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2 FINANCIAL CRISIS INQUIRY COMMISSION

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4 Interview of CHARLES O. PRINCE

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

1 APPEARANCES: 2 3 FINANCIAL CRISIS INQUIRY COMMISSION 4 1717 Pennsylvania Avenue NW, Suite 800 5 Washington, DC 20006 6 7 BY: BRADLEY J. BONDI, Assistant Director 8 and Deputy General Counsel 9 KAREN DUBAS, paralegal 10 11 PAUL, WEISS, RIFKIND, WHARTON & GARRISON, 12 LLP 13 On behalf of the Witness 14 1285 Avenue of the Americas 15 New York, New York 10019 16 17 BY: BRUCE BIRENBOIM, ESQ. 18 BRAD S. KARP, ESQ. 19 SUSANNA BUERGEL, ESQ. 20 JANE O'BRIEN, ESQ. 21 22 SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP 23 On behalf of the Witness 24 Four Times Square 25 New York, New York 10036 BY: JONATHAN J. LERNER, ESQ 2	1 Interview - CHARLES PRINCE 2 A Charles Prince, P-R-I-N-C-E. 3 Q Are you currently provide, Mr. 4 Prince? 5 A I am not. 6 Q Do you have a consulting role 7 anywhere? 8 A I do. 9 Q Where is that? 10 A With a firm called Albright 11 Stonebridge Group. 12 Q Where are you based? 13 A They are based in Washington, 14 D.C. I am not based there. I consult with 15 them as needed. 16 Q And, Mr. Prince, I understand you 17 were CEO of course of Citigroup. 18 Could you briefly describe the 19 positions you held at Citigroup or any of 20 its predecessors and the years that you held 21 them? 22 A Sure. And should I go all the 23 way back to when I started, or as much as 24 you want or -- 25 Q If you don't mind briefly just 4
1 Interview - CHARLES PRINCE 2 BY MR. BONDI: 3 Q Good morning, Mr. Prince. How 4 are you? 5 A Good morning. Well, thank you. 6 Q My name is a Brad Bondi. I am 7 with the Financial Crisis Inquiry Commission 8 in Washington. We were formed by Congress 9 to investigate the causes of the financial 10 crisis, both domestic and globally, and to 11 report on those causes in a report due 12 December 15, 2010, this year. 13 This interview is being 14 transcribed. Because we are members of the 15 government, I am obligated to tell you that 16 the typical rules of 18 USC 1001 apply. And 17 that means obviously you have to be truthful 18 to government investigator. But I have no 19 reason, Mr. Prince, to doubt your veracity. 20 A Thank you for that. 21 Q But I am obligated just to put 22 you on notice. 23 A Duly noted. 24 Q Could you please state your full 25 name for the record? 3	1 Interview - CHARLES PRINCE 2 identify the position, the company and the 3 years, if you wouldn't mind, if you recall. 4 A Sure. 5 I started with -- for these 6 purposes, I started with a company called 7 Commercial Credit Company in Baltimore, 8 Maryland, on January 15, 1979. And 9 commercial credit was a predecessor company 10 of what became Citigroup. 11 First let me tell you how it 12 became a predecessor company, than I'll give 13 you my tenure and so forth. 14 Commercial Credit was a 15 subsidiary of another company at that point 16 in time. It went public in 1986 under the 17 leadership of Mr. Weill and a series of 18 other individuals. 19 And then from 1986 until 1998, 20 commercial credit engaged in a series of 21 acquisitions and changed its name as it went 22 along so that by 1998, the company that was 23 Commercial Credit was then known as 24 Travelers Group. Travelers Group then in 25 1998 merged with Citicorp creating 5

1 Interview - CHARLES PRINCE 2 Citigroup. 3 My tenure with these various 4 companies, I started as an attorney in 1979 5 with Commercial Credit. I became general 6 counsel of the company in about 1984 or 7 thereabouts. I continued as general counsel 8 of the company through its various 9 iterations and name changes until the time 10 of our merger in 1998, at which time I 11 became the co-general counsel of the merged 12 entity, Citigroup. 13 My partner, as co-general 14 counsel, retired a year or so later. So I 15 then became sole general counsel in about 16 1999. I stopped being general counsel I 17 think sometime in 2000, maybe the fall of 18 2000, and was promoted to be chief 19 administrative officer. 20 Then in about 2001, I was chief 21 administrative officer. And then in 2002, I 22 became the head of our corporate and 23 investment bank. Then in 2003, became the 24 CEO of the company and in 2006 became 25 chairman. 6	1 Interview - CHARLES PRINCE 2 the board. And he continued with that 3 official designation. But Bob's role was a 4 more informal or nuanced one than the title 5 would suggest. 6 Bob was a very important member 7 of our board, of course. But he was also 8 very involved in the strategic direction of 9 the company, not so much the day-to-day 10 operations. But where the company should be 11 focused going forward, how it should grow, 12 how it should think about its future. He 13 was also fairly involved in client work, 14 both in the private bank, on our 15 institutional side. Given Bob's background, 16 given his extremely high reputation, he was 17 someone that people in our client base 18 wanted to meet. 19 Q I understand things changed in 20 the summer of 2007 in terms of the frequency 21 of your interactions with Mr. Rubin. But 22 prior to say summer of 2007 from let's say 23 when you became CEO in October 2003 through 24 early 2007, how often would you meet with 25 Mr. Rubin? 8
1 Interview - CHARLES PRINCE 2 I am surprised I remembered all 3 that. 4 Q I am impressed that you 5 remembered it all, sir. 6 When in 2003 did you become CEO, 7 what was the official date? 8 A I think it was October. 9 Q When in 2006 did you become 10 chairman, sir? 11 A That would have been at the 12 annual meeting which was in April. 13 Q Who was chairman between 2003 and 14 2006? 15 A Sandy Weill. 16 Q Mr. Prince, what was Mr. Rubin's 17 role vis-à-vis your role as CEO? 18 A During -- 19 Q Since you became CEO of 20 Citigroup, what was his role vis-à-vis your 21 role? 22 A Bob Rubin continued the role that 23 he had before I became CEO. Before I became 24 CEO, Bob was, I believe the official title 25 was chairman of the executive committee of 7	1 Interview - CHARLES PRINCE 2 A Well, with permission I will just 3 disagree if I may with the premise. 4 Q Please. 5 A It didn't really change in the 6 summer of 2007. As I am sure we will talk 7 later, we talked about different things. 8 Q Yes, sir. 9 A But Bob's office was literally 10 right next to mine. It was separated by a 11 little conference room, but it was 20 feet 12 away. And Bob and I would talk -- if we 13 were both in the office, we would talk three 14 or four times a day. He would walk into my 15 office, I would walk into his office. 16 If one or the other of us wasn't 17 physically in town that day, then we might 18 talk by phone every other day. So, the 19 level of interaction was frequent. 20 Bob was someone that I very much 21 valued bouncing ideas off of, testing ideas. 22 And when you are the CEO of a large company, 23 there are very few people that you can do 24 that with. But Bob's background and his 25 general knowledge of the world was very 9

1 Interview - CHARLES PRINCE 2 significant, and so I would bounce lots of 3 different ideas off of him. 4 Q You mentioned Mr. Rubin having a 5 role in the strategic direction of the 6 company. 7 Were there any particular areas 8 that he focused on in terms of strategic 9 direction, any particular areas of the 10 business? 11 A Well, I would say no. 12 If you were to step back and look 13 at our company from a distance, you would 14 see that we had that three or four basic 15 groups of activities. One would have been 16 our international business, which was quite 17 large and quite important. One would have 18 been our U.S. consumer business, and one 19 would have been our corporate and securities 20 business. 21 We have we had private banking 22 activity, that probably would not have been 23 quite as high on the list. But those first 24 three groupings, each of which of course is 25 broken down into dozens of individual 10	1 Interview - CHARLES PRINCE 2 the company. Its size of the pie, if you 3 understand what I mean by that, I don't 4 remember it growing significantly, going 5 from X percent to two X percent or something 6 of the company. 7 It may have been that the entire 8 industry grew and the company grew. So, I 9 remember it not as growing in a dramatic 10 sense. The numbers may suggest you are 11 right. I apologize if I am wrong there. 12 In terms of Bob's influence and 13 growth and so forth, obviously Bob's 14 background from Goldman Sachs and his long 15 history in the securities business gave him 16 a pretty special feel for that business as 17 compared to say our consumer business. 18 But, on the other hand, Bob was 19 long removed from being a trader. He hadn't 20 been a day-to-day trader for a long time. 21 And so it was much more of where do we want 22 the business to go in three years and 23 five years and ten years than it was in the 24 next six months let's try to do more of X, 25 if you understand the distinction I am 12
1 Interview - CHARLES PRINCE 2 businesses, I would say he spent a fair 3 amount of time on each of them. 4 Q Mr. Prince, it seemed from -- 5 please correct me if I am wrong -- it seemed 6 from some of the reports and P and Ls that I 7 have seen that the investment bank, CMB, 8 grew substantially from 2003 to 2007. 9 Was Mr. Rubin involved in any 10 strategic decisions that helped grow that 11 bank? 12 A Well, I am not sure whether 13 capital markets and banking grew -- I am 14 thinking about the premise of your question 15 if I may and then I will come to the actual 16 question itself. 17 Q Sir, please, if at any time any 18 of my premises are incorrect, we are on a 19 fact finding mission, so correct me, please. 20 A I am trying to make sure we have 21 the full answer and the correct answer. 22 Q Yes, sir. 23 A I think that capital markets and 24 banking, I don't remember that in that 25 period of time growing in relationship to 11	1 Interview - CHARLES PRINCE 2 drawing. 3 So, with that overview, you know, 4 Bob was very much involved in all of our 5 strategic activities. I am sure there were 6 dozens of things that he participated in. I 7 am hard pressed to pull out one to tell you. 8 I am sorry. 9 Q As CEO, who directly reported to 10 you? I am trying to distinguish between, 11 you know, at the end of the day I assume 12 every one in the company ultimately reports 13 up to the CEO. 14 A All 350,000 people. 15 Q Yes, sir. 16 But who directly reported; in 17 other words, who were the direct reports to 18 you as CEO? 19 A We had a group that we called the 20 Business Heads group. And in many companies 21 it would have been called a Management 22 Committee or an Executive Committee. We 23 called it Business Heads for reasons which 24 aren't particularly pertinent to the 25 question. And that is a good grouping, to 13

