the sealing issue directly, I think it does relate to the second issue that we've got to take up, and that is that when he says we have the complete documents, what we have is the complete summary or index.

As the Court will recall from the testimony of Mr. Geithner and from the description on the very first page of the documents, the Doomsday Book is a thick compilation of materials. We don't have all those materials. What we have is the summary or the index.

Now, I think that that summary and -- or index itself does contain some material that either is itself or summarizes attorney-client information, and other than the 13(3)-related materials, that is not something that I think is essential for this case. While, as the Court knows as a general proposition, I strongly oppose the idea of redacted documents in a court proceeding; however, this may be the very unusual case where the appropriate result would be to redact -- and perhaps relatively heavily redact -- these documents so that the only thing that appears there is what is relevant to this case. I suspect that we could work out 80 to 90 percent of that amongst ourselves if that was an approach the Court was inclined to take.

THE COURT: Well, what I want to be sure the Plaintiff has in this case would be all Federal Reserve Bank or Board legal memos relating to an analysis of authority under Section 13(3), because I think all of that is relevant to the case, and I don't care if they go back to 1930 or not. I think, obviously, nobody was talking about AIG at that point, but to the extent legal memos have been prepared over the years addressing the Fed's authority under that section, I think they ought to be produced, because I believe there's been a subject matter waiver of that.

MR. KIERNAN: Well, Your Honor, on that -- now, if I can just take things one thing at a time --

THE COURT: Sure.

MR. KIERNAN: -- on the -- on the documents, what Mr. Boies is proposing, as I understand it, is that the exhibits that were just placed in evidence, that there be a public version of those -- of those documents that contains redactions of the relevant material, and that makes complete sense to us, and we have no objection to that.

THE COURT: Okay.

MR. KIERNAN: On the memos that are -- that are identified in this document, Mr. Boies is right that it's mostly a compilation of titles of memos. What we did, Your Honor, was we produced all memos identified in this book that were responsive to discovery order number six and had an indication from -- in writing from Plaintiffs that if they thought there were other memos identified in this that were properly producible, they would get back to us, and they never got back to us, and discovery ended some months ago.

So, it -- this is an issue that was presented, available for discussion, and discovery ended without a further request for any memos, other than the ones we have produced to them from this compendium.

THE COURT: Well, due to the seeming importance of the legal issue to this case under Section 13(3), would you take another look, please, and if there are any legal memos that have not been produced to Plaintiff dealing with the legality of the equity issue we have in this case, would you make sure that Plaintiff gets a copy of them?

MR. KIERNAN: Yes, Your Honor. I can represent to you with certainty that all documents relating to the legality of the equity issue have been produced. Just to give you an example, there's a memo in here about authority to lend to municipalities under Section 13(3). In other words, there are other materials that are related to Section 13(3) but not related to the matters covered in order number six.

We scrupulously reviewed these for responsiveness under the -- now, I -- the one thing I would add is we did apply the Court's time limitations. You've just said those are not applied. What we did on that with counsel was there were times that counsel asked for particular documents that were outside the time limitations of order number one, and when they did that, we addressed them on an individualized basis. You've already seen two memos from 1968 admitted in evidence that Plaintiffs saw on the list and asked to be produced and they were produced.

So, again, that's a process that we went through in the discovery process. It ended with a letter from them saying, now that we have the unredacted book, if we have other documents from that book that we think we're entitled to, we'll reach out to you. I can give the Court a copy of that letter. That was dated in July. We never heard a further request.

THE COURT: No, I don't need to see the letter. I just want to be sure that the Plaintiff has everything that they're entitled to here based on a subject matter waiver on the legality issue.

MR. KIERNAN: Okay. Now, Your Honor, is the waiver that you're describing different from the terms of order number six?

THE COURT: I think it's broader at this point now that I see what's at stake and how the issue may have evolved over the years. I don't think there should be any time limitation on this. We should go back in time and, you know, see the sequence of how the issue was developed.

MR. KIERNAN: All right.

THE COURT: If there's anything that hasn't been produced, I think it ought to be produced.

MR. KIERNAN: Well, as I say, on the issue of equity, that's easy to do, but it sounds like the Court is asking for that more broadly than equity -- than on the issue of equity, just on sort of other matters related to Article -- Section 13(3), beyond what was in discovery order number six.

THE COURT: Yes.

MR. KIERNAN: I have the Court's instruction on that. I don't know if the United States has any comments, but I understand what you're -- that will require some further review.

THE COURT: I appreciate -- I appreciate you being here to participate in all of this, and thank you for your cooperation.

MR. KIERNAN: Yes, sir. Thank you.

MR. DINTZER: Your Honor, if we could be heard just for a moment on that?

THE COURT: Sure.

MR. DINTZER: We heard what the Court said. We just want to make sure we understand. The Court expanded the scope of the time for discovery order six dating back basically to the creation of 13(3), as we understand it.

THE COURT: As to this issue.

MR. DINTZER: As to this issue. Okay, thank you, Your Honor.

THE COURT: All right.

MR. BOIES: And, Your Honor, I just want to be clear so that there's no misunderstanding. As I understood it, there were really two things. One, it was the time, but also, discovery order six was limited to the materials related to the AIG equity. Here, we're asking for all the legal memos with respect to 13(3) power that try to define what that power is in their view.

THE COURT: That's correct. That is correct.

MR. BOIES: Thank you.

MR. DINTZER: Your Honor, may we be heard on that -- well, the -- just so that the Court understands, this would require us to go back, I mean, during trial, and I -- honestly, I have no idea what this would entail, because we haven't done it -- but to look at and reconsider the discovery and the privilege assertions that we've made and that they have accepted, the Plaintiffs have accepted in discovery, as we are trying the case going forward.

And we would ask the Court, if that's what the Court's asking us, to at least give us a chance to be heard on the subject.

THE COURT: Well, I -- it doesn't seem to me like it's going to be a massive undertaking. I think it's relatively a limited inquiry to see what legal memos exist over time --

MR. DINTZER: So, just legal memos. We're not talking about every possible email? We need to understand just so we can understand the scope, that the Court is asking us whether legal memos exist with respect to other aspects of 13(3)?

THE COURT: Well, when you say "other aspects," I think we all understand what the issues are in the case.

MR. DINTZER: The eligibility of equity and whether it's legal to put forth?

THE COURT: Yes, yes.

MR. DINTZER: My understanding is -- and I can check, but my understanding is especially with the time component that the Court has described, which we can take a look at, the breadth of the scope is the same -- what the Court is saying now and what we understood it to be, which is that documents that -- and I am going to ask Mr. Mizoguchi to join me here.

THE COURT: I thought we were almost at the end of this and now everybody's standing up again.

MR. DINTZER: I think, given our obligations to the Court, we all want to make sure we don't make a mistake and we all understand exactly what the Court's asking us.

THE COURT: Sure.

MR. KIERNAN: Can I ask a clarifying question, Your Honor?

THE COURT: Yes.

MR. KIERNAN: Just as a for-example, Your Honor reviewed in camera a document that we had redacted earlier in the case, and what you saw, what we had redacted was a memo on authority under 13(3) to restructure debt. Now, I'm interpreting that as not what you're looking for.

What you're really asking me to do in good faith is I know what the heck's involved here --

THE COURT: Yeah.

MR. KIERNAN: -- and it's -- you're saying equity, but if there's something else about -- that is directly related to one of the central issues that has been presented in the case, you're asking me in good faith to not be limited by date range and to take another look at the legal memos.

THE COURT: Correct. That's the task.

MR. KIERNAN: I understand that, Your Honor.

MR. DINTZER: With that, Your Honor, what we would ask is, now that we have an understanding of what the Court is asking, which I'm pretty sure I do, if the

Court would allow us to go back, consider what that means, and allow us to come back before the Court on this issue once we have an understanding of what that undertaking might entail.

THE COURT: Sure. That's fine.

MR. DINTZER: We appreciate that, Your Honor.

MR. BOIES: Your Honor, as an interim measure, could we get at least those materials that are in the Doomsday Book? The Doomsday Book is something that exists and they can do that very quickly. Could we at least get the Doomsday Book materials?

THE COURT: I think that's a fair request. That shouldn't be too difficult.

MR. KIERNAN: I think that would require the review -- just need to collect and review just a very small number of documents to see if they fall within the scope of the Court's inquiry. I think the answer may be that there are none, but I will try to confirm that as quickly as we can.

THE COURT: All right, very good.

Okay, I think we're ready for the next witness.

MR. BOIES: Your Honor, we now call Chairman Bernanke.

THE COURT: All right.

Please step forward, sir. Please raise your right hand.

Whereupon--

BEN S. BERNANKE

a witness, called for examination, having been first duly sworn, was examined and testified as follows:

THE COURT: Please be seated.

DIRECT EXAMINATION

BY MR. BOIES:

Q. Good afternoon, Chairman Bernanke.

A. Good afternoon.

Q. We are going to hand up some materials that you may already have. I think you have, if I can approach, two binders.

A. Yes, sir.

Q. One contains your deposition. The other contains some documents that we will be using. In addition, we have a copy of your book that has been marked as an exhibit.

I believe the Court has a copy of his book. It's that very thin volume.

THE COURT: Yes, I do. Thank you.

BY MR. BOIES:

Q. As the United States Central Bank, the Federal Reserve is the nation's lender of last resort, correct, sir?

A. Yes, sir.

Q. And there is something called the Bagehot Rule, as you're familiar with, correct?

A. Yes, sir.

Q. And you believe that if a Central Bank follows Bagehot's Rule, it can stop financial panic, correct?

A. The Bagehot Rule is part of doctrine. It's not a complete and comprehensive recipe for stopping financial panic, sir.

Q. If I can direct your attention to the bottom of page 7 --

A. Of?

Q. -- of your book that has been marked as Plaintiffs' Trial Exhibit 708. Do you see the last sentence on that page that says, "If a Central Bank follows Bagehot's Rule, it can stop financial panic"?

A. I do.

Q. And as you describe it, Bagehot's Rule is that Central Banks should lend freely to whoever comes to their door as long as they have collateral, correct?

A. The rule is stated as lend freely at a penalty rate.

Q. And a penalty rate is an interest rate that is slightly higher than the interest rate that would be charged under normal circumstances, correct?

A. Yes, sir.

Q. In September of 2008, there was clearly a financial crisis, correct, sir?

A. Yes.

Q. In your view, when did that financial crisis start?

A. It had stages. It became distinctive in August of 2007. There was an upsurge in March 2008, around the Bear Stearns episode. And then it became extremely severe after Lehman failed in two thousand -- September of 2009.

Q. And there came a time when you concluded that, in the absence of a Federal Reserve credit facility, AIG would go into bankruptcy, correct?

A. Yes, sir.

Q. And you concluded that if AIG went into bankruptcy, that would have catastrophic consequences for the American economy and the American people.

A. We were very concerned about that possibility, yes, sir.

Q. And not only were you very concerned about that, but you believed that the country at that time was in the most severe financial crisis since the Great Depression, correct?

A. Yes, sir.

Q. And, indeed, you were a scholar of the Great Depression, correct?

A. Yes, sir.

Q. And you believed that September and October of 2008 was the worst financial crisis in global history, including the Great Depression, correct?

A. Beginning in the middle of September and going through October, yes.

Q. And you believed that 12 out of the 13 most important financial institutions in the United States were at risk of failure within a period of a week or two during that crisis period, correct?

A. I think I would retract a week or two. It was a little bit longer period, but certainly a large number of financial institutions came under significant stress.

Q. Is it fair to say that during September and October of 2008, 12 of the 13 most important financial institutions in the United States were at risk of failure?

A. Well, at that point, Bear Stearns had been taken over, Fannie and Freddie had been taken over, so some of these fund companies had already failed or been resolved. One or two of the banks had more problems later on, so that's why I think the "within a week or two" is an exaggeration. But certainly there was an

enormous amount of stress on financial institutions.
Q. And I'm accepting that a week or two is too short a period, and what I'm doing is I'm expanding that to the period that you talked about, which was September and October of 2008. Do you understand that?
A. Yes, sir.
Q. And what I'm asking is, do you agree that during September and October of 2008, that 12 of the 13 most important financial institutions in the United States were at risk of failure?
A. Sir, I'm just correcting that in that catalog is included some of the firms that had already experienced stress, including Bear Stearns, Fannie Mae, and Freddie Mac.
Q. Let me see if I can adapt what you're saying. You're saying that during September and October of 2008, 12 of the 13 most important financial institutions in the United States had either failed or were at risk of failure. Is that fair?
A. Yes.
Q. You have and a number of people have referred to systemic risk. Could you tell the Court what you mean by "systemic risk"?
A. Systemic risk is the risk that the broad financial system will come under severe stress, that

will have sufficient effect to damage the broader economy.

Q. And institutions that have systemic risk can include commercial banks, correct?

A. Sir, systemic risk is a term that applies to the system as a whole. Institutions that are systemic are institutions whose failure may contribute to systemic risk.

Q. And using "systemic institutions" in the way you do, systemic institutions -- that is, those institutions whose failure may contribute to systemic risk -- can include a wide variety of types of institutions, correct?

A. Yes, sir.

Q. And those institutions include commercial banks and investment banks and other financial firms, correct?

A. Yes, sir.

Q. And one of those other financial firms was AIG, correct?

A. Yes, sir.

Q. The week of September 16th and the few days immediately preceding September 16th were a time of great activity in the crisis, correct?

A. In the crisis, did you say?

Q. Yes.

A. Yes, sir.
Q. And one of the things that happened just before September 16th was that Merrill Lynch was announced to be acquired by Bank of America under circumstances that caused people to believe that Merrill Lynch was in severe trouble, correct?
A. Yes, sir.
Q. And that substantially unsettled the financial markets, correct?
A. I'm not sure. The -- on the other side, the fact that it had been acquired and was, therefore, perceived to be in safe hands was a positive factor.
Q. It certainly was more positive that it was acquired and in safe hands than it went bankrupt, but is it your testimony that the entire circumstances of Merrill Lynch's acquisition by Bank of America did not unsettle the financial markets?
A. I think it's difficult to say, because people already knew that Merrill Lynch was a weak institution.
Q. Let me put it this way: The perceived weakness of Merrill Lynch, which culminated in its acquisition by Bank of America, was something that unsettled financial markets. Fair?
A. You mean including the weakness that went back earlier in the year?

Q. Yes.
A. Yes.
Q. And then there was the Lehman bankruptcy, correct?
A. Yes, sir.
Q. And the Lehman bankruptcy was an enormous shock that affected the entire global financial system, correct?
A. Yes, sir.
Q. And it worsened the financial crisis that was already under way enormously, correct?
A. Yes.
Q. And it created a huge loss of confidence in other financial firms and created pressure on a wide variety of other financial firms, including investment banks and others, correct?
A. Correct.
Q. And one effect of the Lehman bankruptcy was there was a very intense run on market -- money market funds, correct?
A. Yes, sir.
Q. And in the days immediately following the Lehman bankruptcy, $100 billion a day was flowing out of those funds, correct?
A. I don't know the exact numbers, but there were

substantial outflows, yes.

Q. Now, let me ask you to look at Plaintiffs' Trial Exhibit 708, which is your book, at page 88, continuing on to 89.

A. Yes, sir.

Q. I'm sorry, it's pages 81 to 82.

MR. DINTZER: Your Honor, if we could just clarify, counsel's referring to it as the witness' book. I don't think that that's technically accurate, and, I mean, he's welcome to set a foundation for it, but it's not a book actually written by the witness. I just want to make sure the record's clear about it.

MR. BOIES: I will pursue that with the witness, Your Honor.

THE COURT: Okay.

BY MR. BOIES:

Q. What we have marked as Plaintiffs' Trial Exhibit 708 is something entitled The Federal Reserve and the Financial Crisis, Lectures by Ben S. Bernanke, correct? Do you see that?

A. I do.

Q. And did you, in fact, give the lectures that are printed in this book?

A. I gave verbal lectures to students, which were transcribed and constructed into a book, yes.

MR. BOIES: Counsel, do you want me to do anything else?