1 Interview - CHARLES PRINCE 2 answer your question. It would have been 3 the most senior leaders of line operations. 4 So the head of our consumer business, the 5 head of our corporate investment bank, the 6 person who ran our business in Asia, that 7 sort of grouping, as well as our most senior 8 staff people. So, the head of risk, the 9 head of legal, our chief administrative 10 officer, our chief operating officer. It 11 was more or less 10, 11, 12 people, 12 something in that range. 13 Q How often would the Business 14 Heads group meet? How often would you meet 15 with the Business Heads group? 16 A Every Monday morning. 17 Q How long approximately would 18 those meetings go? 19 A Seemed like forever sometimes. 20 But it was officially for -- first an hour, 21 then an hour and a half, then two hours as 22 we wanted to cover more and more. So I 23 would say for overview purposes an hour and 24 a half to two hours. 25 Q Would this be a situation where 14	1 Interview - CHARLES PRINCE 2 second hour we would talk about the budget 3 process for next year. So we are going to 4 do this then, this then and this then and so 5 forth. Or we might talk about an upcoming 6 meeting with an employee group in Japan and 7 what are we going to accomplish in this 8 particular area. Or we might talk about an 9 acquisition for the company. We acquired 10 companies right along. That sort of thing. 11 So first half, a go-around, the 12 second half a one off kind of activity. 13 Q Would you give a presentation or 14 have a role in that meeting? Say at the end 15 of the meeting would you share your 16 thoughts? Or what was your participation in 17 the meeting, in those meetings typically? 18 A It was a pretty informal meeting. 19 So I would typically start by saying here 20 are three or four things that are on my mind 21 this morning. And then we would go around 22 the table, and then we would have this 23 special project or one-off activity. But it 24 wasn't a formal meeting and it typically 25 wouldn't have a formal agenda. We might 16
1 Interview - CHARLES PRINCE 2 people would go around the room and report 3 on their various areas, or would there be a 4 set agenda for these type of meetings? 5 A You are very intuitive. There 6 would be both. In other words, it was 7 intended first and foremost as information 8 sharing. We had lots of businesses, lots of 9 areas, some of them the people who ran them 10 were physically separated from each other: 11 Uptown, downtown, Europe and so forth. And 12 it was important for those people to 13 interact frequently so that I knew what you 14 were doing, you knew what I were doing, we 15 could collaborate as necessary. 16 The first half of each meeting 17 would typically be a going around the table, 18 what is going on in your business, what is 19 going on in my business and so forth. 20 The second half of the meeting 21 would typically be involved with special -- 22 or what is the right way to put it -- one 23 off kinds of activities. 24 It might -- I am just picking 25 examples at random. It might be in the 15	1 Interview - CHARLES PRINCE 2 have a follow-up from last week or something 3 like that. But it wasn't a formal meeting 4 with prepared remarks or anything like that. 5 Q Mr. Prince, you mentioned a few 6 persons by title, and I just wanted to put 7 some names with those titles. 8 You said the most senior risk 9 officer. Is that the chief risk officer? 10 A Yes, Dave Bushnell. 11 Q He would have been during the 12 relevant time period of 2003 to 2007? 13 A Yes. 14 Q Head of legal, is that Mr. 15 Helfer? 16 A Yes, Michael was the general 17 counsel that whole time. I am not sure 18 whether Michael was on the Business Heads or 19 not. 20 MR. KARP: He was not. 21 THE WITNESS: Lou Kaden was on 22 and Lou Kaden was the chief 23 administrative officer and also a 24 lawyer. And Lou represented the 25 legal, the audit, and the foundation 17

1 Interview - CHARLES PRINCE 2 and certain other functions. 3 BY MR. BONDI: 4 Q I've noticed Mr. Kaden's name in 5 board minutes and several documents that 6 your counsel has produced. 7 What was his role as chief 8 administrative officer? 9 A Yes. Chief administrative 10 officer would typically be -- and would be 11 the case for Kaden -- would typically be 12 someone who managed the administrative 13 functions. And so that would typically be 14 all of the staff functions, legal, audit, 15 public relations, the foundation. 16 In many companies, in most 17 companies it would also include risk. But 18 in our company when I became CEO in 2003, I 19 think literally the first thing I did that 20 day, literally, was to put David in that job 21 and to change the reporting structure so 22 that he no longer reported to the chief 23 administrative officer and the risk function 24 no longer reported to the business units. 25 Before that, it had reported inside the 18	1 Interview - CHARLES PRINCE 2 chief risk officer level who understood how 3 those businesses worked. 4 David had been a trader much 5 earlier in his life and understood the 6 mechanics of how the business worked. 7 Making it independent of the businesses, I 8 think most people nowadays do that. I am 9 grateful that we were a little ahead of that 10 making it independent. It didn't get paid 11 based on the profits of the business unit, 12 it didn't get paid based on volumes or 13 revenues. And I think that is just good 14 corporate governance. 15 Q Would Mr. Bushnell as chief risk 16 officer have a normal reporting role at this 17 Business Heads group meeting? Would he 18 provide a report? 19 A Yes. He would be part of the 20 go-around. 21 Q You mentioned the chief operating 22 officer. Who was that during the 2003 to 23 2007 time frame? 24 A I don't know when Bob Druskin 25 became chief operating officer, but it was 20
1 Interview - CHARLES PRINCE 2 business units. 3 And from that time through my 4 whole tenure, the chief risk officer was a 5 member of our Business Heads group and was a 6 direct report to me. 7 Q Why did you make those changes 8 with respect to the chief risk officer? 9 A The two changes, one putting him 10 in the job and then making it separate. 11 I thought that the fellow who was 12 the chief risk officer before David whose 13 name was Petros, P-E-T-R-O-S, Sabatakakus 14 (phonetic). Just do the best you can, but 15 it sounds, it spells sort of like it sounds, 16 Sabatakakus. He was a very good fellow but 17 did not have any understanding, detailed 18 understanding of how the securities business 19 worked. And I was very concerned that 20 Petros would not be able to adequately 21 manage the risk function as it related to 22 our securities business. And so Petros was 23 going to retire, and so he retired. We put 24 Bushnell in the job, I put Bushnell in the 25 job, to make sure that we had someone at 19	1 Interview - CHARLES PRINCE 2 at least halfway through. And so for the 3 last couple of years at least, maybe the 4 whole time, but at least the last couple of 5 years Bob Druskin was the chief operating 6 officer. 7 Q What did Mr. Druskin do as the 8 chief operating officer? 9 A Well, his job, like most chief 10 operating officers, is to focus on, focus a 11 hundred percent of his time on the inside 12 part of the job, running the company. The 13 various business units reported to me and I 14 was responsible for the overall direction of 15 the company and so forth. But there was a 16 lot of travel involved in my job. And 17 someone needed to be at the desk every day 18 making sure the trains ran on time, to use a 19 cliched phrase, and that was Bob's job. 20 Q When you first became CEO in 21 2003, were there some regulatory problems 22 that were immediately on your radar? 23 A There were, there were regulatory 24 problems at many times, so I am not sure 25 which ones in particular you are referring 21

1 Interview - CHARLES PRINCE 2 to. 3 Q What I was getting at is we have 4 read about problems in Japan, problems with 5 bond traders in Europe. 6 Were those problems that were in 7 your focus when you became CEO in 2003, or 8 did they come about later? 9 A Okay, I understand the question 10 now, sorry. 11 When I became CEO in 2003, I 12 thought that the most important thing I 13 needed to focus on was turning the company's 14 focus from an acquisition driven strategy to 15 more of a balanced strategy involving 16 organic growth. If you look at the history 17 of the company and how it combined and so 18 forth, we had been very, very busy with 19 acquisitions. And the larger the company 20 became, the harder it is to grow a company 21 through acquisitions, just by definition. 22 If you have a business that 23 makes -- I am making up examples -- that 24 makes \$100 and you want to grow ten percent 25 a year, you have to buy something that makes 22	1 Interview - CHARLES PRINCE 2 So if you wanted to grow ten percent a year, 3 so you wanted to grow your revenues from a 4 hundred to 110, okay, just a simple math 5 like that, you would have to go out and buy 6 \$10 billion of revenue somewhere. There 7 aren't a lot of companies that have 8 \$10 billion of revenue. And so identifying 9 them, courting them, and negotiating that 10 and integrating that, it gets more and more 11 difficult as the absolute size of the 12 organization gets bigger. 13 So an acquisition strategy, if 14 you are small, you can double and triple and 15 quadruple in size just by acquiring things. 16 If I can, can I give an analogy? 17 Q Please. 18 A If you had a law firm -- 19 everybody here is a lawyer except this nice 20 lady. Everybody here is a lawyer. 21 Q Karen is not. 22 A She is going to be a lawyer some 23 day. Everybody here is a lawyer or is going 24 to be a lawyer. 25 If you have a law firm of 500 24
1 Interview - CHARLES PRINCE 2 \$10. If you have a business that makes a 3 million dollars in this example and you want 4 to grow ten percent a year, then you 5 obviously have to buy a much larger company. 6 And so and the company became larger and 7 larger and larger, it became clear to me 8 that relying as much as we had historically 9 on acquisitions was not an appropriate 10 course going forward and we had to have more 11 balance and have more organic growth. 12 Q Why wasn't it an appropriate 13 model going forward, this expansion model 14 that you have described? 15 A I apologize. I thought I 16 explained it. Let me try it again. 17 The larger the size of the 18 entity, the more difficult it is to grow by 19 buying things. That is, you have to buy 20 more and more and more as your absolute size 21 gets bigger. 22 So to use very rough numbers, 23 during my tenure the company had about a 24 hundred billion dollars of revenue a year, 25 80 to 100 billion dollars of revenue year. 23	1 Interview - CHARLES PRINCE 2 lawyers, which is not a small law firm, a 3 medium sized law firm, and you wanted to 4 double in size, you would have to go find 5 another 500 lawyers somewhere. Maybe one 6 firm of 500 or maybe two of 250, something 7 like that. And there would be the 8 appropriate complications of doing that: 9 Finding them, negotiating with them, 10 integrating them into a culture and so 11 forth. 12 If you had a law firm of 5000 13 lawyers and you wanted to double in size, it 14 would be almost impossible to do that 15 because there aren't 5000 lawyers out there 16 somewhere to find and integrate. And then 17 if you did that and you had 10,000 lawyers, 18 then you wouldn't have anybody you could 19 double with. You sort of run the string out 20 as it were if you understand what I mean as 21 I am trying to describe it. 22 So in that context, we had grown 23 very rapidly and very well, I think, and our 24 growth pattern had been quite good. But it 25 sort of topped out in terms of the ability 25