MR. DINTZER: That's fine, Your Honor. I'll pursue it on cross.

BY MR. BOIES:

Q. Let me ask you to look at pages 81 and 82, and on page 82 of the book that comprises your lectures, there is a chart that shows the inflow or outflow into prime money market funds, September 7th through 24th of 2008, correct?

A. Correct.

Q. And that was -- that's a chart that you prepared, correct?

A. I don't recall -- no, I didn't prepare it certainly, and I don't recall this chart.

Q. Did you --

A. Well, I --

Q. -- use this chart in your lecture?

A. I don't recall it, but I presume I did, and a staff member would have prepared it.

Q. Would have prepared it for you?

A. Yes.

Q. And you would only have used this if you were confident it was accurate, right?

A. Yes.

Q. As the money market funds began to face runs, they, in turn, began to dump commercial paper as quickly as they could, and as a result, the commercial paper market went into shock, correct?

A. Correct.

Q. Prior to September of 2008, going all the way back into 2007, you and Vice Chairman Kohn and Mr. Geithner, the president of the New York Fed, agreed that it was necessary to make it clear that the Federal Reserve was willing to inject liquidity into markets, correct?

A. Yes.

Q. And that was in part because fear was building across the financial system, especially in areas that touched housing, correct?

A. Yes.

Q. And when you had securities backed by so-called nonconforming mortgages, no one knew how much they were worth and, as a result, everybody was running away from them, correct?

A. That's correct. Sir, may I make -- "nonconforming" is not quite the right term. You mean those not eligible for Fannie and Freddie? "Nonconforming" typically refers to very large mortgages, but I take your point.

Q. I did mean mortgages that did not conform to -- to Fannie and Freddie. I actually used the word "nonconforming" because I thought that was something that you had used.

A. I would say private label.

Q. Private label?

A. Um-hum.

Q. If you look at page 119 of the book comprising your lectures -- I apologize, I can't seem to find that.

MR. DINTZER: Counsel, just for future reference, are you giving the page -- the book page number or the exhibit page number?

MR. BOIES: I'm using the book page number.

MR. DINTZER: Okay.

MR. BOIES: What I'm trying to do -- we started out having xeroxed copies. We've now, I think, moved to the book because it's easier to do it, as well as it will benefit the authors, and so I'm using the book page numbers, you know, going forward.

THE COURT: Yes. I'm clear on it.

MR. DINTZER: Thank you, Counsel. I just wanted to make sure.

THE COURT: I'm clear on that.

BY MR. BOIES:

Q. Let me -- let me turn to AIG. On September

16th, AIG came under enormous attack from people demanding cash either through margin requirements or through short-term funding, correct?

A. I believe that was anticipated from the previous week, but there were demands for collateral, yes, that's right.

Q. And this was the equivalent of a run on the bank, correct?

A. Not entirely, sir. Part of it was because of the potential downgrade to the company, which triggered contracts which allowed for additional collateral.

Q. But in addition to that, AIG was facing what was the equivalent of a run on a bank, correct, sir?

A. I -- I'm not sure I agree, sir.

Q. Do you agree that AIG had come under enormous attack from people demanding cash either through margin requirements or through short-term funding?

A. I'm not too aware of the short-term funding issue, but on the margin and collateral demands, those were entirely contractual and triggered by the loss of value of the CDOs and the downgrade.

Q. Let me try to deal with the short-term funding issue by asking you to look at page 73 of your lectures.

A. Okay.

Q. And the second full paragraph on the bottom of the page, where you say, "On September 16th, AIG, the largest multidimensional insurance company in the world, which had been selling credit insurance, came under enormous attack from people demanding cash either through margin requirements or short-term funding."

Do you see it?

A. I do see that.

Q. And the next line says, "The Fed provided emergency liquidity assistance for AIG and prevented the firm from failing."

And I take it you would agree with all of that?

A. Yes.

Q. And you knew on September 16th that AIG did not have any alternative other than bankruptcy, except for a 13(3) loan, correct?

A. By September 16th, we knew that, yes, I think. Yes.

Q. And you believed that an AIG bankruptcy would threaten the stability of the global financial system, correct?

A. Yes.

Q. And you believed that an AIG bankruptcy would have severe adverse effects on AIG's counterparties, including many of the world's largest banks and financial institutions, correct?

A. Yes.
Q. And in your estimation, the failure of AIG would have been basically the end, it was interacting with so many different firms, it was so interconnected with both the U.S. and the European financial systems and global banks, correct?
A. Yes.
Q. And you believed that an AIG bankruptcy would be a catastrophe, correct?
A. Correct.
Q. And in the case of AIG, there was not much doubt in your minds. This was a case where action was necessary, if at all possible. Correct?
A. Correct.
Q. And you concluded on September 16th that action was, in fact, possible, correct?
A. Yes.
Q. And there was a meeting of the Federal Reserve Board of Governors on September 16th to consider providing credit to AIG, correct?
A. Correct.
Q. And you presided over that meeting, correct?
A. Yes.
Q. And let me ask you to look at Exhibit -- Joint Exhibit 63. It is in your binder of exhibits that

you've been handed.

A. I have it.

Q. And these are the minutes of the Board of Governors meeting on September 16th, correct?

A. Correct.

Q. And who prepared these minutes?

A. Staff members would have prepared them.

Q. Do you know what staff members?

A. I don't know specifically, no.

Q. Did you review these minutes before they were distributed?

A. I did.

Q. And did you satisfy yourself that they were an accurate and fair description of what occurred at the meeting?

A. I did.

Q. We would ask you to turn to page 5 of the minutes. Pages 5 through 10 represent a term sheet that the Board of Governors reviewed at the time of the September 16th meeting, correct?

A. They were not part of the minutes, sir, but I -- it does appear to be the term sheet that we discussed at the meeting, yes.

Q. And this document, Joint Exhibit 63, was produced to us from the Federal Reserve Board files as a single document. Are you saying that this is not the way it is kept in the regular files of the Federal Reserve Board?

A. I'm not 100 percent certain, but I don't believe that the term sheet would have been part of the minutes, because the minutes are made public, and I don't think this -- this particular document was made public.

Q. You don't have any doubt that this document was attached to the minutes in the files of the Federal Reserve Board, do you?

A. I have no knowledge, sir.

Q. No knowledge one way or the other?

A. No.

Q. Do you keep a copy of the minutes in your office?

A. No, sir.

Q. Who keeps a copy of the minutes for you?

A. There's a secretary to the Board. Her name was Jennifer Johnson. She kept all the minutes for the Board and the Federal Open Market Committee.

Q. And where are those minutes maintained?

A. Well, I believe they're online, so electronically.

Q. Where is the paper copy kept?

A. I would look in the Office of Board Members, but

I -- that's all I know.

MR. BOIES: Your Honor, could I ask the Court whether we could have the original of these minutes produced, whatever is actually attached to them? This is the first time it's been suggested to me that this is not an authentic copy of the minutes and their attachments, and I think the record ought to be clear as to exactly what the actual document in the Federal Reserve Board files is.

THE COURT: Well, you know, we had a discussion between witnesses here which entailed a bit more search of documents, and I want to avoid prolonging discovery after we're in the middle of trial. So, I'm not inclined toward this direction. I mean, you have had a full opportunity to get to these files.

MR. BOIES: Yes, and this was produced to us. In other words, literally, until this trial, I had no reason to doubt that this was a complete, accurate representation, but I take the Court's point, and --

THE COURT: All right.

MR. BOIES: -- I'll move on.

THE COURT: On this, let's live with what we have.

MR. BOIES: Okay.

BY MR. BOIES:

Q. Page 4 of Exhibit 63 is a resolution. Do you see that?
A. Yes, sir.
Q. Was that resolution a part of the minutes?
A. Yes. I would believe so.
Q. Let me be sure I have your testimony. This term sheet that is part of Joint Exhibit 63, is it your testimony that this exhibit was considered by the Board of Governors on September 16th?
A. The term sheet?
Q. Yes.
A. Yes.
Q. And what is here as pages 5 through 10 of Joint Exhibit 63 is the term sheet that was considered by the Federal Reserve Board of Governors on September 16th?
A. I haven't reviewed it, but I assume that this is the copy that we saw, yes.
Q. And am I correct that the Federal Reserve Board of Governors only saw one term sheet related to the AIG credit facility?
A. That is my recollection.
Q. Am I also correct that this September 16th, 2008, Board of Governors meeting was the only meeting of the Board of Governors that was held prior to the time that the credit agreement was actually executed?

A. On the subject of AIG?

Q. Yes.

A. That's correct.

Q. Now, the term sheet that the Federal Reserve Board of Governors considered on September 16th provided that there would be warrants that would be made available in connection with the credit facility, correct?

A. Yes, sir.

Q. And you understood that those warrants would have an exercise price, correct?

A. Yes.

Q. And you understood that the warrants would not have a vote until they had been exercised, correct?

A. Yes.

Q. And you understood that in order to exercise those warrants for 79.9 percent of the common stock of AIG, there would have to be shareholder approval, correct?

A. I think I've learned that since. I'm not sure that I knew that at the time.

Q. Let me ask you to look at page 6 of Joint Exhibit 63 and the second item down, after "Warrants," it says, "Periodic Commitment Fee." Do you see that?

A. Yes, sir.

Q. And it says, "Prior to Shareholder Approval of the increase in authorized shares, 2.5% payable in kind every 3 months after closing. After Shareholder Approval, 50bp every 3 months after closing."
Do you see that?
A. Yes, sir.
Q. And am I correct that the purpose of that commitment fee was to encourage the board and shareholders of AIG to approve the increase in authorized common stock by charging more interest until that happened and then less interest after that happened?
A. If you're asking me if I recall a discussion of this, I don't recall any discussion of the point.
Q. Do you recall having an understanding about that point at the time?
A. No, sir.
Q. The term sheet provides for a drawn interest rate of three-month LIBOR plus 8 1/2 percent with a 3 1/2 percent LIBOR floor. Do you see that?
A. Yes, sir.
Q. Who proposed that interest rate?
A. I believe it was the Federal Reserve Bank of New York.
Q. Do you know what the basis was for the Federal

Reserve Bank of New York proposing that interest rate?
A. I have since learned something about it, but at the time, I didn't know.
Q. When did you learn what the basis was for the Federal Reserve Bank of New York proposing that interest rate?
A. After the fact, in reading about it.
Q. By "after the fact," give me an idea about what year are you talking about.
A. I mean the last couple of years.
Q. Just the last couple of years?
A. Yes, sir.
Q. At the meeting on September 16th of the Board of Governors, did anybody ask anyone from the Federal Reserve Bank of New York what the basis was for the drawn interest rate?
A. Not to my recollection.
Q. There's also a provision here for an 850 basis points per annum undrawn fee. Do you see that?
A. Yes, sir.
Q. And just so that the record is clear, what an undrawn fee is is a fee that is applied to the amount of the credit facility that actually has not been drawn down, correct?
A. Correct.

Q. So that this credit facility was for $85 billion. Is that correct?

A. Yes, sir.

Q. And so if AIG had drawn down $45 billion, they would be paying a drawn interest rate on that $45 billion of three-month LIBOR plus 8 1/2 percent, with a 3 1/2 percent LIBOR floor, correct?

A. Yes, sir.

Q. And on the $40 billion that they had not drawn, they would be paying 8 1/2 percent interest, correct?

A. That's my understanding.

Q. And they would be paying that 8 1/2 percent interest on money that they had not borrowed but was still in the hands of the Fed, correct?

A. Yes, sir.

Q. In addition to the drawn interest rate and the undrawn rate, there was the periodic commitment fee that we talked about, correct?

A. Are you referring -- yes, sir, I see what you're seeing.

Q. And that periodic commitment fee was paid on the entire $85 billion. Is that correct?

A. I'm not sure I understand the commitment fee, sir. Like I said, I don't recall discussion of it. It says "payable in kind." Does that mean shares? I'm not sure.

Q. Did you ever discuss at this September 16th meeting what the payment in kind meant?

A. I don't recall.

Q. Now, in addition to the drawn interest rate and the undrawn fee and the periodic commitment fee, there was a commitment fee, correct?

A. Yes, sir.

Q. That is, there is a commitment fee in addition to the periodic commitment fee, correct?

A. Yes.

Q. And the commitment fee was 3 percent of the total facility payable on the closing date, correct?

A. Yes.

Q. And was there any discussion at the September 16th Board of Governors meeting concerning the basis for the commitment fee?

A. I don't recall.

Q. Was there any discussion at the September 16th Board of Governors meeting concerning the basis for the undrawn fee?

A. I don't recall.

THE COURT: Mr. Boies, let me know when you would like to break for lunch.

MR. BOIES: This is a convenient time, Your

Honor.

THE COURT: All right. Let's take our lunch break. We will come back at 1:45.

(Lunch recess, 12:44 p.m. to 1:45 p.m.)

AFTERNOON SESSION

(1:45 p.m.)

THE COURT: Thank you. Please be seated.

MR. DINTZER: The witness will be here in just a moment, Your Honor.

THE COURT: Okay. He would be one indispensable party to this proceeding.

(Witness present.)

THE COURT: All right. Let's go ahead, Mr. Boies.

MR. BOIES: Thank you, Your Honor.

BY MR. BOIES:

Q. Before the luncheon break, we were talking about the terms of the term sheet that was considered by the Federal Reserve Board of Governors at the September 16th, 2008, meeting. Do you recall that?

A. Yes, sir.

Q. And I had asked you a question about where the drawn interest rate had come from, and you said that had been proposed by the Federal Reserve Bank of New York. Is that correct?

A. Yes, sir.

Q. I want to ask you that same question with respect to some other elements. Where did the undrawn fee come from?

A. I can't go term by term. I believe the whole term sheet was prepared by the Federal Reserve Bank of New York.

Q. And you --

A. Perhaps with some staff assistance. I don't know.

Q. Do you know any source of any of these terms, other than the Federal Reserve Bank of New York?

A. I did not at the time, no, sir.

Q. And in September of 2008, did you understand what the basis was for the Federal Reserve Bank of New York proposing these terms?

A. I understood that the overall goal was to minimize the windfall to the shareholders of AIG from being bailed out, but I couldn't go term by term and explain them to you, no.

Q. Other than understanding that it was the overall goal of the Federal Reserve Bank of New York to minimize what you refer to as the windfall to AIG's shareholders, did you have any understanding at all about what the source or basis was for any of the terms in the term sheet?

A. Well, I understood that the equity component was additional compensation to the taxpayer for the risk that was being taken.

Q. Anything else?

A. Not at this moment, sir.

Q. Now, when you say that the equity component was additional compensation for the taxpayer for the risk that was being taken --

A. Yes, sir.

Q. -- was that something that was told to you by somebody?

A. I don't recall.

Q. Did you ever see anything in writing that said that the equity component of the term sheet was additional compensation for the risk that was being taken?

A. I don't recall.

Q. Was there any, as you understood it, purpose for the equity component, other than to provide additional compensation for the risk that was being taken?

A. Yes, sir, to minimize the windfall.

Q. And as you understand it, minimizing the windfall and providing additional compensation for the risk that was being taken were two independent reasons for the equity component. Is that correct?

A. Yes, sir.

Q. Was any estimate made as to how much additional compensation the equity component provided?

A. You mean after the fact or ex ante?
Q. Let's say as of September 16th.
A. No, sir.
Q. Today, you know how much money was made on the equity component, correct?
A. I know how much money was made on the overall -- all the transactions together.
Q. Do you know how much profit was made on the equity component of the September 22nd credit facility?
A. No, sir.
Q. Was any estimate ever attempted to be made of that?
A. I'm not aware of a specific estimate, no.
Q. Did you ever ask to find that out?
A. I don't recall.
Q. When you referred to the overall profit, you're talking about the overall profit from all of the government assistance extended to AIG at any time during the financial crisis, correct?
A. That's correct.
Q. And that would include TARP, correct?
A. Yes, sir.
Q. And the TARP assistance was furnished to a significant number of companies, correct?
A. Yes, sir.