1 Interview - CHARLES PRINCE 2 to do that in just a practical sense. And 3 so my judgment was that at that point we 4 needed to continue to do acquisitions, but 5 make sure that the businesses we had on 6 their own were growing to contribute to 7 that. So, maybe instead of growing -- 8 again, I am making up these numbers, just as 9 an example. 10 Instead of growing ten percent 11 through acquisitions, we would grow five 12 percent through acquisitions and five 13 percent through organic growth. So more of 14 a balance. Does that make sense? 15 Q Yes, sir. 16 A So that is what I thought going 17 in. Now your question was what about the 18 regulatory issues. 19 What happened was that almost 20 immediately we got diverted into these 21 regulatory problems. So, in 2003, we had a 22 regulatory problem with our consumer 23 business here in the States. And then I 24 think it was in early 2004 that the Japan 25 situation began to unfold in complicated 26	1 Interview - CHARLES PRINCE 2 were robust enough that they would have a 3 reasonable prospect for preventing the kinds 4 of issues that had come up in Japan and in 5 Europe. 6 The Japan private bank episode 7 was one in which -- as I recall it, one of 8 the bankers in Japan had engaged in some 9 inappropriate activities with a client that 10 was a charity or something like that. And 11 the regulators over there became very 12 focused on regulatory processes in Japan. 13 And then as that was unfolding, the MTS 14 trade happened in Europe. 15 The Japan issue was a pretty 16 clear regulatory violation in Japan. The 17 MTS one was less clear as to whether it was 18 a violation, but it provoked quite a 19 controversy. I believe that the Fed did not 20 want those kinds of incidents to occur and 21 wanted us to, in colloquial terms, take a 22 time out and to make sure that everything 23 was working very properly inside the company 24 and to make sure that we had very robust 25 regulatory processes. 28
1 Interview - CHARLES PRINCE 2 ways. And then the MTS trade you mentioned 3 in Europe was I think in the fall of 2004. 4 Dim recollection. 5 So we had -- in 2004, we had two 6 or three instances which in a cumulative 7 sense caused various regulators to stop and 8 say: Gosh, you guys got to tighten up your 9 ship here a little bit. 10 Q Was one of those regulators that 11 suggested that you tighten up the ship, was 12 that the Federal Reserve when they put a 13 hold on the acquisitions in growth that 14 Citigroup could do? 15 A Yes. 16 Q What was their reason for putting 17 a hold on acquisitions in growth at 18 Citigroup, external growth? 19 A I have to think back now. That 20 was quite a while ago. 21 My recollection of it is that 22 they were -- let me think now to make sure I 23 am recalling it correctly. 24 I believe that their reasons were 25 to make sure that our regulatory processes 27	1 Interview - CHARLES PRINCE 2 Q During that time out as you have 3 described, what did you do to address the 4 Federal Reserve Board's concerns? 5 A We did lots of things. If I can 6 give you a summary answer, and then you can 7 ask anything further from that. 8 We obviously had quite a process 9 of increasing our regulatory functions: The 10 lawyers, the audit function, the control 11 functions. 12 We also embarked on what we 13 called the five-point plan, which was an 14 all-employee program. All 350,000 employees 15 had to go through training sessions in which 16 we emphasized the company's core values. We 17 emphasized long-term results over short-term 18 results. We emphasized protecting the 19 reputation of the company. Everyone had to 20 go through this training; everyone had to 21 certify that they had gone through this 22 training. 23 We had anonymous 360 reviews of 24 all of our managers so that if anybody had a 25 concern that their manager was engaging in 29

1 Interview - CHARLES PRINCE 2 inappropriate activity they could report 3 this and so forth and so on. The five-point 4 plan was a quite large undertaking. We had 5 progress points against it that we reported 6 on to the Fed and others. 7 Q Was that five-point plan a success? 8 A Well, whenever you are talking 9 about changing culture or reinforcing 10 culture, it is something that is judged over 11 the long term. I believe that since that 12 2004, 2005 time period we have not had -- to 13 my knowledge, we have not had the kind of 14 regulatory eruptions or problems that we had 15 in the 2003, 2004 time frame. And if the 16 goal of the program was to prevent those 17 from recurring and if they have not 18 recurred, then I think you would say it 19 probably was successful. 20 Q In this time frame from 2003 and 21 2005, approximately how much of your time 22 was devoted to addressing these types of 23 regulatory issues that we have been talking 24 about and implementing the five-point plan? 25 A It is hard to say. Well, over 50 30	1 Interview - CHARLES PRINCE 2 on that a lot and tried to ensure that we 3 had multiple pathways for information. 4 Again if I can I will describe three or four 5 to give you a sense of it. 6 One way of doing that was through 7 what you might think of as a normal 8 management structure. So all of our 9 operations, all of our people, all of our 10 countries were organized into some kind of a 11 management hierarchy. So this business 12 reported to this person, reported to this 13 person and up to someone who was on the 14 Business Heads Group. Or this region, this 15 country and this region reported to someone 16 up on the Business Heads group. And so the, 17 in a management hierarchy sense, the person 18 on the Business Heads was responsible for 19 managing his or her business down to the 20 bottom of that level, that vertical level of 21 activity. That is one. In some ways that 22 was the primary or central method of 23 management flows. 24 We also had our various staff 25 functions. So legal, audit, risk, in some 32
1 Interview - CHARLES PRINCE 2 percent. 3 Q Approximately how many 4 subsidiaries or affiliates did Citigroup 5 have during your tenure at CEO? 6 A I have no idea. 7 Q Over hundred or so? 8 A Well, over a hundred, yes. They 9 are all listed in the 10-K filing, pages and 10 pages and pages of them. 11 Q How many countries did you 12 operate in? 13 A My recollection was that we 14 operated in 102 countries. I don't know 15 whether that was exactly right. I never 16 went and counted each 102, but we always 17 said it was 102. 18 Q How did you ensure out of the 102 19 countries and the many subsidiaries that 20 Citigroup had, how did you ensure that 21 critical information was reported up to you 22 that needed to be reported up to you? 23 A That is a very good question, and 24 something that any manager of a large 25 organization needs to focus on. We focused 31	1 Interview - CHARLES PRINCE 2 ways our public relations function had 3 parallel vertical structures. 4 So, to take an example, if we had 5 a business operation in India, there would 6 be a risk person assigned to them. There 7 would be a lawyer assigned to that in India. 8 There would be an audit person assigned to 9 that in India. And those people would 10 report up their own vertical management 11 chains parallel to the business vertical 12 chain up to someone who was at a reporting 13 level with the Business Heads. 14 So lawyers would report up their 15 legal management chain up to the general 16 counsel and then to the chief administrative 17 officer, the audit function in a similar way 18 and so forth. So, we had our management of 19 business chain, we had our several 20 administrative function chains, and then we 21 had a wide range of direct to the employee 22 communications. So, we would do once a year 23 an employee survey, an anonymous employee 24 survey, which would ask various questions 25 which could then be collated and reported on 33

1 Interview - CHARLES PRINCE 2 and so forth. 3 We had anonymous hotlines for 4 reporting concerns or problems. Most of 5 that turned out to be about employee issues, 6 but some of it related to the business and 7 it was certainly promoted as for the 8 business. 9 So these are just several 10 examples. We were constantly looking for 11 additional ways to get information up and to 12 get information across because these 13 vertical structures I have described, you 14 don't want the information to sit inside 15 those. You want them to go across as much 16 as you can. 17 Q In the 2007 year immediately 18 preceding the financial difficulties in the 19 market starting in the summer and during 20 that time frame of summer through November 21 2007, did you feel as CEO sufficient 22 information was reaching you so that you 23 could evaluate the situations at Citigroup? 24 A I certainly thought so at the 25 time. We had lots of information on lots of 34	1 Interview - CHARLES PRINCE 2 products, that that belief was incorrect. 3 And when you say to yourself would you have 4 liked to have had more information about 5 that, I am not sure at the time that more 6 information would have changed anyone's 7 belief. 8 Instruments were downgraded in 9 the middle of October, and I think until 10 that point most of the people thought they 11 were very, very, very safe. 12 So, your question is there any 13 information I wish I had gotten earlier is a 14 hard question to answer because of that. It 15 wasn't so much a flow of information as it 16 was wrong conclusions about the information 17 that people had. 18 Q Who made the wrong conclusions? 19 A Well, we have to talk in more 20 detail about that. I mean the rating 21 agencies, the people in the business, the 22 regulators, everybody made the wrong 23 conclusions. 24 Q We are jumping ahead of ourselves 25 I know, Mr. Prince? 36
1 Interview - CHARLES PRINCE 2 different scores. We are sitting here three 3 years later almost looking back at one very 4 significant issue. But at the time in the 5 summer of 2007, we were looking at lots of 6 issues. I mean what turned out to be the 7 CDO problems in our fixed income business 8 were not the biggest issue on the list of 9 things we were looking at in the summer of 10 2007. 11 And so if you imagine lots of 12 information flowing on lots of different 13 subjects in lots of different geographies, I 14 thought we had pretty good information flow. 15 Q I know we are sitting here three 16 years later. And so in retrospect, was 17 there any information in retrospect that you 18 wish you had sooner? 19 A You know, that is a hard question 20 to answer because the fundamental issue -- 21 and I know we will get into this I'm sure in 22 great detail later. But the fundamental 23 issue was that the believed strength or 24 credit worthiness of the so-called super 25 senior tranches of these securitized 35	1 Interview - CHARLES PRINCE 2 A I am sorry. 3 Q No, that is my fault, sir. I do 4 want to talk to you in length about the CDO 5 business and what happened there. 6 A Right. 7 Q But let me get back to more about 8 the business and how it operated. 9 I have seen a report that said 10 that you used to joke about not having one 11 good culture but five or six good cultures. 12 Is that something that you would 13 joke about, is that true that you said 14 something like that? 15 A I am sure I said that in jest at 16 some point. 17 Q What did you mean by five or six 18 good cultures there? 19 A The company had grown through 20 acquisition, as I said. As we got bigger, 21 many of the acquisitions were quite large. 22 And any company that you acquire which is 23 large and has its own historical base of 24 activities will have its own culture. And 25 so if you look at various companies that 37