Q. How many companies got TARP assistance, approximately?
A. Well, there were two programs. There was the capital purchase program, which was broadly available, and several hundred banks availed themselves of that. And then there was a special program for troubled institutions, which AIG, Citi, and perhaps one or two others were -- received capital.
Q. What institutions, other than AIG and Citi, received capital under the second TARP program?
A. Bank of America, I think. I don't recollect any other cases.
Q. When was the first time, insofar as you are aware, any attempt was made to estimate how much additional compensation was being provided to the Federal Reserve as a result of the equity component of the September 22nd credit agreement?
A. I don't know. Again, I don't -- I'm not aware of any analysis that I saw in advance of September 16th.
Q. Were you aware of any attempt to make an estimate of how much additional compensation was being provided as a result of the equity component of the proposed term sheet on September 16th?
A. No, sir.
Q. Was there any discussion at the Federal Reserve

Board of Governors meeting of how much additional compensation for the risk that was being undertaken the equity component provided?

A. I don't recall a discussion of exact figures, no.

Q. Even if you don't recall a discussion of exact figures, do you recall that there was a discussion in general terms about how much additional compensation the equity component provided?

A. No, sir. All I recall is that the overall package needed to serve the purpose of minimizing the windfall and protecting the taxpayers.

Q. When you say "minimizing the windfall and protecting the taxpayers," the equity component didn't protect taxpayers against a loss, correct?

A. Correct.

Q. The only purpose of an equity component was to minimize a windfall, as you put it, for AIG's shareholders or to provide additional compensation if the company was successful, correct?

A. Yes, sir. The taxpayers could share in the upside.

Q. At any time prior to 2008, had the Federal Reserve considered taking equity in a borrower under 13(3) for purposes of providing additional compensation?

A. Equity in a what, sir?

Q. In a borrower.

A. Oh, in a borrower.

Q. That's my midwest accent.

A. Yes. I don't know.

Q. You do know that all of the 13(3) loans that the Federal Reserve has made, the only borrower that was required to provide its stock or other equity as compensation was AIG, correct?

A. It depends on how you count the Citi and Bank of America packages, where they had to give up preferred shares.

Q. Well, in the Bank of America and Citi situation, they were not giving up preferred shares as compensation for a 13(3) loan, correct?

A. Well, the compensation went to the Treasury and the FDIC, so that's correct.

Q. And the compensation went to the Treasury and the FDIC for liquidity and capital that the Treasury and FDIC were putting up, correct?

A. Well, you have to distinguish between the capital that the TARP program put in for which they received shares, and there was additional capital provided to the Government for the ring fence of the securities.

Q. And the additional capital -- why don't you distinguish between those two. How much shares came from TARP and how much from ring fencing, according to your testimony?

A. So, I don't remember the exact figures, but roughly -- and these are approximate figures -- something like $30 billion of new capital was put in, for which preferred shares were received, and in addition, there was a joint effort by the company itself, the Treasury, the FDIC, and the Fed -- I'm now talking about Citi -- to ring fence $300 billion in assets, and in compensation for that, Citi gave the Treasury and the FDIC something on the order of 12 billion more in preferred shares.

Q. I'm sorry. Say that one more time.

A. In compensation for the ring fence, for the insurance, essentially, that the Treasury and the FDIC, with the Fed's support, were providing for the $300 billion in assets, there was, in my recollection, additional compensation in the form of additional preferred shares given to the Government, to Treasury and FDIC, I'm guessing on the order of $12 billion, but please don't hold me to the exact numbers.

Q. And the approximately $12 billion of additional preferred shares, as you just referred to it, what

percentage of Citi's equity did that represent?
A. I don't know.
Q. Approximately?
A. I don't know.
Q. Less than 10 percent?
A. I don't know, sir.
Q. And the $12 billion of additional preferred shares that you referred to was not compensation for the 13(3) participation, correct, sir?
A. Well, it was from a government package, but it's true, the compensation went to the Treasury and the FDIC.
Q. And did the Federal Reserve actually make any loans to Citi or any guarantees to Citi, pursuant to this Citi ring fencing proposal?
A. No. It never became -- no loan was made.
Q. No loan was made and no compensation was received by Federal Reserve, correct?
A. Not for Citi, no.
Q. So, let me ask you this question again. In the entire history of 13(3), has any borrower been required to provide its equity as compensation or additional compensation for a 13(3) loan?
A. Not to my knowledge.
Q. The only one was AIG, correct?

A. As far as I know.

Q. Now, you talked about minimizing a windfall to the AIG shareholders. As you use the term "windfall," was there a windfall to primary dealers who participated in the primary dealer credit facility?

A. That was part of a broad-based facility. A windfall only in the sense of a windfall to the entire financial system.

Q. So, you say that there was a windfall to the entire financial system of the PDCF. Is that correct?

A. Yes, sir.

Q. And was there a windfall to the entire financial system as a result of the AIG credit facility?

A. I think there was, yes.

Q. In addition to being a windfall to the entire financial system, was there, as you use the term "windfall," a windfall to broker-dealers who borrowed money pursuant to the primary dealer credit facility?

A. Again, if they were directly benefiting from the stability of the financial system, I would say yes.

Q. Was there a direct benefit to the shareholders of broker-dealers as a result of the primary dealer credit facility?

A. Yes, there was.

Q. And was that a "windfall" to the shareholders of

primary dealers, as you use that term?
A. Yes.
Q. And was there a "windfall," as you use that term, to the shareholders of firms that participated in the TSLF?
A. Yes.
Q. And was there a "windfall," as you use that term, to firms that participated in the CPFF?
A. Yes, although these being measured to the alternative of a financial crisis, a worse financial crisis.
Q. Now, there was a windfall that came to the firms as a result of helping to preserve functioning and effective financial markets, correct?
A. We're talking about the broad-based --
Q. Yes.
A. Yes.
Q. But I'm also asking you whether there was a direct and particular benefit to the firms participating in those facilities, and I thought you said yes.
A. I said yes.
Q. So that, for example, participants in the CPFF received a windfall from that participation in two ways: One, as a direct participant, and the other as somebody who was benefiting from the broader financial market

preservation, correct?
A. Correct.
Q. And was there a "windfall," as you use that term, to participants in the TALF?
A. That was a -- that was a -- it was addressed to try to improve the quality of the market. I don't know whether there was windfalls there and how to figure out the incidence of that. That was trying to get the asset-backed securities market back into -- functioning. So, that's -- Americans, broadly, were beneficiaries of that.
Q. Presumably, every time the Federal Reserve made a 13(3) loan, the Federal Reserve believed that Americans, in general, would be beneficiaries, correct?
A. Correct.
Q. But you understand what I'm asking about is whether there was a direct and special windfall to the shareholders of particular participating firms.
A. The -- I've agreed with you on your other examples. That one's just a complicated example, because loans were made to investors who, in turn, purchased securities.
Q. Was there a "windfall," as you use that term, to the investors that participated in the TALF?
A. I don't think so, because it was open to any

investor, so any profits would be competed away, I think.

Q. Let me see if I understand what you're saying. The TALF was a 13(3) credit facility, correct?

A. Correct.

Q. And you only made that available when you concluded that the people who were the recipients of that credit would not have adequate credit available from other sources, correct?

A. Well, we were concerned about the availability of the asset-backed security credit. That was the issue.

Q. My question to you, sir --

A. Um-hum.

Q. -- is that one of the requirements for a 13(3) loan is that the borrower not have adequate credit available from other sources, correct?

A. Correct.

Q. And so you had to conclude that the people who were borrowing pursuant to the TALF did not have adequate credit available from other places, correct?

A. Yes.

Q. Now, do you think that giving credit to somebody who does not have credit available from alternative sources is a direct benefit to that borrower?

A. Yes.

Q. So that the participants in the TALF would be receiving a "windfall," as you have used that term, correct?

A. Yes.

Q. And did the participants in the AMLF also get a direct windfall, as you've used that term?

A. Yes.

Q. What efforts, if any, were made to eliminate or reduce the windfall that shareholders of primary dealers were receiving pursuant to the PDCF?

A. There's a countervailing policy consideration in that case, which is that we wanted the primary dealers to come and take credit in order to broaden -- put liquidity into the broad financial system, help stabilize the system. If we had raised the interest rate on PDCF too high, then no firm would have come and taken the credit. We wanted to lend through the PDCF, and so the consideration of stigma and trying to get funds out into the system required us to keep the rate at a relatively low level.

Q. You wanted to lend through the PDCF in order to increase liquidity and preserve financial markets, correct?

A. Yes, sir.

Q. And you wanted to lend to AIG for exactly the same reason, correct?
A. No. The loan to AIG was intended to prevent the collapse of a systemic firm.
Q. All right. And the reason you wanted to prevent the collapse of the systemic firm was in order to preserve financial markets, correct?
A. Yes.
Q. Is the answer to my question about the PDCF that no effort was made to reduce or eliminate the windfall that was created for shareholders of primary dealers as a result of that facility?
A. There was a countervailing factor that offset that particular motive.
Q. My question right now is not whether you believe that there was a countervailing factor. I'm just asking whether you made any effort to reduce or eliminate the windfall to participants in the primary dealer credit facility. I think your answer is that you didn't from what you've said, but I just need it to be clear.
A. Okay, yes.
Q. And is it also the case that you made no effort to eliminate the windfall that was going to participants in the TSLF, the CPFF, the TALF, or the AMLF?
A. We charged a penalty rate in the sense that the

rate was higher than the normal market rate, and so as the situation normalized, firms stopped using those facilities because the penalty rate drove them out. So, there wasn't an attempt to put the rate above the normal rate that they would have to borrow.

Q. But you're not telling me that -- well, maybe you are and maybe I should ask you this. Are you telling me that the interest rate charged on the facilities that I identified was in part intended to reduce or eliminate the windfall that would otherwise go to the shareholders?

A. That would be a -- one effect of it, yes.

Q. One effect of an increased interest rate is that the person paying the interest rate has less, correct?

A. Yes.

Q. But you charged what you referred to as a penalty interest rate for 13(3) lending in order to discourage people from using that facility when there is other credit available, correct?

A. Correct.

Q. And the penalty rate for the PDCF was the so-called primary credit rate, correct?

A. Yes.

Q. And how much was the primary credit rate in September and October of 2008?

A. Somewhere -- somewhere on the order of 2 1/2 to 3 percent.

Q. And about one-half of 1 percent was the so-called penalty portion, correct?

A. That's relative to the federal funds rate. I don't know what -- I don't know what the proportion would be.

Q. Well, as the Chairman of the Federal Reserve, you knew what the penalty rate was, how much of it was a penalty, correct?

A. We knew what the overall rate was, yes.

Q. And you knew how much of that was what you had referred to as a penalty portion, correct?

A. Well, you could say it's the difference between the primary credit rate and the federal funds rate, but many of these firms could not borrow, even in normal times, at the federal funds rate. But I don't think it's worth splitting hairs on this one.

Q. Let me just follow up on that point. Many of these firms would not have had access to the federal funds rate, correct?

A. Correct.

Q. So, for many of these firms, this would have been the cheapest money they could have gotten at any time, correct?

A. No, because when -- when the situation normalized, they voluntarily withdrew from the PDCF.

Q. And at that point, where did they borrow?

A. They could borrow in the repo market, the commercial paper market.

Q. And those markets were not available to them, as a practical matter, in September and October of 2008, correct?

A. Only at a high price, yes.

Q. And sometimes not even at a high price.

A. Yes, that's right.

Q. So, with respect to the PDCF and to the other broad-based credit facilities, is it fair to say, other than charging an interest rate that was half a percentage above the federal funds rate, no effort was made to reduce or eliminate the windfall to the shareholders of the participants in those facilities?

MR. DINTZER: Objection, Your Honor. It's just a confusing question, if we could ask counsel to restate it.

THE COURT: Can you rephrase, Mr. Boies?

MR. BOIES: I'll try.

BY MR. BOIES:

Q. Is it fair to say, with respect to the PDCF and the other broad-based credit facilities, that other than charging an interest rate that was half a percentage above the federal funds rate, no effort was made to reduce or eliminate the windfall to the shareholders of the participants in those facilities?

A. It would have been desirable, but there was a -- other policy considerations that worked in the opposite direction.

Q. So, is the answer to my question that there was no such effort made?

A. It was a factor in our thinking, but because of the offsetting considerations, I guess your answer is -- the answer is yes.

Q. In other words, I think I -- what you're saying is you would have liked to have done something, but there were some countervailing considerations, and so you didn't do anything to eliminate the windfall. Is that fair?

A. Right.

Q. Okay. Now, the interest rate that was charged on the AIG credit facility was an interest rate that was significantly higher than the interest rate that the Federal Reserve generally used in providing liquidity during the crisis, correct?

A. Correct.

Q. Generally, the Federal Reserve lent at rates above the normal rate for the market but lower than the rate prevailing in distressed and illiquid markets, correct?

A. In our broad-based facilities, yes.

Q. And that means that the Federal Reserve would generally be lending at a rate that was less than the rate that participants could get from private sources in a crisis situation, correct?

A. Correct.

Q. In connection with the AIG loan, was there any effort to determine what rate AIG would have been able to get from private sources, if private sources had available credit?

A. Well, it was evident from the fact that the board took the Federal Reserve's offer that they didn't have a better offer.

Q. Other than saying that it was evident to you that because AIG took the Fed's offer, that they didn't have a better offer, was there any effort made to determine what rate private sources would have charged for credit to AIG at that time?

A. I know after the fact there were private sector consultants to the Federal Reserve Bank of New York, but I did not know that at the time.

Q. I just want to distinguish on the time. Are you saying that on September 16th, there were private sector consultants, but you didn't know about them?

A. Not me personally, no.

Q. I'm distinguishing between that situation and the situation in which the private sector consultants only came into effect after September 16th.

A. My understanding -- this is secondhand from reading sources -- is that private sector participants before the 16th tried to construct the terms on which the package could be offered, and that is where much of this came from, but I -- I'm sure you have much more direct information from President Geithner.

Q. Just in terms of your own understanding, was it your understanding that the interest rate that was presented at the Board of Governors was the same interest rate that had been developed by the private sector considerations that you have said you believe were going on?

A. I don't know, because I wasn't aware even of the analysis.

Q. Now, with respect to the provision of warrants, was there any discussion at the Board of Governors meeting on September 16th as to why warrants were being required as opposed to some other form of equity?

A. No, I don't recall. Let me clarify. I don't recall.

Q. Was there any discussion at the September 16th board meeting as to why the warrants were for the purchase of common stock representing 79.9 percent of the shareholders' equity, as opposed to some other percentage?

A. I don't recall.

Q. You have said that there are five requirements for a 13(3) loan, correct?

A. Could you enumerate them, sir?

Q. Sure. Let me ask you to look at Plaintiffs' Trial Exhibit 616, which I would offer.

A. Okay.

MR. DINTZER: No objection, Your Honor.

THE COURT: Plaintiffs' Trial Exhibit 616 is admitted.

(Plaintiffs' Exhibit Number 616 was admitted into evidence.)

BY MR. BOIES:

Q. Now, let me ask you to look at page 9.

MR. DINTZER: Exhibit page 9, Counsel?

MR. BOIES: Exhibit page 9.

THE WITNESS: Exhibit 616, page 9, okay.

BY MR. BOIES:

Q. Yes. And the first full paragraph on that page.

A. I see it, yes, sir.

Q. It says, "Section 13(3) contains a number of important restrictions. In particular, section 13(3) requires that," and you then list five requirements, correct?

A. That is correct.

Q. And the first requirement is that the Board find that unusual and exigent circumstances exist. Is that correct?

A. Yes, sir.

Q. And that was a finding that the Board had made in March of 2008, correct?

A. Correct.

Q. And the Board continued to believe that, from March onward, unusual and exigent circumstances existed, right?

A. Right.

Q. And the second requirement is that the loan be authorized by the affirmative vote of not less than five board members, unless there are fewer than five or there's an emergency. And the AIG credit on September 16th was, in fact, authorized by five board members, correct?