1 Interview - CHARLES PRINCE 2 were component parts of Citigroup, they had 3 come to be part of Citigroup through 4 acquisition. So we had started with 5 Commercial Credit, let's say. That was one 6 culture. We had the Travelers Insurance 7 culture when this was part of the company. 8 We had the Citibank culture, which was part 9 of the company. We had the Salomon Brothers 10 culture, which was part of the company. And 11 so forth and so on. 12 Merging those cultures into a 13 single culture, into a Citigroup culture, 14 what we tried to described in our five-point 15 plan as the one-Citi initiative, a one-Citi 16 culture as opposed to a confederation. That 17 was what I was trying to describe. 18 Q I don't have much spare time, but 19 in the little that I do, I like to do some 20 reading. And as you can imagine, most of my 21 reading these days is focused on the 22 financial crisis. 23 A I can recommend many other good 24 books for you. 25 Q Yes, sir. 38	1 Interview - CHARLES PRINCE 2 is no question that was part of our effort 3 in the five-point plan. And as I said, we 4 were trying to move from a confederation of 5 companies and confederation of cultures to a 6 more unified culture. 7 In terms of an unwieldy -- I 8 don't know, it didn't seem unwieldy to me. 9 Q In retrospect was it unwieldy? 10 A No, it didn't feel unwieldy to 11 me. Probably did work as well as the 12 Treasury Department. 13 MR. BONDI: I would like to 14 show you a document. 15 (Thereupon, the e-mail Bates 16 numbered Citi FCIC E 31616 was marked 17 CR Exhibit 1 for Identification, as of 18 this date.) 19 BY MR. BONDI: 20 Q For the record for her point, I 21 showed you what is Bates numbered Citi FCIC 22 E 31616, which appears, sir, to be an e-mail 23 from you to Mr. Druskin copying David 24 Bushnell and Mr. Crittenden and Mr. Kaden. 25 I want to focus your attention, sir, on what 40
1 Interview - CHARLES PRINCE 2 One book that I recently read was 3 former secretary Paulson's book. And there 4 was something in that book about Citigroup 5 that struck me. 6 He said that -- and I will 7 represent that this was from the book. But 8 he said that "Citigroup had an unwieldy 9 organizational structure." And then he went 10 on to say: "It lacked a single unifying 11 culture or clear business strategy." 12 What is your reaction to that 13 statement? 14 A Well, I don't have much reaction 15 to that statement. People have points of 16 view. Hank is a decent person, and if that 17 is his point of view, then good for him. 18 Q I take it you don't share that 19 point of view? 20 A Well, when I ran the company I 21 didn't share that point of view. Now I 22 don't have a point of view. I am a retiree. 23 But I am not trying to avoid the 24 question. Look, we were trying to develop a 25 more robust culture for the company. There 39	1 Interview - CHARLES PRINCE 2 you say in your e-mail that is dated October 3 2nd, 2007. And please, you know, there is 4 e-mails underneath that and please feel free 5 to read the entire context. But I did want 6 to focus your attention on that first 7 statement or the, excuse me, your e-mail 8 that, says, "Incredible lack of 9 coordination. We really need to break down 10 the silos," exclamation point. What is the 11 context there of your statement? 12 A Let me just read this. 13 Q What was the context of your 14 statement there about "incredible lack of 15 coordination. We really need to break down 16 the silos," exclamation point? 17 A Well, I don't remember the e-mail 18 exchange. But what I see in reading it is 19 that someone in our consumer business -- I 20 can identify the names if you would like. 21 But someone in our consumer business was 22 looking at some new business in the credit 23 card area, apparently something called 24 Revolution Money. And our credit card 25 people, the consumer business people, were 41

1 Interview - CHARLES PRINCE 2 looking into this somehow and in the course 3 of looking at it, perhaps to buy it or 4 something like that, it turns out that this 5 company that they were examining actually 6 had quite a detailed relationship with our 7 corporate side business. And so that came 8 to my attention, that one of our entities 9 was pursuing an outside group that it turned 10 out another entity inside the company had a 11 great relationship with or some kind of a 12 relationship with. And I expressed a sense 13 of frustration that that information wasn't 14 being shared across business lines, across 15 the silos. 16 You remember a moment ago I 17 talked about the importance not only of 18 information flow going up the vertical 19 columns but going across. And it would have 20 been nice, I apparently thought, if other 21 consumer people had checked with our 22 corporate people: Do you know anything 23 about Revolution Money? Or if our corporate 24 people had turned to our consumer people and 25 said we are doing business with this company 42	1 Interview - CHARLES PRINCE 2 In the summer of 2007, not the 3 fall of 2007, the summer of 2007, the 4 biggest issue we were focused on was the 5 deterioration in the leveraged lending 6 business, the loaning of money to KKR, 7 Carlyle, people like that. 8 The CDO problems, which in the 9 fall of 2007, then came to have such serious 10 impact and which we are talking about today, 11 were not the highest thing on the list in 12 the summer. 13 The leveraged lending activity 14 related both to our fixed income business or 15 our lending business on the one hand. And 16 our advisory business in the investment 17 bank, different from the fixed income 18 business, the investment business, and so 19 those were silo issues as it related to 20 leveraged lending between those two parts of 21 the corporate and investment bank. 22 The CDO business, which in the 23 fall came to have such prominence, didn't 24 have those kinds of cross business issues 25 inside the corporate and investment bank. 44
1 Interview - CHARLES PRINCE 2 Revolution Money, you ought to take a look 3 at them instead of it working out the way it 4 worked out here. But I'm inferring all this 5 from reading. I don't have any independent 6 recollection of it. 7 Q In relation with the events in 8 the fall of 2007 relating to challenges in 9 the marketplace, did you observe any other 10 silos at Citigroup? 11 A In the fall of 2007, the issues 12 that we are examining here today were pretty 13 much contained inside the fixed income 14 business and didn't involve so much cross 15 business activities. 16 Q Was there any silos within the 17 investment banking business that you 18 observed? 19 A Oh, sure. Sure. 20 Q Did the silos in the investment 21 bank pose any challenges during the 22 financial crisis or leading up to the 23 financial crisis? 24 A I have to give you a slightly 25 long answer; I am sorry for that. 43	1 Interview - CHARLES PRINCE 2 It was pretty exclusively inside the fixed 3 income business. 4 Is that clear? 5 Q Uh-huh. 6 To shift gears, I want to ask you 7 about another area of our focus and that is 8 the mortgage origination business. 9 (Thereupon, the printout of 10 remarks of April 19, 2007 to the 11 Greenlining Institute's 14 Annual 12 Economic Summit in Los Angeles, 13 California was marked CR Exhibit 2 for 14 Identification, as of this date.) 15 BY MR. BONDI: 16 Q Mr. Prince, I am showing you what 17 I will represent is a printout from some 18 remarks that you gave on April 19, 2007, to 19 the Greenlining Institute's 14 annual 20 economic summit in Los Angeles, California. 21 I wanted to ask you about a few 22 of the statements you made. And if you 23 could look to page two of that, I will draw 24 your attention to the bottom half of that 25 document. In particular, the paragraph that 45

1 Interview - CHARLES PRINCE 2 starts with: "And so" and I will just read 3 the statement for the court reporter and the 4 record and ask you to comment on it. 5 "And so the combination of two or 6 three factors, several of them good: Excess 7 liquidity and the desire for homeownership 8 have combined with one, which I think is not 9 so good which is the arbitrage of regulatory 10 responsibilities and have led to very 11 aggressive, very exotic mortgage products 12 which are then pumped into some of our 13 communities where they are clearly not 14 appropriate. And then when the housing 15 bubble naturally tips over, we go through 16 cycles all the time, then it is exposed that 17 those products were not appropriate, but 18 there was no regulatory framework which they 19 went through." 20 What do you mean aggressive, very 21 exotic mortgage products? 22 A Well, there are a number, but 23 there are two in particular that I think 24 would fit that category. One is the 25 negative amortization mortgage product and 46	1 Interview - CHARLES PRINCE 2 into communities, to people, who probably 3 shouldn't have had them and who were 4 susceptible to the overselling of these 5 aggressive brokers. 6 Q Generally, do you know if the 7 products that you have described, were they 8 part of an originate-to-hold model where 9 that the mortgage brokers would hold them on 10 their books, or were they part of a model 11 that would distribute them on to the 12 secondary market for securitization, or do 13 you know? 14 A The latter. 15 Q What role did financial 16 institutions like Citigroup play in terms of 17 this secondary market demand for the 18 mortgages that you have described? 19 A What I was describing here of 20 course as you see in the next paragraph, I 21 say. "We have not participated in that. We 22 have not been a lender of exotic, aggressive 23 mortgages. We have not done option ARMs or 24 negative amortization products in the 25 subprime community." 48
1 Interview - CHARLES PRINCE 2 the other was the adjustable ARM product. I 3 am sure you know what those are. I won't 4 bother explaining them. But I think in both 5 cases they posed real concerns for people 6 getting in over their heads. 7 Q Why were they posing concerns for 8 people getting in over their heads? Was it 9 the type of the product? Was it who they 10 were being marketed to? What was the 11 concern there? 12 A Well, because they weren't based 13 on what I would call traditional lending 14 criteria but were based in large part upon 15 an expected appreciation in home value, they 16 had the potential, potential, for being 17 oversold. That is, sold to people who 18 wouldn't necessarily qualify for those 19 mortgage products unless the future 20 appreciation would occur. And with the 21 process of regulating the origination of 22 mortgages, then and now, being as spotty as 23 it is, it led to the possibility of very 24 aggressive brokers going out in a largely 25 unregulated way and selling these products 47	1 Interview - CHARLES PRINCE 2 "And our businesses -- " and I 3 was focused here particularly on our 4 consumer finance business and our mortgage 5 business," -- were not in the business of 6 originating those mortgages." And that part 7 of our business was an originate and hold 8 business. 9 Q Were there mortgage types, 10 mortgage products, that your securitization 11 business would purchase for securitization 12 purposes into RMBS that your mortgage 13 origination business would not originate? 14 A Yes. 15 Q What did you see in terms of 16 Citigroup's role in the demand for those 17 products if it was securitizing these 18 products from other originators? 19 A There is a continuum of activity 20 in my judgment at one end of which I would 21 see our activities as being inconsistent 22 with what I have described here in this 23 speech. And at the other end of the 24 activity as not being inconsistent with that 25 description in my speech. 49