A. Yes, sir. There were only five sitting board members at the time.

Q. And so it was unanimous?
A. Yes, sir.
Q. The third requirement is that the loan be secured to the satisfaction of the lending bank, and you understood that the AIG credit was secured to the satisfaction of the Federal Reserve Bank of New York, correct?
A. Correct.
Q. And the fourth requirement is that the Reserve Bank obtain evidence that the borrower is unable to obtain adequate credit accommodations from other banking institutions. That was certainly true, correct?
A. Yes, sir.
Q. And number five, the rate of interest on the loan established by the Reserve Bank be reviewed and determined by the Board. Do you see that?
A. I do.
Q. And the rate of interest on the loan established by the Reserve Bank was reviewed and determined by the Board on September 16th, 2008, correct?
A. I believe so, yes.
Q. Part of the rate under Section 13(3) with respect to the AIG credit facility consisted of the compensation that was being provided by the equity, correct?

A. That was not a rate on a loan, no. It was a piece of the compensation, yes.

Q. You say it was not -- it was not part of the rate on the loan?

A. A rate is a fixed interest rate.

Q. Let me ask you to look at Section 13(3).

A. How can I do that?

Q. I think we will put it up on the board. That's the way we've done it.

And it says here that in unusual and exigent circumstances, the Board may authorize a Federal Reserve Bank to make these credits available, and it then says, "at rates established in accordance with the provision of Section 357 of this title."

Do you see that?

A. Yes, sir.

Q. And as you read that, did that term, "rate," include equity?

A. I normally think of rates as interest rates.

Q. I do, too, but you're the Chairman of the Federal Reserve, so I'm asking you for your understanding as to whether "rates" here includes a demand for equity.

MR. DINTZER: Your Honor, I am going to object to the extent that counsel's question calls for a legal conclusion.

THE COURT: I'll overrule the objection to obtain the witness' understanding.

THE WITNESS: I would rely, in all these determinations, on my general counsel, Scott Alvarez.

BY MR. BOIES:

Q. My question to you, sir, is for your understanding, and I'm asking you whether, as you understand it or as you understood it in 2008 -- let me begin with that -- did "rates" -- the word "rates," as used in Section 13(3), include equity?

A. I don't recall thinking about it.

Q. Not at all?

A. I don't recall.

Q. Did you ever ask anybody for an opinion on that?

A. Well, the --

Q. Did you ever ask anybody for an opinion on that?

A. No.

Q. Did anyone ever provide you with an opinion on that, whether you asked for it or not?

A. Only implicitly in the presentation of the proposal by the general counsel.

Q. Was there any discussion at the September 16th board meeting as to whether or not "rates," as used in Section 13(3) of the Federal Reserve Act, included equity?

A. I don't recall.

Q. And as you understood it in September of 2008, unless "rates" included equity, there would have been no authority to require equity under 13(3), correct, sir?

MR. DINTZER: Objection, Your Honor. The question is confusing and calls for a legal conclusion.

THE WITNESS: I'm -- I can't offer a legal view on that.

MR. DINTZER: I am going to ask the witness just, when I pose an objection, just wait for the Court to rule on it.

THE COURT: First of all, sir, do you understand the question?

THE WITNESS: I understand the question, yes, sir.

THE COURT: All right. I'm going to overrule the objection. I will take his answer to the extent he can respond.

THE WITNESS: Could you repeat the question?

BY MR. BOIES:

Q. Sure.

As you understood it in September of 2008, in order for there to be authority to require equity as compensation for a 13(3) loan, the term "rates," as used here, would have to include equity, correct?

A. I don't recall thinking about it.

Q. You didn't think about it at all? That's your testimony?

A. No, sir.

Q. All right. It is not one of the five factors at least directly, but in order to lend under 13(3), was it your understanding that the credit being made available had to serve the purpose of promoting stability and liquidity in financial markets generally?

A. Yes, sir.

Q. And that was true for all 13(3) loans -- lending, correct?

A. Directly or indirectly, yes, sir.

Q. And that was part of the understanding of what "unusual and exigent circumstances" meant, correct?

A. Yes, sir.

Q. And with respect to AIG, a part of that analysis was recognizing AIG as a systemic institution, as you use that word, correct?

A. Yes, sir.

Q. Let me turn to the requirement that the credit be secured to the satisfaction of the Federal Reserve Bank. You reached the conclusion at the time that the credit was being extended to AIG in September 2008 that

that credit would be fully secured by AIG's insurance company assets and other businesses, correct?

A. What we officially determined was that it would be secured to the satisfaction of the New York Federal Reserve Bank.

Q. But you concluded that the credit that was being extended to AIG in September 2008 would be fully secured by AIG's insurance company assets and other businesses.

A. I made that --

Q. Correct?

A. -- statement, yes, sir, but it was not a board determination.

Q. And I'm -- let me just ask you now for what you concluded as the Chairman of the Federal Reserve, and as the Chairman of the Federal Reserve, you concluded that because the AIG credit could be secured by valuable, available collateral, including shares of stock of profitable insurance companies and other businesses, that that credit was fully secured, correct?

A. Yes, sir.

Q. And you told that to Congress, correct?

A. Right.

Q. And it was your assessment that AIG had plenty of collateral to repay the Federal Reserve loan, correct, sir?

A. I did say that on one occasion, yes.
Q. And you said that to the FCIC, correct, sir?
A. Yes.
Q. And you also told the FCIC that because the AIG insurance assets were in a separate business that had a lot of going concern value and did have a lot of assets, that the loan was fully secured, correct, sir?
A. Separate from the Financial Products Division, yes.
Q. And when you told that to the FCIC, that was truthful, complete, and accurate testimony, correct?
A. Yes.
Q. And you believed that AIG's problems were classical liquidity needs that could be covered with borrowing secured by valuable, available collateral, correct, sir?
A. That's what I believed on September 16th, yes.
Q. And that's not only what you believed on September 16th; that's what you believed when you later were testifying to Congress and the FCIC and other governmental bodies, correct, sir?
A. Well, it depends on the context, sir. As you know, there were several restructurings of the -- of the government package.
Q. Let me ask you to look at Plaintiffs' Trial

Exhibit 616 --

A. Okay.

Q. -- which I think -- I believe I just offered this a moment ago.

A. That's correct. That's correct.

Q. In that case, let me ask you to look at Plaintiffs' Trial Exhibit 599 --

A. I have it.

Q. -- which I would offer.

MR. DINTZER: Just one moment, Your Honor.

(Counsel conferring.)

MR. DINTZER: No objection, Your Honor.

THE COURT: Plaintiffs' Trial Exhibit 599 is admitted.

(Plaintiffs' Exhibit Number 599 was admitted into evidence.)

BY MR. BOIES:

Q. Now, this was -- this was testimony that you gave in September of 2010, correct?

A. Yes, sir.

Q. And if you look at page 60, where at lines 17 through 25 you talk about AIG having a completely separate business that had going concern value and a lot of shareholder equity, and it was your assessment that they had plenty of collateral to repay the loan. Do you see that?

A. Yes, sir.

Q. You believed that not only in September of 2008 but also in September of 2010, correct?

A. This is a statement about what I believed in September of 2008.

Q. It is.

A. It was our assessment, so it's a statement I'm making in 2010 about my beliefs in 2008.

Q. Yes. And what I'm now asking you is a slightly different question, which is in 2010, two years later, you hadn't changed your mind; that is, you would have told them if -- if that had been your assessment but that you had changed your mind, you would have told them that, right?

A. Well, I know I said we would be repaid, and that was referring to the Federal Reserve. There was a lot of equity, $70 billion of equity, inserted into AIG in the interim. So, I think actually the company did worse than I had anticipated.

Q. But when you say that the company did worse than you anticipated, the company paid you back every dollar that it borrowed, correct?

A. We're talking now about 2010, sir. So, I'm just saying that it did require capital injections as opposed to just lending.

Q. All right. And when you talk about capital injections, you're talking about TARP?

A. Right.

Q. A lot of companies required capital investments from TARP, correct?

A. AIG had the most of any company.

Q. But there were a lot of -- and AIG is the largest insurance company in the world, correct?

A. Yes, sir.

Q. There were a lot of companies that required capital injections from TARP, correct?

A. Yes.

Q. And you know that sometime before today, AIG paid back not only the Federal Reserve but every other government agency that advanced it credit for every dollar received, correct?

A. Ultimately, yes, sir. This is about 2010.

Q. And AIG also paid back $6.7 billion in interest and fees, correct?

A. I don't know.

Q. Approximately?

A. I don't know.

Q. Did you ever look that up?

A. No, sir.

Q. Ever try to find a document?
A. No, sir.
Q. You never tried to find any estimate of how much interest and fees AIG paid?
A. I think the only number that matters is the overall return, which I think the number I've heard is $23 billion.
Q. And that's a $23 billion positive return?
A. Positive return.
Q. Let me just unpack that for a second. That is the return on all of the assistance that was given to AIG, whether it was from the Federal Reserve or TARP or some other place, right?
A. Yes, sir.
Q. Did you ever try to figure out what the positive return to the Federal Reserve was of the September 22nd credit agreement?
A. No, sir. It just goes to the Treasury anyway.
Q. As the Chairman of the Federal Reserve, even though your profits and losses are ultimately the profits and losses of the Treasury and the taxpayer, as chairman, you wanted to know how you were doing, though, didn't you?
A. Generally.
Q. And in that capacity, did you try to find out

what the Federal Reserve's profit was from the AIG credit facility?
A. Not that I recall.
Q. Now, you said earlier that it was your assessment that AIG had plenty of collateral to repay the Federal Reserve loan. When you were talking here, you say it was "our assessment." Do you see that?
A. Where are you, sir?
Q. I was on line 22, where you say, "It was our assessment that they" -- referring to AIG -- "had plenty of collateral to repay our loan..." Do you see that?
A. Yeah. I don't know who I was referring to there.
Q. Okay. It had to be the Federal Reserve, didn't it?
A. I didn't really have the right to speak for the Board in any way.
Q. You were the chairman of the Board, right?
A. I was the chairman, yes.
Q. And when you said, "It was our assessment that AIG had plenty of collateral to repay our loan," you understood that you would be interpreted by the FCIC as speaking on behalf of the Federal Reserve. Is that fair?
A. All I know about what the Board believed was

that it was secured to the satisfaction of the Federal Reserve Bank of New York.

Q. So, what is your interpretation of what you meant when you said "our assessment" as opposed to "my assessment"?

A. I misspoke. I should have said "my assessment."

Q. Now, when you were giving this testimony before the FCIC, you knew that one of the purposes of the hearing was to investigate what you had done in 2008 and to try to determine whether what you had done in 2008 was appropriate, correct?

A. Yes, sir.

Q. And so when you said to this commission that your assessment in 2008 was that AIG had plenty of collateral to repay the Fed's loan, that was a very serious statement, and you took it as something that was very serious and went to what the commission was directly interested in, correct?

A. Yes, sir.

Q. And you believed that, aside from AIGFP, AIG was an effective, sound company with a lot of value, and that was the basis on which the Fed made its loan, correct?

A. Yes, sir.

Q. Let me turn to attempts to involve the private sector. You believed that it would have been desirable, if it were possible, to have had private sector participation, together with the Federal Reserve, in extending credit to AIG in September of 2008, correct?

A. The best would have been only private, sir, yes, but a combination would be better than what we had, yes, sir.

Q. And if you could have found a private sector group that was prepared to put up half of the money that was required, the -- half of the $85 billion, and to share pari passu in the compensation that AIG was paying, you believed that would have been a desirable thing to do, correct?

MR. DINTZER: Objection, Your Honor. Hypothetical.

THE COURT: Overruled. I'll take his answer.

THE WITNESS: Given what information you have given me, I would say yes.

BY MR. BOIES:

Q. And you believed that that would have reduced the perception that this was a bailout, because the private sector would be playing a role and would be taking on some of the risk, correct?

A. Correct.

Q. And you believed that that probably would have led to a stronger company, a more viable company, correct?

A. Well, the debt would have been the same. So, I'm not quite sure if that's true.

Q. Let me ask you to look at your deposition, page 117.

A. I see that I said that. I don't really know if --

Q. As you sit here now, do you have any recollection as to why you believed having private sector participation in the extension of credit to AIG probably would have led to a stronger, more viable company?

A. I'm not sure why I said that. It would depend on the terms of involvement. If the company -- for example, if the private investor brought managerial skill, for example, that would be one possible answer.

Q. You also told me at your deposition -- not necessarily here, although I think it's close by -- that you would have been shocked if anyone from the Government had discouraged an investment by CIC in AIG, correct?

A. Yes, sir.

Q. When were you first aware that AIG was seeking a 13(3) loan?

A. I received the email either Friday night or Saturday morning to the effect that representatives of AIG had met with board staff on Friday discussing the possibility.

Q. Let me show you Plaintiffs' Trial Exhibit 45, which I would offer.

A. I don't think I have that, sir.

Q. You might not. I apologize. This is one that needs to be handed out.

MR. DINTZER: No objection, Your Honor.

THE COURT: Plaintiffs' Trial Exhibit 45 is admitted.

(Plaintiffs' Exhibit Number 45 was admitted into evidence.)

BY MR. BOIES:

Q. Is this the email that you were talking about?

A. Yes, sir.

Q. And you then responded later on that day, and I would ask you to look at Defendant's Exhibit 286 that is already in evidence. I need to hand that out as well.

Your Honor, may I -- this is already in evidence. May I use it on the screen?

THE COURT: Sure, as far as I'm concerned. It's just this one page?

MR. BOIES: It's just this one page.

THE COURT: Sure.

BY MR. BOIES:

Q. Do you have this document on the screen, Chairman Bernanke?

A. Yes, sir, I do.

Q. This is an email from you to Vice Chairman Kohn at 11:38 a.m. on September 13th. Do you see that?

A. Yes.

Q. And the -- you say in the beginning that "Staff is talking to them now trying to get more specific plans. I don't think we will get much so long as they think we will be there -- that's why I would take a tough stance initially."

Do you see that?

A. Yes, sir.

Q. And then at the bottom --

MR. DINTZER: Your Honor, I hate to interpose, but given that the witness doesn't have the document in front of him and it's being cut off, counsel is representing to the witness that this is the witness' email and it's not; it's Mr. Kohn's email to the witness. So, given the circumstances, I have to interpose an objection.

MR. BOIES: I apologize, Your Honor. There is an email from you to --

MR. DINTZER: Could we get the witness a document, Your Honor? We would be happy to get ours if they don't have it, but I would like the witness to have a piece of paper in front of him.

THE COURT: Yes, sure. I think that's fair.

MR. BOIES: I have one copy and I will hand that up to the witness.

BY MR. BOIES:

Q. The first email on the page is from you to Mr. Kohn at 11:38 a.m. saying thank you, correct?

A. Yes, sir.

Q. And the first email at the bottom of the page is an email dated 11:14 a.m., from you to Mr. Kohn, Kevin Warsh, and Mr. Geithner, correct?

A. Yes, sir.

Q. And in that email, you say on the fourth line, "I would be willing to consider lending to them against good collateral if we have explicit and public commitments regarding the actions they will take to wean themselves and restore stability."

Do you see that?

A. Yes, sir.

Q. And that's what you believed at the time, correct?

A. Correct.

Q. Now, let me go to the email that Mr. Kohn writes back, and this is at 11:36 a.m., and I've already quoted a portion of it. The portion that I have not quoted that I want to direct your attention to is the last sentence of the first paragraph, where Mr. Kohn writes to you:

"Lending may prove necessary, and so long it is purely and obviously liquidity support and not solvency we'll be within a central bank function, but we should do everything possible to avoid it before we do."

Do you see that?

A. Yes, sir.

Q. Now, your email had gone to Mr. Geithner, correct?

A. Yes.

Q. Did you have any discussions with Mr. Geithner on September 13th concerning possibly lending to AIG?

A. September 13th was Saturday?

Q. Yes, I believe it was.

A. I don't believe I did. I don't recall, anyway.

Q. When was the first time that you had any conversations with Mr. Geithner about possibly lending to AIG?

A. I would imagine it would have been on Monday, the 15th, at some point.

Q. At any time before September 16th, did the Federal Reserve Board of Governors authorize the Federal Reserve Bank of New York or anyone to tell AIG whether or not the Federal Reserve would or would not make credit available to AIG?

A. There was no formal motion or action, no.

Q. Was there any informal instruction or direction from the Federal Reserve Board of Governors to anyone at the Federal Reserve Bank of New York as to what they should or should not say to AIG about the availability or unavailability of credit from the Federal Reserve?

A. When you say the Board, do you mean as a collective or individual board members?

Q. Let me begin with the Board as a board.

A. No. There was no statement by the Board as a board.

Q. And I take it the first conversation you had with Mr. Geithner was on September 15th, correct?

A. I was in touch with Mr. Geithner all weekend, and I'm sure we discussed the intelligence about AIG's private sector negotiations, for example, but I think it must have been -- I'm just conjecturing it must have been Monday by the time -- before we brought ourselves to the point that we thought we might have to make a loan.

Q. When did you first have a conversation with Mr. Geithner about what, if anything, he was telling or should tell AIG?

A. I don't recollect talking with him on that issue.

Q. Did you have any discussions with Vice Chairman Kohn about what consideration should be required of AIG for a 13(3) credit facility?

A. Well, you see most of it here in the email. The concern was they didn't have a very clear idea of how much they needed and how they were going to pay it back and how they were going to maintain their viability. So, it seemed at this point very vague.

Q. Other than this email exchange, did you have any discussions with Vice Chairman Kohn about what consideration should be required of AIG for a 13(3) credit facility?

A. I don't recall any such conversation.

Q. At the September 16th Board of Governors meeting, the Board of Governors authorized the extension of credit to AIG, correct?

A. Yes, sir.

Q. And you were aware, at the time that that board meeting took place, that assuming that AIG agreed, there would be a definitive credit facility agreement drawn

up, correct?
A. At some point, yes, sir.
Q. Did you participate at all in the preparation of that credit agreement?
A. No, sir.
Q. Was that credit agreement ever brought to the Board of Governors for approval?
A. The final credit agreement? Is that what you're referring to?
Q. Let's begin with that.
A. No, sir.
Q. Was any draft of the credit agreement ever brought to the Board of Governors for approval?
A. Only the term sheet that you've already shown.
Q. The term sheet that's included in Joint Exhibit 63?
A. The one adjacent to the minutes.
Q. You are aware today that the credit agreement required AIG to provide voting convertible preferred stock, correct?
A. Yes, sir.
Q. Was the requirement that AIG provide voting equity as opposed to nonvoting warrants ever brought to the Federal Reserve Board of Governors for approval?
A. Not for formal approval, no.

Q. Was the requirement that AIG provide convertible preferred stock as opposed to warrants ever brought to the Federal Reserve Board of Governors for approval?
A. Not for formal approval, no.
Q. In terms of 13(3), to the extent that Board of Governors approval is required, you understand it has to be formal approval by five governors, correct?
A. Yes, sir.
Q. Was the issue of eliminating shareholder approval for the issuance of equity ever brought to the Federal Reserve Board of Governors for approval?
MR. DINTZER: Objection, Your Honor. It's just -- it's confusing when he says "the issue brought for approval." The sentence doesn't track.
THE COURT: Well, do you understand the question?
THE WITNESS: Could you repeat it?
BY MR. BOIES:
Q. Sure.
The term sheet that's part of Exhibit 63, Joint Exhibit 63, provides for shareholder approval, correct?
A. It provided some -- you pointed out to me that it provided some fees associated with whether the shareholders had approved or not.
Q. And it's clear from that that it contemplated

shareholder approval, correct?
A. As a possibility, yes.
Q. And you are aware that the credit agreement, as ultimately signed, did not require shareholder approval for the issuance of the voting convertible preferred stock, correct?
A. I don't -- I don't recall.
Q. You don't recall that one way or the other?
A. No.
Q. Was any requirement or any provision for the issuance of preferred stock without shareholder approval ever brought to the Board of Governors for approval?
A. There were no formal approvals subsequent to the initial 13(3) determination and vote.
Q. Was there ever any written request for informal approval to you?
A. From whom, sir?
Q. From anybody.
A. No, sir.
Q. Were you aware in September of 2008 whether AIG had an opportunity to participate in the drafting of the credit agreement?
A. No. I wasn't involved in those -- in those -- in that drafting.
Q. At the time of the September 16th Board of

Governors meeting, was it your understanding that the final credit agreement would be something that would be drafted by AIG and the Federal Reserve Bank of New York?

A. I don't recall.

Q. As of the September 16th Board of Governors meeting, was it your understanding that the Federal Reserve Bank of New York was going to go off and unilaterally draft a credit agreement and then present that for approval to the AIG board?

A. I don't recall. I don't know whether we contemplated some input from AIG or not. I don't recall.

Q. Now, you're aware that the credit agreement provided for a trust, correct?

A. Yes, sir.

Q. Was the provision for a trust -- that is, for shares to be held by a trust -- ever presented to the Board of Governors for approval?

A. As I said, sir, there were no formal approvals after the initial one.

Q. Was there any presentation of information to the Board of Governors concerning the trust between September 16th and September 22nd, even if no formal approval was required?

A. I don't recall.

Q. When was the first time you were informed that the September 22nd credit agreement included a trust?

A. Mr. Alvarez came to see me sometime later that week, I'm not quite sure what day, and -- to check with me about the change in the equity component and the trust, and he explained the reasons, and I was comfortable. I told him that he either had or was going to talk to Vice Chairman Kohn as well, and that was standard procedure. When the Board approved a degree of discretion, confirmation from the chairman was generally sufficient to complete the approval.

Q. As you understood it at the time, under 13(3), was the chairman given any different role than any other member of the Board of Governors in terms of approving 13(3) loans?

A. No.

Q. Let me ask you to look at Plaintiffs' Trial Exhibit 607.

Before I do that, you said that Mr. Alvarez came and explained the reasons why there was going to be a trust. Do you recall saying that?

A. I believe so, yes, sir.

Q. What was the reason that Mr. Alvarez gave you for the equity component being held by a trust?

A. Since my deposition, I've -- by reading testimonies and the like, I've found the answer, but I don't recall him specifically telling me that.

Q. Let me see if I understand what you're saying. You don't recall what he told you, but since your deposition, you've read other materials that inform you as to the reason that the equity component was to be held by a trust?

A. Correct.

Q. What materials did you read that led you to that view?

A. The testimony before the House Financial Services Committee in March of 2009 on the AIG Bailout.

Q. The testimony by whom?

A. It was Geithner, me, and Bill Dudley.

Q. And when was that testimony again?

A. Approximately March of 2009. It was about the time of the bonus flap.

Q. Let me ask you to look now at Plaintiffs' Trial Exhibit 607 --

A. Okay.

Q. -- which I would offer.

MR. DINTZER: No objection, Your Honor.

THE COURT: Plaintiffs' Trial Exhibit 607 is admitted.

(Plaintiffs' Exhibit Number 607 was admitted into evidence.)

BY MR. BOIES:

Q. I want to direct your attention to the top of page 9 of the exhibit and, in particular, the third sentence, where you say, "In particular, in the recent episode, central banks around the world followed the dictum set forth by Bagehot in 1873: To avert or contain panics, central banks should lend freely to solvent institutions against good collateral."

Do you see that?

A. Yes, sir.

Q. And do you think that what the Federal Reserve Bank did with respect to AIG was consistent with that?

A. No, sir, I don't.

Q. You do not?

A. No, sir.

Q. Let me ask you to look at Plaintiffs' Trial Exhibit 684, which I would offer.

A. I have it, sir.

MR. DINTZER: No objection, Your Honor.

THE COURT: Plaintiffs' Trial Exhibit 684 is admitted.

(Plaintiffs' Exhibit Number 684 was admitted into evidence.)

BY MR. BOIES:

Q. Let me ask you to look at page 2, the last paragraph, the first sentence.
A. Yes, sir.
Q. It says, "When the financial system teetered near collapse in 2008 and 2009, we responded as the 19th century British essayist Walter Bagehot advised, by serving as liquidity provider of last resort to stressed financial firms and markets."
A. Yes, sir.
Q. And do you believe that what you did with AIG was consistent with that?
A. No, sir. I was referring to the broad-based program to provide broad-based liquidity to the system.
Q. Now, you did understand that in September of 2008, any liquidity support was up to the Federal Reserve; that is, there were not other sources of government assistance at that point in time.
A. That's correct.
Q. When was the first time, as you understood it, that AIG was first obligated to provide the Federal Reserve with equity in connection with the extension of credit?
A. I don't know.
Q. About when?
A. I don't know.

Q. Did you ever try to find out?
A. No, sir.
Q. Did you have an understanding on September 16th, 2008, that AIG was obligated at that point to provide any equity to the Federal Reserve?
A. It depends what time of day, because, you know, the terms changed. But, yes, we approved a term sheet that involved an equity component. And to clarify my last answer, I'm sure I was informed of these various steps, which would have been normal procedure, but I don't recall when that happened.
Q. Let me shift to September 17th, because you're quite right. Things happened during September 16th.
As of September 17th, the Federal Reserve had extended $14 billion of credit; that is, as of the morning of September 17th, they had the previous night extended $14 billion of credit to AIG, correct?
A. Yes, sir.
Q. At that point on September 17th, as you understood it, was AIG obligated to provide the Federal Reserve with any equity?
A. I knew there had been an agreement by the Board to the terms proposed. I am not a lawyer. I don't know what the legal standing of that agreement was.
Q. Did you ever try to find out?

A. I assumed that the agreement was -- would be a binding agreement, but I left the details to the legal team.

Q. So, as the Chairman of the Federal Reserve, it's your testimony that you assumed on September 17th that you had a binding agreement to have AIG provide equity. Is that your testimony?

A. That was my assumption.

Q. Now, if you go to the term sheet that is included in the Exhibit 63 and you go to the first page, do you see the language in italics that's there that says, "This Summary of Terms is not intended to be legally binding on any person or entity..."?

A. Yes, I see that.

Q. And you were aware of that on September 16th, correct?

A. Well, it was on the term sheet, yes.

Q. I'm sorry, say again?

A. It was on the term sheet. I don't recall if I read it carefully or not.

Q. Was there any discussion at the Federal Reserve Board of Governors as to whether or not the term sheet was or was not legally binding?

A. Well, it could hardly be legally binding in its current status, because it had many incomplete provisions. So, those things had to be completed, we assumed, before it could be agreed to.

Q. Let me try to distinguish between two things. There are some blanks here that have to be filled in, but even after the blanks are filled in, the document, on its face, says that the summary of terms is not intended to be legally binding, correct?

A. It's a summary of terms. So, I assume there would be more detail in a legal agreement, but, again, I'm not a lawyer.

Q. And I'm not asking you for a legal opinion. I'm simply asking for your understanding at the time as the Chairman of the Federal Reserve, that the second sentence says, "Any binding agreement with respect to the matters referred to herein shall be evidenced by appropriate documentation, executed by the applicable parties."

Do you see that?

A. Yes, sir.

Q. And the Federal Reserve didn't execute any documentation until either September 22nd or September 23rd, correct?

A. I'm not sure.

MR. DINTZER: Your Honor, we have a commitment to Mr. Bernanke to wrap him at 3:15 so that he can --

so, I don't mean to interrupt counsel. I just didn't know if this was a good place to stop.

THE COURT: That's fine.

MR. BOIES: I'll stop. We did make that commitment. I didn't notice the time. I apologize. We'll stop now.

THE COURT: Okay. When are we going to pick up again?

MR. DINTZER: After a 15 -- if it's to Your Honor's pleasure, if we take a break --

THE COURT: No, I mean with Dr. Bernanke's testimony.

MR. DINTZER: It's my understanding that first thing tomorrow morning, he will be here, Your Honor.

THE COURT: All right, very well.

THE WITNESS: Yes, sir.

THE COURT: All right, let's take a break. Let's reconvene at 3:35.

(Court in recess.)

MR. BOIES: Your Honor, we now call Dr. Mosser back to the stand.

THE COURT: Okay. Please come forward, Dr. Mosser. Welcome back. It seems you can't get enough of this case, right?

THE WITNESS: I feel a little that way, too.

THE COURT: Do you understand that you are under oath in these proceedings?

THE WITNESS: I do.

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

Whereupon --

PATRICIA MOSSER

a witness, called for examination, having previously been duly sworn, was examined and testified further as follows:

REDIRECT EXAMINATION (cont.)

BY MR. BOIES:

Q. Good afternoon again, Dr. Mosser.

A. Good afternoon.

Q. When we last broke, we were talking about evaluations of AIG insurance subsidiaries. Do you remember that testimony?

A. Generally, yes.

Q. Were you aware whether or not the Federal Reserve had retained Ernst & Young to help value the AIG insurance subsidiaries?

A. I was not aware of that.

Q. Were you aware that the Federal Reserve had hired Morgan Stanley to value the AIG insurance subsidiaries?

A. I was aware that representatives from Morgan

Stanley were doing some work related to AIG. I did not know what that work was.

Q. Did you ever see any analyses of the valuations of AIG insurance subsidiaries prepared by Morgan Stanley?

A. I do not recall doing so.

Q. And would your answer be the same with respect to any analyses prepared by Ernst & Young?

A. Yes.

Q. Were you aware of how much, if any, insurance commissioners and state regulators had said the subsidiaries could upstream to the AIG parent?

A. I have one recollection of that as part of my conversations with Mr. Dinallo.

Q. And were your conversations with Mr. Dinallo concerning the value and stability and profitability of the AIG insurance subsidiaries?

A. He made fairly definitive statements about the capitalization, overcapitalization of the property and casualty companies. He mentioned coordination with the State of Pennsylvania, and he mentioned that -- to the best of my recollection, that there were -- he was -- I forget if it was an additional analysis or conversations with other state regulators about life insurance companies.

Q. As part of that or as part of any other work you did, did you become aware of a statement by state insurance regulators that they were prepared to permit AIG insurance subsidiaries to upstream certain amounts of money to AIG, the parent?

A. I remember Mr. Dinallo stating that to me. I don't remember whether there was a public statement or not.

Q. Do you remember the amount that was stated?

A. I do not.

Q. In your examination by Defendant's counsel, you had made reference to a $20 billion capital raise that AIG had done. Do you recall that?

A. I do.

Q. And you said that it was your understanding or impression that that had been used largely to cover losses on AIG's structured products. Do you recall that?

A. I do.

Q. Now, where did that understanding come from?

A. I don't remember. I remember approximately when I came to believe that, but I do not remember who told me.

Q. When did you approximately come to believe that?

A. On Saturday, I believe late in the day on

Saturday.

Q. This would have been September 13?

A. That's correct.

Q. I want to distinguish what you mean by "losses." Can you explain, when you refer to "losses," what you are referring to?

A. My understanding is that there had been declines in the valuations of structured products and that they had had to pay out to counterparties on those products -- I assumed, therefore, they were derivatives products, and I don't remember if they told me that, but that was my assumption -- over the course of the previous few months.

Q. Let me ask you if it's consistent with your understanding that, rather than having to pay out losses to counterparties, the money was used to post collateral in accounts.

A. The -- that would be completely consistent with my understanding, yes.

Q. And to the extent that the money was posted as collateral in accounts, those accounts were not available either to AIG or to the counterparties, correct?

A. That's the best of my understanding, but that's -- that's fairly far out of my area of expertise.

Q. Let me ask you to look at Defendant's Exhibit 256, which was one of the documents that you were shown by counsel for the Government.