1 Interview - CHARLES PRINCE 2 By that I mean that if we have a 3 situation where our fixed business is buying 4 and trading with other institutions 5 securities which are traded in the 6 marketplace and those securities have 7 characteristics that relate to these 8 activities, I would not see that as 9 inconsistent with what I have said here in 10 the speech. That is, I would not see us as 11 participating in that business. 12 At the other end of the spectrum, 13 if we were funding directly people who were 14 doing this so that someone could say we were 15 indirectly doing it instead of directly 16 doing it, I would say that was not 17 consistent with what we wanted to do as a 18 company. 19 So, the activity you asked about 20 would depend for me on where it was in that 21 continuum. And one way to think about it is 22 the closer we got to the actual origination 23 of these products, the more uncomfortable I 24 would feel with that. If it was already out 25 in the marketplace and it was trading among 50	1 Interview - CHARLES PRINCE 2 is okay and one notch to the right is not 3 okay. So I am not sure I am going to be 4 able to answer the question with that degree 5 of specificity. 6 For the company as a whole we had 7 laid down the prescription that we did not 8 want to be involved in the origination of 9 these mortgages. And so I can't -- in part 10 because the mechanics that you are 11 describing are pretty discreet mechanics 12 inside the way the trading desks worked. I 13 am not sure I can answer as specifically as 14 that question would suggest. 15 Q I have a more general macro 16 question. 17 In your opinion, what role did 18 Wall Street investment banks and large 19 financial institutions play in promoting 20 very aggressive, exotic mortgage products 21 that were originated by brokers, mortgage 22 brokers, and then sold off to investment 23 banks and financial institutions for 24 securitization? 25 A Well, that is a very broad 52
1 Interview - CHARLES PRINCE 2 institutions who were trading lots of 3 different securities and this is one of the 4 securities they were trading, it is in the 5 public marketplace, then it is already out 6 there. It is being traded and we are just 7 participating in a trading activity. 8 But if we are actually getting 9 really close to the origination process, if 10 we were enabling the origination process, 11 then I would see that as inconsistent with 12 the direction that we had laid out for the 13 whole company which was not to originate 14 these products. 15 Does that answer your question. 16 Q I think so. Let me ask a few 17 questions based on that. 18 With respect to RMBS, 19 securitization of mortgages in the RMBS, 20 would you say that that is closer to the 21 origination than say purchase of RMBS on a 22 structuring desk for CDOs? 23 A I am not sure I can pars the 24 middle part of that continuum. I am not 25 sure I can say well, one notch to the left 51	1 Interview - CHARLES PRINCE 2 question. It is a very good question and 3 from a policy standpoint it is the right 4 question to ask. 5 I think that the right way to 6 think about that question is this: In the 7 middle of the decade, the middle of 2000 to 8 2010 decade, the investing environment was 9 one where there were what seemed to be 10 historically artificially low interest 11 rates. That is, investing professionals 12 thought that we were in a period where rates 13 were unusually low. 14 Some people thought that was 15 because of the way that capital flows worked 16 with China and other companies buying 17 treasuries at such significant amounts that 18 is it reduced interest rates. Some people 19 thought it was because the Fed had lowered 20 interest rates after the tech bubble burst 21 and after 9/11 to save the economy. But for 22 whatever reason on any kind of historical 23 basis, rates seemed unusually low. 24 Some people thought -- and I 25 believe Alan Greenspan's been quoted -- that 53

1 Interview - CHARLES PRINCE 2 there was a new parodyne of risk, that in 3 other words it was not a temporary 4 phenomenon, but it was going to be a more 5 extended phenomenon. 6 In that context, the growth of 7 securitized products securitized products -- 8 the securitized products grew and the growth 9 of it became quite strong as the industry 10 was trying to create through financial 11 engineering safe, higher yielding assets. 12 In that context the need for raw 13 material to securitize was high almost in 14 the way that securitization could be seen as 15 a factory line. You needed raw material to 16 put in the front end of that. 17 I believe that in hindsight, the 18 lack of adequate regulation of the 19 origination of mortgages created a situation 20 where the demand side, the pull side of that 21 equation found a place where more raw 22 material could be created than could be 23 created safely. So that as more and more 24 and more of these subprime mortgages were 25 created as raw material for the 54	1 Interview - CHARLES PRINCE 2 the wrong end of the spectrum. 3 A Well, I have described a 4 continuum where at the level of publicly 5 trading securities, I did not have a problem 6 with that level of activity. And that the 7 closer we got to the origination function 8 itself of these mortgages, the less 9 comfortable I was with that. And if we were 10 close to the origination of that, then I 11 would be uncomfortable with that. 12 I found out at the end of my 13 tenure, I did not know it before, that we 14 had some warehouse lines out to some 15 originators. And I think getting that close 16 to the origination function being that 17 involved in the origination of some of these 18 products is something that I wasn't 19 comfortable with and that I did not view as 20 consistent with the prescription I had laid 21 down for the company not to be involved in 22 originating these products. 23 (Thereupon, the document Bates 24 marked Citi FCIC 91764 and 91765 25 continuing on to 765, which purports 56
1 Interview - CHARLES PRINCE 2 securitization process, not surprisingly in 3 hindsight more and more of it was of lower 4 and lower quality. 5 And at the end of that process, 6 the raw material going into it was actually 7 bad quality, it was toxic quality, and that 8 is what ended upcoming out the other end of 9 the pipeline. Wall Street obviously 10 participated in that flow of activity. 11 Q Did Citigroup participate in that 12 flow of activity? 13 A I think in hindsight, some of the 14 structures we did at the end were not on a 15 point in the continuum that I was 16 comfortable about with when I found out 17 about them. That is, I think at the end of 18 the process, in hindsight, as I understood 19 what was in some of those, I think that our 20 team was closer to the wrong end of the 21 continuum that I had set forth than, in 22 hindsight, I was comfortable with. 23 Q If I can get you to elaborate on 24 what products you are speaking about there 25 that you said your team you thought was on 55	1 Interview - CHARLES PRINCE 2 to be the warehouse lines of credit 3 with mortgage originators from 2000 to 4 2010 was marked CR Exhibit 3 for 5 Identification, as of this date.) 6 BY MR. BONDI: 7 Q Mr. Prince, I am showing you what 8 was produced by Citigroup's counsel and has 9 been Bates marked Citi FCIC 91764 and 91765 10 continuing on to 765, which purports to be 11 the warehouse lines of credit with mortgage 12 originators from 2000 to 2010. Have you 13 ever seen this document? 14 A I have not. 15 Q You spoke a few minutes ago about 16 concern over warehouse lines. Did any of 17 the originators on this list cause you 18 concern? 19 A The only name that I recognize is 20 Ameriquest and that was a business that our 21 guys wanted to buy. And I told them we 22 couldn't buy it unless after they bought it 23 they did not originate any more of these 24 loans. Other than that I don't recognize 25 any names on the list, I'm sorry. 57

1 Interview - CHARLES PRINCE 2 Q Prior to the Ameriquest acquisition -- 3 A I recognize Banco Popular, but 4 that is a bank. 5 Q Prior to the Ameriquest 6 acquisition, were you aware that Citigroup 7 had warehouse lines of credit extended to 8 Ameriquest? 9 A I think just before, I think just 10 before. I think, I think just before they 11 proposed buying it they said we had some 12 lines out to them. I don't remember the 13 size of the lines or that detail, but I 14 remember them saying we had some lines out 15 to them. They were struggling with this and 16 that, and we wanted to buy them because 17 after the credit crisis, they had a good 18 platform for originating good mortgages. 19 And I said we, I wouldn't permit them or 20 approve them buying it unless they agreed 21 that from the day we bought it going 22 forward, they wouldn't originate any more of 23 these bad loans, which they eventually said 24 yes to and I think they went ahead and 25 bought it. 58	1 Interview - CHARLES PRINCE 2 originators on this list? 3 A I don't. 4 Q But you later learned that 5 Ameriquest in your words were originating 6 bad loans. 7 A Well, again, my judgement was 8 these were not the kind of loans we wanted 9 to originate. I will call them the exotics. 10 Bad could mean bad credit. I am not focused 11 on the credit quality at this point. I am 12 focused on the type of loan they were 13 originating, the exotic loans that I 14 referred to in my speech that you gave me a 15 moment ago. 16 And when the Ameriquest 17 acquisition was presented to me, it was 18 presented in the context that they were 19 having some difficulties, it was an 20 opportunity to buy something at a lower 21 value because they were having difficulties 22 I think in a regulatory sense, and that 23 those regulatory issues related to these 24 exotic loans that they had been originating. 25 And I said we can't buy it if they are going 60
1 Interview - CHARLES PRINCE 2 Q How did you feel when you learned 3 that Citigroup had warehouse lines to 4 Ameriquest originate bad loans? 5 A I think as I said just now, I am 6 just going to repeat myself, I think the 7 closer we got to originating loans, the more 8 I thought that was inconsistent with my 9 direction for the company. 10 Q In let's just say January 2007, 11 in January 2007, would you have known about 12 these warehouse lines of credit that had 13 been extended to Citigroup? Was this 14 something that was on your radar? 15 A Extended by Citigroup, no. 16 Q I have roughly totaled up the 17 initial facility size of over \$11 billion. 18 Would it have caused you concern 19 if in January 2007 someone came to you and 20 said we have over \$11 billion in facilities 21 to mortgage originators? 22 A Well, to mortgage originators who 23 are originating these bad products, yes. 24 Q Do you know what kind of products 25 were being originated by the mortgage 59	1 Interview - CHARLES PRINCE 2 to originate these exotic loans going 3 forward; we don't do that. 4 MS. BUERTEL: Just to be clear, 5 each warehouse line is governed by 6 several written agreements that 7 specify the types of loans that can be 8 put into the line. So the lines don't 9 extend to just any activity of each of 10 the warehouse originators. They each 11 have very specific agreements that 12 govern. 13 THE WITNESS: You asked me if I 14 would be surprised if we had lines out 15 to people originating, I have no idea 16 whether these people originated 17 exotics, whether our lines with them 18 allowed them to put exotics with it, I 19 have no idea. You gave me a list of 20 names and numbers, I don't know how 21 they connect at all. 22 BY MR. BONDI: 23 Q In other words, as CEO you didn't 24 approve the warehouse lines? 25 A Good heavens, no, no. 61