A. Yes.

Q. I believe it's in your binder.

A. Yes. I've found it.

Q. Now, at the bottom of the page, there is a reference to AIG having not apparently approached any private financial institutions about providing such bridge financing, presumably because they feel they will be turned down. Do you see that?

A. I'm sorry, I may have the wrong exhibit. Did you say 256?

Q. I meant to say 276. I think I probably did say 256. I apologize.

A. Okay, yes. I see that in 276.

Q. You had testified in your testimony with defendant's counsel that failure to approach other firms for financing was particularly problematic for a 13(3) credit. Do you recall that?

A. Yes.

Q. Now, with respect to this statement at the bottom of Defendant's Exhibit 276, that AIG had not apparently approached any private financial institutions about providing such bridge financing, that is something that you have previously said you understood was not correct. Am I right about that?

A. I am -- I don't know any -- I -- if I said that, I'm a bit confused, because I frankly don't know anything except what's in this sentence.

Q. Let me ask you to -- let me ask you to look at Plaintiffs' Trial Exhibit 632. It should be in your binder.

A. Okay.

Q. Do you have that?

A. I do.

MR. BOIES: And I would offer this exhibit.

MS. ACEVEDO: Your Honor, we're going to object. It's hearsay. This is an interview that several people did. I can see one, two, three, four -- probably a dozen people -- Your Honor's looking at it, too -- and it contains hearsay. It's not sworn, and we don't think it's admissible.

THE COURT: Is this a government report?

MS. ACEVEDO: No. It's --

MR. BOIES: Yes, it's --

MS. ACEVEDO: -- it's notes of a -- I believe an FDIC or GAO -- GAO interview, somebody's notes. It's not, you know, a "government publication" of any kind. It's not sworn testimony. It contains hearsay. It's improper.

THE COURT: Well, I see its title at the bottom is "A Record of Interview."

MS. ACEVEDO: It's somebody's notes of an interview, sure, of several people, including Ms. Mosser.

THE COURT: Mr. Boies?

MR. BOIES: I think this is more than somebody's notes of an interview. This is a report prepared by GAO staff in connection with their investigation. I would be prepared to limit this to simply the portions that are either the GAO's conclusions or reports of what government officials say. If there's some private person in here that's being quoted, I won't offer that for the truth of the matter asserted.

MS. ACEVEDO: That doesn't correct the hearsay problem.

THE COURT: But as far as I can see, all of the participants are Federal Reserve Bank of New York people, and --

MS. ACEVEDO: I don't know that, Your Honor. I don't know who some of the people on here are, Your Honor.

THE COURT: Well, I am going to overrule the objection. I will admit Plaintiffs' Trial Exhibit 632.

(Plaintiffs' Exhibit Number 632 was admitted into evidence.)

BY MR. BOIES:

Q. If I could direct your attention to page 11 of this exhibit, Dr. Mosser. And do you see, at the bottom of the page, there is a reference to a -- first an email and then a statement that "AIG has not approached private financial institutions for financing because the company believed it would likely be turned down"? Do you see that's question 2c?

A. I do.

Q. And the GAO asks, "Is this description of the events accurate? If so, please elaborate." Do you see that?

A. Yes.

Q. And then, at the very bottom, it says, "In response to 2c, Ms. Mosser said that the description of events is based off of the aforementioned email regarding the update on AIG. As far as she recalled, however, the statement is not accurate."

Do you see that?

A. Yes.

Q. And does that refresh your recollection that --

A. It -- it does not at all. I have absolutely no memory of saying that to the GAO, and I'm surprised.

Q. Prior to today, you had had an opportunity to review these notes of your interviews, correct?
A. I'm sorry, review -- could you be a little more precise about which notes?
Q. Sure. You were interviewed on more than one occasion, correct?
A. For the -- by the G -- by the GAO?
Q. Yes.
A. I don't remember.
Q. Every time you were interviewed by the GAO, you were given an opportunity to review a summary by the GAO of what they took from that interview, such as Exhibit 632, correct?
A. I may have been. I never recall reviewing it.
Q. And do I take it from that answer you would also say that you don't recall ever submitting any corrections?
A. I don't remember submitting any corrections either, no.
Q. Now, let me ask you to look at Defendant's Exhibit 256, which was another document that you talked to counsel for the Defendant about. Do you recall that?
A. Did you say 256?
Q. 256. It's in the book. It's in --
A. In the defense, thank you.

Q. -- the white book.

A. Yes.

Q. And let me ask you to look at the second page, the next-to-last paragraph, where it says, "Unwinding in event of bankruptcy is likely to be very messy." And they're talking about AIG here, correct?

A. Yes.

Q. And going down, "Because derivatives book is large and complex, $2.7 Trillion, largely of very long-term structured products. $1 Trillion is concentrated in 12 large counterparties." Do you see that?

A. Yes.

Q. Who were those large counterparties that were exposed to an AIG bankruptcy?

A. I don't remember them.

Q. Do you remember any of them?

A. I remember that there were several large European banks and several U.S. very large securities firms, and I believe there was one or two large U.S. banks as well. It was a list of 12 of the largest financial intermediaries. I do not remember exactly which 12.

Q. Do you recall that Citibank was one of those 12?

A. I don't recall that.

Q. Do you recall if Goldman Sachs was one of those 12?

A. I learned later that it was, but I don't recall from this -- at this point that I knew that.

Q. Did you know that Morgan Stanley was one of those 12?

A. I believe in information I received later I knew that, but not at this time.

Q. At this time, that is, in mid-September of 2008, were you aware that the Federal Reserve was particularly concerned about the effect that an AIG bankruptcy would have on the large counterparties to AIG?

A. Yes. I was aware of that.

Q. Let me turn to the PDCF. You told counsel for the Government, in substance, that it was your understanding that the PDCF would only take collateral that had prices available. Do you recall that?

A. That's actually not what I said.

Q. Okay, good, because I was going to suggest to you that that was not accurate. What is it that you said?

A. On -- as of September 12th, 2008, to the best of my recollection, the primary dealer credit facility was -- had a list of asset classes and credit quality that it would -- were acceptable collateral. Structured asset-backed securities were in the group of acceptable collateral.

However, there was a restriction on that particular class of collateral, that because of the severe illiquidity in markets, that in order for the collateral to be acceptable, that there had to be a third-party price or price available for the particular security that was being pledged.

Q. Let me see if I understand what you're saying. The PDCF did not have a general requirement that it would only take collateral that had prices available, correct?

A. Correct.

Q. But as of September 12th, with respect to a particular asset class, that is, structured asset-backed securities, there was a requirement that there be a third-party price.

A. That was my understanding, yes.

Q. Now, first, was there any requirement that that third-party price be a price at which transactions were actually taking place?

A. I do not recall whether it was or not.

Q. Was the third-party price satisfied by somebody, who was not the dealer posting the structured asset-backed securities, reporting that they believed that that was an appropriate price, even though there were no transactions taking place at that price and even though the third party was not prepared to do a transaction at that price?

MS. ACEVEDO: Your Honor, I am going to object. That's a very long and confusing question. If he could rephrase, I would appreciate it.

THE COURT: I think that's fair, and maybe we can break that up a little bit.

MR. BOIES: Sure.

BY MR. BOIES:

Q. With respect to structured asset-backed securities, as of September 12th -- and even more so a few days thereafter -- there were essentially no transactions taking place in the marketplace, correct?

A. There may have been a few, but it would be a very small number.

Q. And as a result there were no actual transaction prices for the vast majority of structured asset-backed securities, correct?

A. That is true, yes.

Q. So, when you refer to a third-party price, you're referring to a third party's prediction of a market price, not a price at which a third party is prepared to do a transaction, correct?

A. Most likely.
Q. Okay. Later in September, the week of September 16th, were you aware of the extent to which the PDCF accepted as collateral illiquid collateral as to which there was not a third-party price?
A. Yes. I forget which day, but during the week of September 16th, the collateral rules for the primary dealer credit facility were expanded to include additional asset classes, as well as, to the best of my recollection, removing the restriction having to do with prices for structured and asset-backed securities.
Q. So that sometime on or about September 16th, the requirement that there be what we referred to as a third-party price for structured asset-backed securities was removed?
A. That's my understanding, yes. To the best of my recollection, excuse me.
Q. You referred to -- what you referred to as group lending with the TSLF and the PDCF as examples. Do you recall that?
A. Yes.
Q. I'm sorry?
A. Yes.
Q. Now, with respect to the statute involved, Section 13(3), there is no reference in Section 13(3) to

group lending or broad-based facilities, correct?

MS. ACEVEDO: Objection. Foundation, Your Honor.

THE COURT: Overruled. She can tell us what she knows.

THE WITNESS: It's been a very long time since I've read the Federal Reserve Act, but that's my recollection.

BY MR. BOIES:

Q. And your recollection is that that is the statute that authorizes lending to any individual, partnership, or corporation, correct?

A. Yes.

Q. And those words in the statute are all in the singular, correct?

A. I don't remember, but...

Q. Do you at least remember that until March of 2008, there had never been what you referred to as a group lending or broad-based credit facility under 13(3)?

A. That was my understanding, but I had not done a comprehensive historical look.

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

THE COURT: All right.

Do you have anything further, Ms. Acevedo?

MS. ACEVEDO: Just a couple of questions, Your Honor.

THE COURT: All right.

RECROSS EXAMINATION

BY MS. ACEVEDO:

Q. Good afternoon, Ms. Mosser.

A. Good afternoon.

Q. If I could just have you turn to DX 276 with me.

A. 276?

Q. Yes. Mr. Boies asked you about the accuracy of the last sentence there on the first page, referencing whether or not AIG had approached third-party -- any private financial institutions about providing such bridge financing. Do you see that?

A. I do.

Q. Okay. And did you believe that statement to be accurate at the time that you wrote your notes?

A. Yes.

Q. And do you believe it to be accurate now?

A. I have no memory that it is not accurate, so yes.

Q. Okay. And Mr. Boies also asked you about 256, if you could just turn to that.

At this meeting on September 12th, did you have any information about AIG's situation other than the

information AIG was telling you?
A. No.
Q. And if we can turn to DX 280, Mr. Boies asked you some questions about the health of the insurance subsidiaries, and I wanted to direct you to the last sentence of the paragraph under "NYSID," and it says there (as read): "My impression is that while they are comfortable with capital dilution at the P&C companies, they are less knowledgeable and comfortable about the life insurance companies." Do you see that?
A. Yes.
Q. Do you recall what you knew at this time about AIG's life insurance subsidiaries?
A. I knew exactly what is written on this page and what Mr. Dinallo had told me.
Q. Okay. And I have one final question, and that is with respect to your suggestion to Mr. Geithner in the early morning call that happened on Tuesday, September 16th. Do you recall your testimony about that? Mr. Boies asked you about it on Monday.
A. Is this the telephone call?
Q. Yeah, the telephone call in the middle of the -- the very early hours of Tuesday morning --
A. Yes.
Q. -- where you gave Mr. Geithner a recommendation

with respect to how -- with respect to whether or not the New York Fed should lend to AIG. Do you recall that?

A. I don't recall giving that -- giving that recommendation on the telephone call.

Q. Oh, I see. And how did you give that recommendation?

A. I gave that recommendation in an email.

Q. Okay. And irrespective of the form in which you gave that recommendation, you did do so. Is that right?

A. I did.

Q. Okay. And if the New York Fed had followed your suggestion on Tuesday morning of allowing the AIG parent to go bankrupt and using the New York Fed's resources to protect only the subsidiaries, what would have happened to the shareholders of the parent?

A. Their equity valuations would most -- the value of their equity would most likely have been zero.

Q. Thank you.

I have no further questions, Your Honor.

THE COURT: All right.

Dr. Mosser, thank you very much for your testimony as well as your patience in this matter. You are excused.

THE WITNESS: Thank you.

MR. BOIES: Your Honor, we call as our next witness Alejandro LaTorre.

THE COURT: Good afternoon and welcome.

THE WITNESS: Thank you, Your Honor.

THE COURT: Please raise your right hand, please.

Whereupon--

ALEJANDRO LATORRE

a witness, called for examination, having been first duly sworn, was examined and testified as follows:

THE COURT: Please be seated.

THE WITNESS: Thank you.

DIRECT EXAMINATION

BY MR. BOIES:

Q. Good afternoon, Mr. LaTorre.

A. Good afternoon.

Q. We haven't met, but my name is David Boies, and you understand that I am representing the Plaintiff in this case?

A. Yes, I do.

Q. You first became aware of AIG's liquidity problem on the night of September 12th, 2008, when you attended a meeting between AIG management and Federal Reserve Bank of New York personnel, correct?

A. Yes, that is correct.

Q. And at that meeting, AIG management described the extreme liquidity pressures that the firm was facing, correct?
A. Yes, it did.
Q. And they described what the consequences would be of further downgrades, correct?
A. Yes, they did.
Q. And they described their portfolios, literally portfolio by portfolio, giving you a description of their exposures, correct?
A. Yes.
Q. You also participated, as the weekend progressed, in discussions with respect to whether and on what terms the Federal Reserve might make a loan available to AIG, correct?
A. I -- yes. I participated in discussions that helped to create options for policymakers around whether or not they should consider lending to AIG.
Q. And in addition to that, you were present at a discussion about the need or desire to impose punitive terms if a loan was, in fact, made to AIG, correct?
A. Yes. I was present at discussions where, in a broad sense, there was a desire to not reward AIG for poor risk management practices, but not necessarily on the specific details or terms of the loan.

Q. Now, you say you were present at discussions where people talked about not wanting to reward AIG for poor risk management practices. Did anyone identify, in your presence, any poor risk management practice that AIG had engaged in?

A. No one in those discussions identified specific practices, but based --

Q. That's my question.

A. Sure.

Q. I'd like you just to listen to what my question is.

A. Yes.

Q. At any time through September 16th, did anyone identify any specific poor risk management practice that they believed AIG had engaged in? That's yes or no, and if it's a yes, I'll ask some more questions, and if it's a no, we can move on.

A. No.

Q. What is the answer?

A. No.

Q. And you were present at discussions in which people talked about imposing punitive terms if a loan was to be made? And I'm meaning to use the word "punitive," and that word was used in the discussions that you were aware of, correct, sir?

A. I -- no, I was not involved in any discussions regarding the terms of a loan, punitive or otherwise.

Q. So, it's your testimony that the -- there was not any discussion that you were aware of about the need to impose punitive terms if a loan was to be made to AIG?

A. Yes. I was aware and present in discussions where punitive terms were talked about in the context of not rewarding AIG's poor risk management practices, but not with any specificity.

Q. But they did talk about imposing punitive terms.

A. They did, yes.

Q. Do you know whether there was any effort made to assess whether AIG's risk management practices, as you've described them, were better or worse than other companies that were in financial distress?

A. No, there was not.

Q. Let me ask you to look at Plaintiffs' Exhibit 334, which is in your binder and which I'd like to offer.

A. I see the exhibit.

MR. SCARLATO: Your Honor, I see an indication of an attachment but don't see the attachment, but otherwise, we have no objection. I don't know if this is a complete document, but...

MR. BOIES: I don't know if it's a complete document either, Your Honor. This is, as I understand it, how it was produced to us. If --

MR. SCARLATO: Well, as long as Mr. Boies only intends to talk about the document that's here, we have no objection.

THE COURT: All right. Plaintiffs' Trial Exhibit 334 is admitted.

(Plaintiffs' Exhibit Number 334 was admitted into evidence.)

BY MR. BOIES:

Q. This is an email from you, dated October 31, 2008, at 6:43 p.m. Is that correct?

A. Yes.

Q. And to whom did this email go?

A. This email is addressed to Steve Manzari, Paul Whynott, and Jim Mahoney. They were members of the Federal Reserve who were involved in the Maiden Lane II and Maiden Lane III structures.

Q. Counsel suggests there might have been an attachment to this email. Was there an attachment to this email?

A. I believe there is. If you flip the page, you will see a spreadsheet, but I don't -- I don't recall what the details of that attachment are.