1 Interview - CHARLES PRINCE 2 Q I noticed New Century on the 3 warehouse line list here. It states there 4 was an opening date of the warehouse 5 facility of August 1st, 2006 and a 6 termination date of March 8, 2007. 7 During that time frame of 8 August 1st, 2006, to March 8, 2007, were you 9 aware that Citigroup had a warehouse 10 facility with a warehouse line to New 11 Century? 12 A No. 13 Q And on this list there is several 14 times where it is listed nonagency whole 15 loans. 16 A Right. 17 Q What is a nonagency whole loan? 18 A In the mortgage business there 19 are agency loans and nonagency loans. 20 Agency loans are those you can put on to 21 Fannie and Freddie. So there is a buyer of 22 those. 23 Nonagency loans are those that 24 Fannie and Freddie won't buy for I don't 25 know what reason. There is some set of 62	1 Interview - CHARLES PRINCE 2 he said that this was a platform for 3 originating mortgages, meaning a company 4 with offices around the country with a 5 technology base, with trained people and so 6 forth. And that this platform was available 7 for us to purchase, that at the time we were 8 looking at it, the mortgage business had 9 some difficulties, but in his judgement, 10 those would be temporary. And that when the 11 temporary difficulties in the mortgage 12 business was over, this would be a very 13 valuable platform to have as part of the 14 company. 15 Q How did you become comfortable 16 with the decision? 17 A There with two aspects to the 18 decision. One is the financial aspects, we 19 are going to pay so much, we are going to 20 make so much and so forth. And the second 21 was whether or not we would buy something 22 which had this history of doing these 23 things. And as I said a moment ago, I said 24 we wouldn't buy it if they were going to 25 continue to originate those. We weren't 64
1 Interview - CHARLES PRINCE 2 criteria by which they will do it. So the 3 agency business is a business that has much 4 more of a flow activity to it. The 5 nonagency business doesn't have that same 6 purchaser on the other end. 7 Q Are nonagency loans securitized 8 in the RMBS? 9 A I don't know the answer to that. 10 Q I want to ask a few more 11 questions if you don't mind before we take 12 break if you are okay. 13 A Sure. 14 Q You mentioned the decision to 15 acquire Ameriquest. Who at Citi was 16 involved in that decision to acquire 17 Ameriquest? 18 A It was presented to me by Tom 19 Maheras. 20 Q What did Mr. Maheras say when he 21 presented this as a potential acquisition 22 for Citigroup? 23 A I will just repeat what I said a 24 moment ago. 25 I think, my recollection is that 63	1 Interview - CHARLES PRINCE 2 going to be in that business. We had 3 suffered the revenue loss in our consumer 4 side of not being in that business for 5 several years. And we weren't going to 6 start now. And the financial side of it, 7 that is how much we paid and the return on 8 the investment and so forth, I don't 9 remember the details of that, but it came 10 out well enough. And on the basis of those 11 two things being right, my recollection is 12 that we approved it and they went ahead. 13 Q Was the motivation to purchase 14 Ameriquest driven in any part by Citigroup's 15 potential exposure to Ameriquest? 16 A I don't remember that, no. 17 Q Did Mr. Maheras ever express 18 concern over Citigroup's exposure to 19 Ameriquest leading into the transaction to 20 purchase Ameriquest? 21 A I don't remember that. I 22 remember it being an opportunity to buy 23 something during what he thought would be a 24 temporary dip in the mortgage market. 25 Q Did you ever see any reports that 65

1 Interview - CHARLES PRINCE 2 were presented to you during the 3 negotiations to acquire Ameriquest 4 expressing concern over the loan qualities, 5 loan quality of the files at Ameriquest? 6 A I don't remember it, but I am 7 sure in the context of it. Remember, we 8 were going to buy something that had a 9 history of problems. We weren't buying a 10 gold-plated business. We were buying a 11 business that had difficulties. And we were 12 buying, trying to buy it because it was 13 inexpensive reflecting those difficulties. 14 So, I am comfortable without recalling it 15 that there was a strong examination of the 16 loan book and that David and his people were 17 heavily involved in that, but I don't recall 18 it independently. 19 Q In retrospect, was the decision 20 to acquire Ameriquest a wise decision, a 21 wise investment? 22 A My guess is no. But the honest 23 answer is I don't know what happened to it. 24 I think, I think we bought it in 2007, 25 didn't we? Is that right? 66	1 Interview - CHARLES PRINCE 2 higher quality mortgages being made? 3 A There is much public talk about 4 that. That is a question posed for policy 5 makers. 6 I think that if you look at the 7 starkest version of it and you look at an 8 institution that at one end of the spectrum 9 originates and holds everything, and you 10 look at the other end of the spectrum at an 11 entity which originates and doesn't hold 12 anything, in the starkest terms, the first 13 one, the originate and hold, has to care 14 more about the quality of assets than the 15 one that originates and doesn't hold. That 16 is at the starkest level. 17 I don't remember the names of the 18 institutions, but I remember reading about 19 several brokers who originated mortgages, 20 went out of business, sort of fly by night 21 kind of people, and then showed up two weeks 22 later, same guys, different corporate name, 23 originating, so forth. And I read an 24 article that said some of those people now 25 are setting up shop to refinance mortgages. 68
1 Interview - CHARLES PRINCE 2 Q Yes, sir. I believe the 3 transaction closed in September of 2007. 4 A Yeah. Well, it wasn't part of 5 the company very long on my watch, so I am 6 not sure whether it was good or bad. 7 Q Do you want to take a break? 8 MR. KARP: Sure. That will be 9 fine. 10 MR. BONDI: Thank you. We will 11 take a break. 12 (Brief break.) 13 MR. BONDI: We will go back on 14 record. 15 BY MR. BONDI: 16 Q I wanted to get your thoughts on 17 the concept of originate-to-hold versus 18 originate-to-distribute mortgages. 19 Because earlier we talked about 20 how Citigroup's mortgage origination 21 generally held these mortgages in their 22 portfolio. 23 Do you think that an 24 originate-to-hold model versus an 25 originate-to-distribute model results in 67	1 Interview - CHARLES PRINCE 2 If you think about that at that level, then 3 I think that the point is well taken. There 4 is another category of institutions that 5 originate and distribute where the 6 institutional consequences of distributing 7 bad products are quite negative. 8 So, take Lehman brothers as an 9 example or Bear Stearns as example. These 10 are firms where there is an institutional 11 interest, or there was an institutional 12 interest, in continuing to do business, in 13 continuing to have a good reputation as a 14 counter party. 15 And for institutions like that, I 16 would say those folks would be one step 17 removed from the starkest version of 18 originate and distribute, doesn't 19 necessarily care about the quality of the 20 products. 21 So, clearly the more you hold, 22 the more you are going to care about it. 23 But I don't think it is an either/or 24 necessarily, I think it could be either/or 25 or maybe a little bit in the middle. 69

1 Interview - CHARLES PRINCE 2 Q I would like to show you what has 3 been marked as Exhibit 4. 4 (Thereupon, the presentation 5 Bates Citi 7657 was marked CR 6 Exhibit 4 for Identification, as of 7 this date.) 8 BY MR. BONDI: 9 Q And for the record, I will 10 identify that it is Bates Citi 7657 and it 11 was produced by Citigroup's lawyers to us. 12 First of all, just looking at the cover 13 page, do you recall if you ever received or 14 saw this presentation? 15 A I have seen it. Can I say I have 16 seen it in preparation? 17 MR. BIRENBOIM: Yes. 18 THE WITNESS: Do I violate 19 something if I say that? 20 MR. BIRENBOIM: No. 21 THE WITNESS: I have seen it in 22 preparation. 23 BY MR. BONDI: 24 Q Prior to preparing for today's 25 interview, did you ever see this document? 70	1 Interview - CHARLES PRINCE 2 of so-called super senior tranches of 3 transactions." 4 In the time frame of April 2007 5 to June 2007 when this presentation was 6 given to the SEC, were you aware that the 7 CDO desk at Citi had exposure to subprime 8 collateral in ABS CDOs through its purchase 9 of so called super senior tranches of 10 transactions? 11 A I don't recall having that 12 information then, no. 13 Q You weren't aware that Citigroup 14 had super senior positions on its books in 15 April or June of 2007? 16 A No, I don't think so. 17 Q The next sentence says, "The 18 probability of default is deemed by rating 19 agencies to be extremely small, so this 20 exposure is not aggregated in our totals." 21 In the time period of April 22 through June of 2007, would you have been 23 aware that the exposure from the super 24 senior tranches were not aggregated in your 25 totals? 72
1 Interview - CHARLES PRINCE 2 A I don't recall seeing it before 3 that, no. 4 Q If you could take a look at what 5 is the third page marked 7659, which looks 6 to be another title page, another cover page 7 from perhaps the earlier time this was 8 presented, do you recognize this 9 presentation or receiving this presentation? 10 A I would give you the same answer. 11 Q I ask you to flip to page seven 12 of this presentation, which I will represent 13 was the presentation given to the SEC in 14 June of 2007. 15 A So I am clear, page seven is 16 "Overview, Where Exposure is Found"? 17 Q Yes, sir. 18 A Thanks. 19 Q If you look in the section, the 20 bullet, direct your attention to the bullet 21 titled. "Super Senior and Liquidity Put 22 Positions." 23 The first subparagraph there, 24 "The CEO desk has exposure to subprime 25 collateral in ABS CDOs through its purchase 71	1 Interview - CHARLES PRINCE 2 A No, I don't think I had any 3 exposure to or discussion of or knowledge of 4 the area until it sort of came up in 5 September. 6 MS. BUERGEL: To be clear, the 7 totals being referred to there are the 8 totals in the deck, in this 9 presentation, and I think your 10 question implied your totals as in 11 your Citigroup totals, and I just 12 think that is an unfair way to ask the 13 question. The totals are the totals 14 in this deck. 15 BY MR. BONDI: 16 Q The next paragraph refers to 17 liquidity puts. In the time period of April 18 to June 2007, were you aware of liquidity 19 puts associated with asset backed commercial 20 paper which was associated with super senior 21 tranches of CDOs? 22 A I would give you the same answer, 23 which is no. 24 Q Going back to both of these, when 25 did you first become aware that Citigroup 73

1 Interview - CHARLES PRINCE 2 owned super senior positions in CDO 3 tranches? 4 A I think that the first time it 5 came to my attention as any kind of an issue 6 would have been in the September 2007 time 7 frame. As I said earlier in the summer, the 8 focus as it related to the corporate 9 investment bank, which again was only one 10 part of the company -- we had a lot of 11 things going on in the company, but as far 12 as it related to that part of the company, 13 the focus was on the leveraged lending 14 portfolio. And I think the issues of the 15 CDOs and super seniors so forth came up as 16 any kind of an issue was in September, came 17 up to me as any kind of an issue. 18 Q Prior to September 2007, were you 19 even aware that Citigroup held positions in 20 super senior tranches of CDOs? 21 A No. 22 Q There is reference here to 23 liquidity puts? 24 A Uh-huh. 25 Q Was your understanding of 74	1 Interview - CHARLES PRINCE 2 A Yes, that was probably later than 3 September. The CDOs were the first things 4 that came up and then the liquidity puts 5 came up afterwards. 6 Q What was your reaction when you 7 heard about the liquidity puts? 8 A Well, it is hard to give an "as 9 of then" answer because so much has happened 10 since which has colored that. But if can, I 11 will put it in a little context. 12 The banks, financial 13 institutions, are in the business of 14 providing liquidity. It is not at all 15 unusual for a financial institution to 16 provide a liquidity support, one of the main 17 lending instruments for a bank is a 18 commercial paper back-up line. So all of 19 the major companies in the U.S., the 20 manufacturing company, industrial companies, 21 fund themselves through commercial paper. 22 And they take out back-up lines from banks 23 to guarantee that if the commercial paper 24 market seizes up, they can go borrow money 25 from the banks. Commercial paper back-up 76
1 Interview - CHARLES PRINCE 2 liquidity puts in this context? Do you have 3 one? 4 A Well, as I have come to 5 understand it since, a liquidity put is 6 something which obligates the company, 7 obligates the bank, to fund someone if they 8 can't find liquidity to fund it themselves. 9 So, in this case if someone owned 10 something and was funding it through selling 11 commercial paper to the outside world and 12 for some reason they couldn't sell the 13 commercial paper, then Citigroup would be 14 obligated to provide the funding for them. 15 Now, that is a general answer. 16 And that is the level of my understanding of 17 it. There may be more detailed 18 complications mechanically, but that is my 19 understanding of it. 20 Q When did you first become aware 21 that there were liquidity puts associated 22 with commercial paper sold by Citigroup 23 relating to the super senior tranches of 24 CDOs? Would that have been September 2007 25 as well? 75	1 Interview - CHARLES PRINCE 2 lines. Every bank issues them, every major 3 company has them to back up their commercial 4 paper issuance. It is a way of getting the 5 benefit of the lower cost of short-term 6 funding without taking the risk of the 7 short-term funding. 8 From the bank's standpoint, the 9 risk of the liquidity guarantee for 10 commercial paper being called upon is quite 11 low. And so you make some money off of 12 that, but you don't have a huge exposure. 13 So, the notion of a liquidity 14 guarantee extended someone else is not an 15 unusual notion, not one which is strange or 16 which would cause one's eyebrows to raise. 17 In the context of the CDO 18 business of course it turned out to be quite 19 a negative. But at the time this first came 20 to my attention in the September time frame, 21 even at that point people believed that the 22 super seniors would not have any losses. 23 So, again, I am reconstructing 24 what happened in September for you because 25 sitting here today looking backwards, you 77

1 Interview - CHARLES PRINCE 2 would have an entirely different view. But 3 in reconstructing what happened then, the 4 notion that there were these better than 5 triple A rated instruments out there, that 6 we were providing liquidity support for, 7 those words would not have excited anyone. 8 As it turned out, when the rating 9 agencies downgraded everything multiple 10 steps in a single several days, that changed 11 the world. But when it first came up, I 12 don't remember it being a moment of great 13 excitement. 14 Q When you talk about it first 15 coming up, that was in September? 16 A To me, yes, first coming up to me 17 in September. 18 Q September 2007? 19 A Yes, middle. As I said I think 20 the CDO issue came up in the middle of 21 September. The liquidity puts came up a 22 week or so later. 23 Q If you could flip to the page 11 24 of this deck, which is Bates Citi 7673. 25 A Yes.	1 Interview - CHARLES PRINCE 2 finely, meaning that I have had so much -- 3 it has been such an issue since then, and 4 all of the information and the conversations 5 have telescoped, that I can't reconstruct in 6 my mind whether in late September when 7 people first talked to me about this they 8 said and the number is X. I can't 9 reconstruct that, I am sorry. 10 Q Take me back to September 2007 11 when you were first told about the super 12 senior tranches. Who told you? 13 A My best recollection is that at 14 one of our Business Heads meetings Tom 15 Maheras brought it up. 16 Q Why did Mr. Maheras bring it up? 17 A I can't put myself in his head. 18 I don't know the reason for that. 19 Again, as I am reconstructing 20 that time period, we had spent several 21 months talking and focussing on the 22 leveraged lending book. And, again, it is a 23 little bit of speculation on my part, but my 24 guess is that in that context, Tom said at 25 one of the meetings, you know, we should
1 Interview - CHARLES PRINCE 2 Q Direct your attention to the 3 first part where it is under super senior 4 book, the second dash. 5 "This so-called super senior 6 tranche is viewed by the rating agencies to 7 have an extremely low probability of 8 default, less than 0.01 percent." 9 Was that what was represented to 10 you in September 2007 from persons at 11 Citigroup? 12 A I am going to give you a long 13 answer that is yes. The long answer is I 14 don't know whether they used these words, I 15 don't know whether they used this percentage 16 number of one basis point, but the context 17 of this sentence is what was represented. 18 Q Direct your attention to the 19 fifth dash down under that section super 20 senior book, states: "Our current open 21 position as 14.6 billion." 22 Do you recall in September 2007 23 being told the amount of the open position 24 on super seniors that Citigroup held? 25 A I can't reconstruct it that	1 Interview - CHARLES PRINCE 2 also think about the CDO book. He brought 3 it up then. That is my recollection of how 4 it came up. 5 Q As you sit here today, what 6 precisely do you remember Mr. Maheras saying 7 about the super senior tranches? 8 A Again, I can't reconstruction it 9 because so much has happened. The intensity 10 of the next 30 days, more or less, sort of 11 collapses everything in my mind. And I 12 don't -- because it wasn't presented at the 13 time in a startling fashion, you know, you 14 remember things if they startle you, if they 15 surprise you, if they stand out in your 16 memory. 17 This one didn't start that way. 18 This was: Let me also mention this. And 19 then it got bigger and bigger and bigger 20 obviously over the next 30 days. So if you 21 look back to the first one, there is nothing 22 about that first conversation which with 23 stand out in your mind. 24 Q At what point did the super 25 senior positions cause you alarm?