Q. Your email says, "Steve asked me to send along to you some analysis that quantifies how much upside AIG would be giving up by participating in the Maiden Lane II and III structures."

Do you see that?

A. Yes, I do.

Q. Who is Steve?

A. That is Steve Manzari, who was the individual who I reported to at this time for the purposes of Maiden Lane III.

Q. You then say, in bold letters, "Please do not share this analysis with the rating agencies." Do you see that?

A. I do see that.

Q. Why were you so determined not to have this analysis shared with rating agencies?

A. It wasn't necessarily my determination. It's not clear to me, looking at this email now, whether that was an instruction passed along to me by Steve or whether that was an instruction that I volunteered. I'm imagining, looking at this email now, that Steve had asked me to do that, in addition to sending along the analysis.

Q. To the extent that this was something that you, in your language, "volunteered," do you have any memory of what the reason was?

A. I do not.

Q. To the extent that this was something that Steve or someone else asked you to do, do you have any memory as to what the reason was?

A. I do not.

Q. You then say, "In summary, the growth in value (in billions) without ML II and III are: Optimistic, $110,170,000,000; Base Case, $81,780,000,000; Stress Case, $62,970,000,000." Do you see that?

A. I do.

Q. And then you go on to say, "The growth in value (in billions) with ML II and ML III are: Optimistic, $15,570,000,000; Base, $11,210,000,000; and Stress, $5,960,000,000." Do you see that?

A. Yes, I do.

Q. And you then say, "Note, the ML III figures assume that AIG has funded all the CDS, meaning that they paid out par to counterparties and acquired the underlying CDO; this makes it a little more 'apples to apples' with the ML II numbers."

Do you see that?

A. I do.

Q. Were these estimates or quantifications of how much upside AIG would be giving up by participating in

the ML II and ML III structures something that you had prepared?
A. No.
Q. Who had prepared these?
A. BlackRock had prepared these.
Q. And who had retained BlackRock to do this?
A. Ultimately, we retained BlackRock. I don't know at what point in time -- I don't recall whether or not this email preceded the actual retainment of BlackRock or whether it was after. I just -- I can't remember.
Q. When you say that ultimately "we" retained BlackRock, who is the "we" there? Is that the Federal Reserve Bank of New York?
A. That is correct.
Q. Let me ask you to look next at Plaintiffs' Trial Exhibit 385 --
A. Okay.
Q. -- which I would offer. Oh, I'm told it's already in.
MR. SCARLATO: No objection, Your Honor.
THE COURT: We will go on the basis that it's already in.
MR. SCARLATO: No objection.
BY MR. BOIES:
Q. Is this a document that you're familiar with,

sir?

A. Yes, I am.

Q. And what is this document?

A. This document is a presentation that I made to the investment committee of the Federal Reserve Bank of New York. The investment committee was responsible for managing the Maiden Lane III facility.

Q. Now, did you prepare this presentation yourself?

A. I believe I did prepare the presentation itself, but I did rely on information that was provided by BlackRock.

Q. With respect to the extent to which you used information that was provided by BlackRock, did you satisfy yourself that it was sufficiently reliable information to present to the investment committee?

A. I was not in a position to verify BlackRock's projections, not having the detailed knowledge of their assumptions.

Q. Did you ask them what their assumptions were?

A. I don't recall asking them specifically what their assumptions were for the purposes of this presentation, but I did ultimately become aware of what they were at a very high level.

Q. Were you aware of the assumptions prior to making the presentation?

A. I don't recall.
Q. Did you make any effort to find out what the assumptions were prior to this presentation?
A. I don't believe so.
Q. Did you believe that any assumptions that BlackRock had made were material to the reliability of the information that is presented here?
A. Again, I wasn't in a position to evaluate on any level what the assumptions were, and I don't recall asking about them in anticipation of this presentation.
Q. You were in a position to ask them what their assumptions were, weren't you?
A. Yes, I was.
Q. Did you do that?
A. I don't remember if I did that in anticipation of this presentation, but ultimately -- I do recall that throughout the duration of discussions with BlackRock, that they did share with us what the assumptions -- what the assumptions were at a very high level.
Q. Did you ever disagree with any of those assumptions to BlackRock?
A. I did not.
Q. Let me ask you to look next at Plaintiffs' Trial Exhibit 1817, which I would offer.
MR. SCARLATO: Your Honor, we object on hearsay

grounds. It appears to be an email from BlackRock, a third party. Also, it again seems to be missing an attachment.

MR. BOIES: I can put the entire document in front of the witness.

BY MR. BOIES:

Q. While we're getting the document, this is a document that was sent from somebody at BlackRock to you and other people at the Federal Reserve, correct?

A. Yes. This is an email sent to Paul Whynott and myself.

Q. And what was the purpose of this?

A. If I could just take a moment to review the attachments.

Q. Sure.

A. (Document review.) These were background materials that BlackRock provided to us describing the positions of the various counterparties -- CDS counterparties that AIG had and describing, to some extent, the history of AIG's negotiations with those counterparties, in addition to analysis on the underlying values of the CDOs.

Q. And did you use this information in any way?

A. I -- I did review this information, but I don't recall it having any material impact in terms of what I did that weekend. It was mostly looked at as background information.

MR. BOIES: Your Honor, I will temporarily withdraw the offer until I complete the examination and see if there's a further basis.

THE COURT: Well, I was going to allow it on the following grounds: I think that when the United States Government retains a consultant to provide information, I don't think you keep it out on hearsay grounds. I think the Government adopts whatever it is the outside consultant submits.

MR. SCARLATO: Your Honor, I'd hate to object on foundation grounds to your statements, but I don't know if that foundation has been laid and testified to as to BlackRock, at least.

THE COURT: Well, maybe not with this witness, but I think we know who BlackRock is and what their involvement was.

MR. SCARLATO: I don't know if that's true or not, but if Your Honor accepts that premise, we would --

THE COURT: I'm pretty sure that's the case.

MR. SCARLATO: Okay.

MR. BOIES: Let me just cover that, to be clear, with the witness.

THE COURT: All right.

BY MR. BOIES:
Q. When BlackRock sent you this material, they were sending you this material for the Federal Reserve Bank of New York's use in attempting to negotiate concessions with or from counterparties in connection with the ML III transaction, correct?
A. Yes. I think BlackRock's intent was to help inform those discussions using these documents.
THE COURT: Well, for the reasons stated, Plaintiffs' Trial Exhibit 1817 is admitted.
(Plaintiffs' Exhibit Number 1817 was admitted into evidence.)
BY MR. BOIES:
Q. Let me ask you to look next at Joint Exhibit 141, which is in your binder.
A. I see it.
Q. And this is an email or a series of emails, and at the top, there is an email from you to various other Federal Reserve personnel on the subject of "AIG questions from our meeting with Governors Kohn and Warsh." Do you see that?
A. I do.
Q. And the bottom email is an email that goes to a large number of people from Michael Gibson, correct?
A. Yes.

Q. And this memorandum or email reports on a meeting that had been held with Governors Kohn and Warsh to update them on the package of measures being prepared for AIG, correct?
A. I'm sorry. Can you repeat your question?
Q. Yes.
The email at the bottom, from Michael Gibson that goes to Sarah Dahlgren and a large number of other Federal Reserve Board and Federal Reserve Bank of New York personnel, which is then forwarded on to a variety of other people, including yourself --
A. Yes.
Q. -- is an email describing a meeting with Federal Reserve Board of Governors Kohn and Warsh, correct?
A. Yes, it looks that way.
Q. And you saw this at the time, correct?
A. Yes, I did.
Q. And the governors at this meeting asked two questions that the people participating in the meeting did not know the answers to. One was, who is overseeing the tear-up process on the CDSs? Do you see that?
A. I do.
Q. And it says there are two issues with respect to the tear-up processes on the CDSs, concessions and Goldman. Do you see that?

A. I do see that.
Q. And the paragraph in the top third of the page, headed "Concessions," do you see that?
A. I do see that.
Q. It says, "Concessions:"
A. Yes.
Q. "The worry is that giving the counterparties par in exchange for the underlying CDO security might be giving them a gift -- they no longer have AIG credit risk, and whatever CVA they have taken against potential future exposure to AIG will be released upon tear-up. If a counterparty has not received all the collateral it has called for, the tear-up eliminates current exposure also."
Do you see that?
A. I do see that.
Q. It then goes on to say, "On the other hand, AIG is now receiving government support so the perceived credit risk of AIG is less. Also, AIG needs to get the CDS torn up to put its problems behind it, so its bargaining power may be weak."
Do you see that?
A. Yes, I do.
Q. Now, were you a participant after this email was sent on November 1, 2008, in any discussions about

whether it was or was not appropriate to give the counterparties par in exchange for the underlying CDO securities?

A. Yes, I was involved in the counterparty negotiations where we did attempt to extract concessions, but I was not involved in the decision-making process around whether or not to determine -- whether or not to obtain those concessions.

Q. With which counterparties did you personally negotiate?

A. So, I remember participating in meetings with two counterparties where concessions were discussed. I was not the lead individual in the discussion. One of those counterparties was UBS, and the other counterparty I cannot remember precisely, but I believe it was one of the French banks.

Q. Where did these negotiations take place?

A. They -- the negotiations were held via conference call in the offices of the Federal Reserve Bank of New York.

Q. And who was the lead negotiator?

A. It depended on the counterparty.

Q. For UBS?

A. The lead negotiator for UBS was Michael Alix.

Q. And for the French bank?

A. It was Terry Checki.
Q. And when did the UBS negotiation take place?
A. Unfortunately, I don't -- I don't remember exactly over the course of that weekend when negotiations took place. It's a very big blur.
Q. Was it before or after November 6th?
A. I don't remember precisely.
Q. The same question with respect to the French bank. Was that negotiation before or after November 6th?
A. I don't remember when those negotiations took place exactly.
Q. Did you have a script that you used or that the lead negotiator used in dealing with the counterparties?
A. I did prepare a script for the lead negotiators in the counterparty discussions.
Q. And have you seen that script in any of the materials that you have given in preparation for this testimony?
A. I don't recall -- I don't recall seeing that script.
Q. Do you know what happened to that script?
A. I do not.
Q. When was the last time you saw that script?
A. I don't remember exactly, but I know that I

created one.
Q. And this was something that you created personally?
A. Yes. I personally created the script with input from my colleagues.
Q. Which colleagues?
A. Paul Whynott mostly.
Q. Now, the par value of the assets that -- the CDSs that were going to be part of ML III was a $62.1 billion notational value. Is that correct?
A. Yes. I believe that's approximately correct.
Q. And did you have any discussion or were there any discussions that you were present at with any counterparty concerning the giving of releases?
A. I don't recall being part of any discussions involving releases.
Q. Either with counterparties or with respect to other people at the Federal Reserve?
A. I don't recall any discussion about releases with anyone.
Q. Do you know whether the counterparties were, in fact, given releases?
A. I don't know whether the counterparties were, in fact, given releases.
Q. Was anyone from AIG participating in discussions

with counterparties on or after November 1 of 2008?
A. I can say that we did not participate jointly with AIG in those counterparty discussions. So, AIG was not part of the discussions we had with counterparties over the time frame in which we had them.
Q. Let me ask you to look at Plaintiffs' Trial Exhibit 405, which I would offer.
A. I see the exhibit.
MR. SCARLATO: No objection, Your Honor.
THE COURT: Plaintiffs' Trial Exhibit 405 is admitted.
(Plaintiffs' Exhibit Number 405 was admitted into evidence.)
BY MR. BOIES:
Q. And the top email is an email from you, dated January 14, 2009, at 10:41 a.m. Do you see that?
A. I do see that.
Q. And you write, "Thanks, Jim. If we can avoid disclosing, I agree with Jim we should pursue that as we would like to keep the entire schedule confidential."
Do you see that?
A. I do see that.
Q. Now, what was the schedule that you wanted to keep confidential?
A. If memory serves me correctly, the schedule had

CUSIP numbers or essentially identifiers for individual CDO bonds, and it had the prices that ML III paid for those CDO bonds, as well as the names of the counterparties to which the bonds were acquired from.

Q. Now, you were trying to keep confidential not merely the CUSIP numbers but the entire schedule, correct?

A. Yes, that is correct.

Q. Who had you had discussions with about the desirability of keeping the entire schedule, including the names of the counterparties, confidential?

A. So, the conversations I remember most vividly that I personally had about the schedule were with Jim Bergin.

Q. And Mr. Bergin is in the Legal Department of the Federal Reserve Bank?

A. That is correct.

Q. Let me ask you to look next at Plaintiffs' Trial Exhibit 450, which I would offer.

A. I see the exhibit.

MR. SCARLATO: No objection, Your Honor.

THE COURT: Plaintiffs' Trial Exhibit 450 is admitted.

(Plaintiffs' Exhibit Number 450 was admitted into evidence.)

BY MR. BOIES:

Q. And the top email is from you to Mr. Bergin, with copies to a number of other people, including Sarah Dahlgren. Do you see that?

A. I do see that.

Q. And other than Sarah Dahlgren and James Hennessy, who I think we've identified, can you please identify, by position, the other persons who were receiving copies of this?

A. So, Helen Mucciolo was the senior vice president responsible for managing the Maiden Lane III facility. Joyce Hansen is the deputy general counsel for the Federal Reserve Bank of New York. Michael Nelson is an attorney also for the Federal Reserve Bank of New York.

Q. You write, "Keeping aside the political posturing for the moment, is there a more fundamental concern that Congress has that we can address absent provision of names." And the names that you refer to there are the ML III counterparty names, correct?

A. Yes.

Q. You say, "If we can be responsive to that concern I wonder if there is a way to get them off the fixation on counterparty names." Do you see that?

A. Yes, I do.

Q. Did you ever receive a response to that email?

A. I believe that I did based on the email that follows below that from Jim Bergin. But I don't know if he responded -- I don't recall any response directly to the concerns that I had, which were around disclosing the CDO names and the schedule, which could ultimately make it more difficult or more uneconomical for Maiden Lane III to sell those positions later, and I didn't see any direct response to the concerns that I had around releasing the counterparty names would ultimately make it more difficult for AIGFP to unwind the remainder of its derivatives contracts. That was my concern that I was trying to express in this particular email.

So, I was acknowledging that there was a legitimate right for Congress to know and understand what has happened, but I was wondering if there was a way that we could actually address that question without prejudicing the ability of Maiden Lane III to recoup -- and ultimately AIG -- to recoup full value on the CDOs or prejudicing FP's ability to unwind the remaining CDS, because ultimately, that was the mission of Maiden Lane III. The objective was to make sure that FP would not continue to destabilize the financial system or destabilize AIG.

MR. BOIES: Your Honor, I am going to move to strike the answer as nonresponsive. I rarely do this in a bench trial, but all I said is did you ever receive a response to that email, and I got that -- that speech.

THE WITNESS: So, the short answer is I don't recall any specific response to -- to what I said, but there is an email from James Bergin that follows below this, which I -- I don't know if that's a response to this.

MR. SCARLATO: Your Honor, regarding the pending objection, we would -- we would ask the Court to allow that previous answer in. He was just explaining the "why" of the question that Mr. Boies had.

THE COURT: I don't know that it makes a lot of difference one way or the other, so I'll overrule the motion to strike.

MR. SCARLATO: Thank you, Your Honor.

THE COURT: But I would ask the witness to listen carefully to the questions.

THE WITNESS: Yes.

BY MR. BOIES:

Q. Who told you that releasing the counterparty names might ultimately make it more difficult for AIGFP to unwind the remainder of its derivatives contracts, if anyone?

A. That was my personal view.

Q. Did anybody tell you that?

A. No, but that view was shared by others.
Q. Who else shared that view?
A. Michael Alix shared that view.
Q. Anybody else?
A. I believe Sarah Dahlgren also shared that view.
Q. Anyone else?
A. I don't -- I don't recall anyone else specifically.
Q. Did you ever have any discussions with anyone as to what AIG's position was with respect to that?
A. I'm sorry. Can you repeat the question?
Q. Yes. Did you ever have any discussions with anyone as to what AIG's position was as to whether releasing the counterparty names would make it difficult for AIGFP to unwind the remainder of its derivatives contracts?
A. I personally did not have a -- I personally do not recall a conversation I had with AIG surrounding those relationships.
Q. Okay.
A. But I -- I think it was --
Q. That was my question.
A. I'm sorry. I'll stop there. My apologies.
Q. Did you ever have any conversation with anyone at AIG as to whether AIG wanted to keep the counterparty

names confidential?

A. I personally did not have any discussion with AIG surrounding the confidentiality of the counterparty names.

Q. Do you know anyone who did?

A. I -- I don't recall any specific person who did.

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

THE COURT: All right, very well.

Cross examination? Go ahead, Mr. Scarlato.

MR. SCARLATO: Thank you, Your Honor.

CROSS EXAMINATION

BY MR. SCARLATO:

Q. Good afternoon, Mr. LaTorre.

A. Good afternoon.

Q. Mr. LaTorre, we will cover some of the areas that you just discussed with Mr. Boies, but I'd like to start by stepping back just to give some context.

Can you start by describing for the Court your educational background?

A. So, I have a bachelor's of science in economics from Binghampton University; I have a master's of science in statistics, with applications to finance, from New York University; and I have an MBA in finance also from New York University.

Q. And what's your current position?

A. Currently I'm a vice president in the financial institutions supervision group.

Q. In the New York Fed? Otherwise known as the New York Fed?

A. That's right.

Q. I'm sorry.

And when did you start working at the New York Fed?

A. I began my career at the New York Fed in July of 1996.

Q. And what was your position at that time?

A. I was a research assistant.

Q. And what were your responsibilities as a research assistant?

A. My responsibilities were to support economists in academic research around capital markets and derivatives valuation issues.

Q. And how long did you hold that position?

A. Approximately two years.

Q. And what did you do next at the New York Fed?

A. Afterwards, I moved to the bank supervision group, and I took on several roles in evaluating firms' statistical models as well as their risk management practices.

Q. I'm not sure the Court's -- it's been explained to the Court before. Can you describe what the supervision group does at the New York Fed?

A. The financial institutions supervision group today is responsible for providing regulatory oversight for the institutions that fall under our supervisory review, so predominantly bank holding companies and all foreign banks operating in the United States and state-owned banks.

Q. And how long did you hold that position?

A. I held several positions throughout that period. In total, it lasted approximately six years.

Q. Okay. And what was your next position?

A. I was assigned to the open market desk, the markets group, for approximately 2 1/2 years.

Q. And what's the open markets desk?

A. The open market desk is the monetary policy implementation arm of the Federal Reserve System.

Q. Okay. And how does that -- how do you effect that implementation arm in the Federal Reserve System? What do you do?

A. I think the easiest way of describing what the desk does is that, number one, it implements monetary policy on behalf of the Federal Open Market Committee, and it is the eyes and ears of the Federal Open Market Committee in financial markets.

So, to the extent that there are changes in financial conditions that would help inform the Federal Open Market Committee about what is the appropriate setting for monetary policy, the markets group would provide that information on financial conditions.

Q. Can you briefly describe how the markets group is the eyes and ears?

A. So, on a day-to-day basis, members of the markets group will talk to market participants, primarily primary dealers, but it could be a broad array of market participants. They are also looking at market data to understand what developments have taken place.

Q. And who did you report to at that time, when you were on the open market desk?

A. I reported to Patricia Mosser.

Q. And you had that position until about October of 2008?

A. That's correct.

Q. And just so that the Court understands, by that time, about October 2008, what prior experience had you had regarding financial derivatives contracts?

A. So, prior to October 2008, I had spent the majority of my career at the Fed understanding how firms used derivatives contracts, understanding how they risk managed with them, and understanding how they measured

the risk associated with them for capital purposes.
Q. And it's fair to say a CDS is a form of a derivatives contract. Is that right?
A. Yes.
Q. Okay. Okay, I'd like now -- to turn now to -- you discussed earlier your initial contact with AIG around September 12th, 2008. Is that -- am I right?
A. That is correct.
Q. Okay. And what do you recall happening on that day?
A. I recall that it was a Friday evening, and I received a phone call from Brian Peters, who was a senior vice president in the bank supervision group, to attend a meeting at AIG. Essentially my instructions were to observe and report the outcome of that meeting.
Q. Okay. Did you, in fact, observe and report at that meeting?
A. Yes, I did.
Q. If you can turn -- I believe you now have a white binder, a new binder?
A. I do.
Q. Can you turn to DX 249 in that binder, which I understand is already in evidence, Your Honor.
A. Yes.
Q. And do you recognize this document?

A. I do recognize this document.

Q. What is it?

A. This is the summary that I created after the meeting that I sent to then President Geithner as well as other senior staff within the Federal Reserve Bank of New York.

THE COURT: Can I ask a question, Mr. Scarlato?

MR. SCARLATO: Of course, Your Honor.

THE COURT: I have heard a lot of testimony, Mr. LaTorre, about meetings at AIG. It seems like the parties are able to quickly get together to have a meeting, and I'm wondering where the AIG offices are located in comparison to where the Federal Reserve Bank of New York is located.

THE WITNESS: The AIG offices are located -- the head office was located a short distance away, within walking distance, approximately, I would say, five to ten minutes.

THE COURT: So, it's an easy thing to get together?

THE WITNESS: Yes, sir.

THE COURT: Okay. Thank you.

MR. SCARLATO: Thank you, Your Honor.

BY MR. SCARLATO:

Q. And that meeting was at AIG, the September 12th meeting?

A. Yes. That meeting was in their head offices.

Q. Okay. And so we're clear, at this point, at the time of this meeting at AIG on September 12th, what prior knowledge did you have about AIG's financial condition?

A. I personally did not have any prior knowledge of their financial condition. The only -- the only thing I knew was that AIG was a very large insurance company.

Q. So, in your time at the New York Fed, did you have any direct contact with AIG before September 12th?

A. No, I did not. Prior to that date, I was, you know, in the markets group and in the bank supervision group, and we did not supervise or regulate AIG. So, I wouldn't have had the opportunity to get that knowledge.

Q. Turning to the meeting, am I correct in believing that the people's names on the copy line, the CC line, were the New York Fed representatives that attended the meeting with you?

A. Yes, that is correct.

Q. Okay. And who else do you recall being at that meeting?

A. I recall there were members of the Board of Governors at the meeting, as well as senior management at AIG.

Q. Were the Board of Governors representatives in person or on the phone?
A. They were on the phone.
Q. Okay. And how many AIG representatives do you recall being at this meeting?
A. I -- I recall at least a dozen, if not more.
Q. Okay. And what's your understanding of the purpose of this September 12th meeting?
A. The purpose of the meeting was to listen to what they were prepared to explain to us, but prior to the meeting, I didn't have any preparation or understanding of what that meeting was about. I was just told to go.
Q. And does this email, DX 249, reflect what AIG told you at this meeting?
A. Yes, it does.
Q. Okay. And I'm looking at the -- if you can turn to the second full paragraph, it starts, "The key takeaway is that they" -- I believe meaning AIG -- "are potentially facing a severe run on their liquidity over the course of the next several (approximately 10) days if they are downgraded by Moody's and S&P early next week."
Is that your recollection of what AIG told you at this meeting?
A. Yes.

Q. And turning to the last sentence in that paragraph, it states, "They estimate that they might have to pay out $18.6B across the firm over the course of next week if they were downgraded."
Is that also consistent with your recollection of what AIG told you in this meeting?
A. That is consistent with my recollection.
Q. And I believe the next part explains where the 18.6 billion comes from. Is that fair?
A. That is correct, yes.
Q. And if you look at the last four items, it's collateral postings and derivatives contracts. Can you explain what that means?
A. These were the liquidity offloads arising from AIG's derivatives contracts with its counterparties.
Q. And that would include the CDS contracts you talked about earlier?
A. That is correct.
Q. So, am I reading that correctly, that at that time, AIG believed it only had a $5 billion potential need relating to those contracts?
A. Yes. At that point in time, that was AIG's understanding of what its collateral postings had been up to that point in time.
Q. Thank you.

If you can turn next to the following paragraph, that last sentence states, "They have enough liquidity to last until September 26th." So, was that your understanding at the time, on September 12th, that AIG told you they had until September 26th until they ran out of liquidity?

A. Yes, that was my understanding, because the company was under the threat of imminent downgrade by the rating agencies.

Q. And if you could just turn now, the last point on this document, the last paragraph of the first page. Can you read that, following onto the next page, and explain what you learned there as reflected in that piece of DX 249?

A. Should I read this out loud or --

Q. Read it to yourself and then just explain what it means. Thank you.

A. (Document review.) My interpretation of this sentence is that AIG was facing an extreme crisis and that they had no actionable plans in order to take measures to alleviate that crisis.

Q. And it says there (as read): "no concrete plans to generate short-term -- near-term." Excuse me. What does that mean?

A. That is correct. It means that they did not share a plan with us at the meeting explaining how the company, using its own resources, was going to address the liquidity pressures.

Q. Okay. And in that September 12th meeting, do you recall any other discussions with AIG that occurred, other than the information reflected in this exhibit, DX 249?

A. I do not.

Q. Okay. After that meeting, do you have any -- did you make any effort to verify the information AIG had expressed?

A. I did not because I could not. I wasn't well positioned to do that, not having any understanding of the firm prior to this meeting.

Q. And did you have any reason to doubt the information AIG relayed to you?

A. I did not.

Q. Okay. So, after this initial meeting on Friday night, September 12th, did you continue to be involved in AIG-related issues?

A. Yes, I did.

Q. Okay. And what was your role right after that, let's say on Saturday, the 13th?

A. On Saturday, the 13th, I was asked to assemble a group of experts from around the bank to do two things:

One was to understand the impact of the New York Federal Reserve providing a loan to AIG, and thereafter, understanding the systemic risk that an AIG failure could pose for the broader economy.

Q. Okay. And you said you were asked to assemble. Was it you who assembled the team or how was that team put together?

A. I don't -- I did not personally assemble that team. I don't know how exactly that team was assembled.

Q. Do you remember how big that team was?

A. Yes. I would say it was approximately ten people, at the most.

Q. And do you recall who put that team together? Was it one of your supervisors?

A. I -- I don't recall how that team was assembled, whether or not they were asked individually to participate or by whom.

Q. Okay. And did I ask how many individuals?

A. You did ask.

Q. Okay. So, what was your role on that team, let's say, on that Saturday and Sunday, the 13th and the 14th of September?

A. So, my role on the team was really to put together a work product that spanned the views of the individuals on that working team in a neutral way, to help inform policymakers and decision-makers as to what would be the appropriate course of action to take with respect to AIG.

Q. So, you say to inform the decision-makers. Was anyone on your team that weekend a decision-maker?

A. They were not.

Q. Okay. Who were the decision-makers?

A. Ultimately, the decision-makers were then President Geithner and the governors of the Board.

Q. The Board of Governors?

A. The Board of Governors of the Federal Reserve System, yes.

Q. Got it. And you mentioned that the team consisted of experts within the New York Fed. Can you explain what sort of expertise this team had?

A. So, the team consisted of experts on -- in financial research, research around derivatives, experts in bank supervision who understood how financial institutions were organized, how banks were organized, and how they used derivatives, and people who understand market practices and derivatives.

Q. Okay. And to conduct the analysis you conducted that Saturday and Sunday, what sources of information did your team rely upon?

A. We relied on exposure information that AIG provided. We also relied on public information about AIG from its financial statements, its publicly available financial statements. And we also relied on our understanding of how financial markets work, how derivatives contracts work, and what the potential consequences could be if you had a large company with large concentrated exposures in those positions.

Q. And you said you received exposure information from AIG. What was the nature of that information you received from AIG?

A. The information we received was counterparty exposure that AIG had with various other institutions, predominantly banks.

Q. Okay. And how often did you receive that type of information from AIG that weekend?

A. I only recall receiving that information once. We also received liquidity projections from AIG as well.

Q. The company's liquidity?

A. That's correct.

Q. Okay. And what was the purpose of asking for the counterparty exposure report?

A. So, our objective was to understand whether AIG's failure, due to its size or due to its interconnectivity with the rest of the economy, could precipitate a broader crisis for the U.S. economy. So, financial institutions are part of the U.S. economy, and as a consequence, we wanted to understand whether or not there would be an impact transmitted to the broader economy through those financial institutions.

But I would also say that we looked at -- the only information that we had that was independent of AIG that wasn't public was our understanding of banks' counterparty exposure. So, it was useful for us to look at the situation through the lens of financial institutions, because that was our comparative advantage from a knowledge standpoint.

Q. So, did your team look outside the lens that the New York Fed was accustomed to as part of your analysis that weekend?

A. So, we only looked outside that lens using information that AIG provided us, internal information, and the publicly available information that we could get from its financial statements.

THE COURT: Mr. Scarlato, why don't we break there for today.

MR. SCARLATO: Sounds good, Your Honor.

THE COURT: We will reconvene tomorrow morning at 9:30.

(Whereupon, at 4:59 p.m., the proceedings were adjourned.)

CERTIFICATE OF TRANSCRIBER

I, Susanne Bergling, 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: 10/10/2014 ________________________________

SUSANNE BERGLING, RMR-CRR-CLR

ADMITTED EXHIBITS

PX	PAGE	DESCRIPTION
45	2019	Email (9/13/2008) From: Brian Madigan To: Ben Bernanke re: AIG
334	2059	Email (10/31/2008 6:43 pm) From: Alejandro LaTorre To: Peter Juhas, cc: Steven Manzari, Paul Whynott, Jim Mahoney re: Give Up Analysis for AIG
405	2073	Email (1/14/2009 10:40 am) From: Alejandro LaTorre To: James Bergin, cc: Diego Rotsztain, Helen Mucciolo, Peter Bazos re: FW: 8-K/A re: SEC Request for Schedule A to Shortfall Agreement
450	2074	Email (3/6/2009 12:45 pm) From: Alejandro LaTorre To: James Bergin, cc: Helen Mucciolo, James Hennessy, Joyce Hansen, Michael Alix, Michael Nelson, Sarah Dahlgren re: Re: Fw: For the VC's hearing -- naming AIG creditors -- Fed dealings with the counterparties --
539	1934	September 2009 GAO Report to Congressional Committees: Troubled Asset Relief Program - Status of Government Assistance Provided to AIG

599	2011	September 2, 2010 FCIC Hearing on "Too Big to Fail: Expectations and Impact of Extraordinary Intervention and The Role of Systemic Risk in the Financial Crisis"
607	2030	Bernanke Speech, "On the Implications of the Financial Crisis for Economics" (9/24/2010)
616	2002	November 4, 2010 Chairman Bernanke Follow-up to September 2, 2010 FCIC Appearance
632	2044	GAO Record of Interview (2/14/2011) Federal Reserve Bank of New York (FRBNY) Interview on assistance to American International Group, Inc. (AIG)
668	1873	Discussion with Northwestern University faculty between Timothy Geithner and various professors
676	1886	Interview Session with Timothy Geithner, Mike Grunwald, Charlie Anderson
684	2031	Ben S. Bernanke Speech at the Ceremony Commemorating the Centennial of the Federal Reserve Act (Dec. 16, 2013)
1817	2067	Email (11/5/2008 10:19 pm) From: Nugzari Jakobishvili To: Paul Whynott, Alejandro LaTorre, cc: Zach Buchwald, Mark Wiedman, Stacey Mullin re: Counterparty packet Attaching Counterparty Briefs Slides

2750	1902	Letter from the Department of Treasury regarding the Bear Stearns credit facility
2751	1901	Letter from the Department of Treasury regarding the Bank of America credit facility
2752	1901	Letter from the Department of Treasury regarding the Citigroup credit facility

DDX	PAGE	DESCRIPTION
DDX003	1932	Hand Drawn Chart