1 Interview - CHARLES PRINCE 2 A Well, let me, if I can, turn 3 around at the end and back it up. It might 4 be an easier way to answer the question. 5 The super seniors really, the 6 whole process around the super seniors 7 really collapsed when the rating agencies 8 downgraded, all the rating agencies down 9 graded thousands of securities from triple A 10 to basically junk in a day or two. And 11 that, that kind of collapse in the judgment 12 of the rating agencies was a precipitous, 13 meaning like a big explosion. 14 If you back up from that, that 15 was as I recall middle of September kind of 16 time frame, middle of October kind of time 17 frame. If you back up from that a week or 18 so, so maybe the first week of October, we 19 were engaged in a dialogue -- me, Tom 20 Maheras, several of our other people -- of a 21 round of almost daily telephone calls and 22 meetings, what is happening in the market as 23 it relates to these kinds of securities. 24 And those meetings or telephone calls would 25 involve myself, Tom Maheras, Randy Barker, 82	1 Interview - CHARLES PRINCE 2 as we went along and I was more and more 3 uncomfortable with this and more and more 4 uncomfortable with Tom's conclusion on 5 ultimate valuations, that is when I really 6 began to have some very serious concerns 7 about what was going to happen. 8 Q What was making you feel more and 9 more uncomfortable with Tom Maheras' 10 conclusion that Citigroup would never lose a 11 penny on its super seniors? 12 A Well, the external environment 13 during those 30 days, three or four weeks 14 time frame, it was obviously continuing to 15 deteriorate and all of the, all of the 16 indicators that I could see that related to 17 certain trading indices, what other people 18 in the industry were to doing, et cetera, et 19 cetera, you know, as you look around the 20 world, the things you see happening 21 suggested a further deterioration. And Tom 22 and Randy and others were pretty resolute 23 that we were thinking about this in the 24 wrong way, that these instruments had been 25 structured in way that they would hold their 84
1 Interview - CHARLES PRINCE 2 several of their people at a lower level in 3 the organization. Bob Rubin was in a number 4 of them. Bob Druskin was in a number of 5 them. Lou Kaden was in a number of them. 6 This is in the couple of weeks, as I recall 7 it, ten days before the rating agency 8 downgrades. 9 During that period of time, I had 10 convened these daily meetings and calls 11 because I was more uncomfortable with the 12 situation. And yet during that period of 13 time, Tom had said and said till his last 14 day at work: We are never going to lose a 15 penny on these super seniors. We are never 16 going to a lose penny on these super 17 seniors. And of course we were going 18 through accounting closings, you would close 19 a month, you would close a quarter and so 20 forth. 21 And when you do that, you have to 22 engage in certain decision-making processes 23 as it relates to valuations. And so there 24 was a natural, driven by the calendar, a 25 natural internal dialogue about this. And 83	1 Interview - CHARLES PRINCE 2 triple A value, that we wouldn't lose any 3 money, I would say leading right up to when 4 the rating agencies collapsed. 5 Q For the record, Mr. Maheras, at 6 the time he said this, was the CEO of the 7 investment bank? 8 A I think at that point Tom and, 9 Tom Maheras and a fellow named Michael Klein 10 were co-CEOs of the investment bank, 11 corporate and investment bank. 12 Michael focused on the investment 13 banking side of the house. And Tom Maheras 14 focused on the fixed income or trading side 15 -- fixed income equities, sort of the 16 trading side of the house versus the 17 investment bank side of the house. 18 Q You mentioned Randy. Is that 19 Randy Barker? 20 A Yes, sorry. 21 Q What was Mr. Barker's role in 22 September 2007? 23 A As best I can recollect it, 24 Barker was the head of the fixed income 25 business under Maheras. So, again, I'll 85

1 Interview - CHARLES PRINCE 2 make sure I am as clear as I can be. 3 Maheras and Klein were co-heads 4 of an entity and the entity basically had 5 two halves and Klein had the half which was 6 the investment banking side and the 7 corporate lending side. And Maheras had 8 the, all the trading businesses. So fixed 9 income and equities and commodities and so 10 forth. 11 And under Maheras, then, on this 12 side of the -- there were various 13 businesses. As I membered, fixed income, 14 equities, commodities, rates and currencies 15 and so forth. And I think that Barker was 16 the head of the fixed income part of that 17 trading side of the business. Maheras had 18 been the head of the fixed income business 19 before he stepped up to being the co-head of 20 the whole thing. 21 Q In terms of this belief that 22 Citigroup was not going to lose any money on 23 its super senior CDO positions, that was a 24 belief that was shared by Mr. Maheras and 25 Mr. Barker? 86	1 Interview - CHARLES PRINCE 2 these positions, this -- somebody says this 3 might be an issue or this indicator suggests 4 it might be an issue or something like that, 5 but don't react to that. We are not going 6 to lose any money on these positions; they 7 are good. 8 Q Your reference to the last day. 9 When was the last day? 10 A Well, Tom left the business in 11 the second week in October, I think, 12 something like that, of 2007? 13 Q And then following that time 14 period, the belief that Citigroup was not 15 going to lose money on super senior 16 positions was no longer expressed within the 17 organization? I am just trying to get a 18 sense -- 19 A I think what happened after that 20 was that we changed management when Tom left 21 and then basically over the -- then I think 22 either just before he left or just after he 23 left, the rating agencies collapsed and then 24 there was a fairly short period of time, 25 maybe it was a week, maybe it was ten days, 88
1 Interview - CHARLES PRINCE 2 A I believe so, yes. 3 Q Who else shared that belief? 4 A Gosh, I don't know. There were I 5 am sure other people inside fixed income who 6 shared that belief. I am not sure that 7 anyone else of the people that I mentioned 8 on these calls and meetings that I set up 9 that were outside of the fixed income 10 business ever expressed that. I think that 11 was pretty well contained to the fixed 12 income business, but of course they 13 understood it better than, or were supposed 14 to understand it better than the rest of us. 15 Q How early in September would Mr. 16 Maheras have shared this belief that 17 Citigroup was not going to lose any money? 18 Was that contemporaneous with the first time 19 he presented the super senior positions as 20 being on the books to you, or was that at a 21 different time? 22 A What I remember about that is 23 that throughout the entire time period we 24 discussed this, meaning till the last day 25 and any time before that, it was here are 87	1 Interview - CHARLES PRINCE 2 during which the analysis of the positions 3 vis-à-vis the new lowered ratings was done 4 up and then that led to the time when I 5 resigned. 6 Q When Mr. Maheras first expressed 7 to you that Citigroup was not going to lose 8 a penny on its super senior CDOs, did you 9 ask to see any stress testing? 10 A I can't -- I can't reconstruct 11 the time frame during which we did that 12 because as we were going through the end of 13 September and closing the books, there was 14 some stress testing done by Gary Crittenden 15 and others working with Maheras. 16 I am confident, without 17 remembering, that the first time Tom brought 18 it up, he didn't say and here's a stress 19 test to prove what I'm saying. I mean, he 20 didn't do that. But whether or not a couple 21 days later or a week later there was stress 22 testing or whether that was two or 23 three weeks, later I can't separate those in 24 my mind. 25 But it was not a situation where 89

1 Interview - CHARLES PRINCE 2 the first time it came up at our Business 3 Heads meeting, if that is how I recall it, 4 he would have had a big, you know, brief in 5 support, it wouldn't have been that kind of 6 a situation. 7 Q When Maheras first said that 8 Citigroup was not going to lose a penny on 9 its super senior position, was Mr. Bushnell 10 present? 11 A It was a Business Heads meeting. 12 David would have been at the meeting. 13 Whether he was absent that day for some 14 reason, whether he was out of the room or 15 not, I can't remember. But it was at a 16 meeting at which David would have been 17 present. 18 Q Do you ever recall Mr. Bushnell 19 expressing his belief on the super senior 20 positions? 21 A I think that David -- David was 22 part of these daily telephone calls and 23 meetings we had during that interim period. 24 So, again, I can't reconstruct carefully 25 enough the first time Tom mentioned it 90	1 Interview - CHARLES PRINCE 2 Q What was the nature of Mr. 3 Maheras' departure from Citigroup? 4 A I have actually tried to 5 reconstruct that in my mind, and it is a 6 little fuzzy around the edges. But here's 7 the essence of it. 8 There came a point in time when 9 it was my judgment that Randy Barker should 10 leave the company. And that judgment was 11 based on my view that we were going to end 12 up losing money on these positions and that 13 someone else should manage the process of 14 recovering what we could from that issue. 15 It is very customary in the banking world 16 that if someone makes a loan, any kind of a 17 loan, and it goes bad, that the work out of 18 that loan should be managed by someone other 19 than the person who put it on the books, 20 someone who is objective and doesn't have 21 any history with it, so on. And so that was 22 my judgment, that that should happen. 23 Maheras and Barker were quite 24 close personally. And I would say it is 25 fair to report that Tom resisted that. 92
1 Interview - CHARLES PRINCE 2 versus the next day versus the next day. 3 But I think if you take the 30 4 days from mid September to mid October, 5 clearly by the time sort of the second week 6 in October was coming along, so two thirds 7 of the way through their process, we are in 8 these daily meetings and calls and so forth, 9 I think David was cautioning that I am not 10 sure Tom is right about this. I can't 11 remember him saying those exact words so I 12 am not suggesting that. 13 But the tonality, if I can use 14 that word, of the people was Tom and Randy 15 were resolute, you know, don't, don't do 16 something here which you are going regret, 17 you not going to lose money on those things. 18 Don't take a huge write down or a big 19 reserve. And I would say that Gary 20 Crittenden and David Bushnell -- if I can 21 put it sort of at the other end of the 22 figurative table -- were saying, you know, I 23 am not sure that is right; I think we should 24 test this a little bit more. It was that 25 kind of a dynamic. 91	1 Interview - CHARLES PRINCE 2 I insisted that that be the case. And as 3 part of the restructuring process that 4 resulted from Barker leaving the company, so 5 not that day but within several days 6 afterwards, Maheras came to me and said that 7 he thought he did not want to continue. And 8 those were the circumstances of him leaving. 9 Q So it was your decision to 10 terminate Mr. Barker? 11 A Yes. 12 Q Did you consult anyone else on 13 the decision to terminate Mr. Barker? 14 A I am sure I did. I am sure I 15 talked to Druskin, I am sure I talked to 16 Rubin, I am sure I talked to a number of 17 people, but it was my decision, not theirs. 18 Q And did you decide to terminate 19 anyone else in connection with this CDO 20 business? 21 A I don't remember anybody else 22 that I took action on personally, no. I 23 mean I know a number of people were 24 terminated, but I don't think anyone else I 25 acted on personally. 93

1 Interview - CHARLES PRINCE 2 Q I want to ask you about the 3 liquidity puts that are also referenced in 4 this document. 5 Can you tell me what you recall 6 about the time you first were told about the 7 liquidity puts associated with the asset 8 backed commercial paper issued from the, 9 secured by the super senior tranche? 10 A I can't really. Again, I want to 11 put it in the context of what was happening. 12 We spent the summer thinking 13 about the leveraged lending book. Then in 14 the middle of September Tom Maheras says 15 well, you know, we also have to think a 16 little bit about these CDOs and so forth. 17 And then that sort of the separate channel 18 started happening. And then my best 19 recollection is that a week or two later 20 somebody said well, the CDOs are X, but also 21 have liquidity puts relating to the CDOs. 22 But it in my mind sort of folded into the 23 same issue, and it wasn't as if a third 24 train of activity went along as compared to 25 it just being a larger second train of 94	1 Interview - CHARLES PRINCE 2 was now back on Citi's books? 3 A I am not sure whether that 4 happened when I was there or not. I mean 5 there was quite a discussion about taking 6 these things back on to Citi's books, but I 7 thought that happen after I left. 8 Q I would like to show you another 9 document which has been marked number five. 10 (Thereupon, the documents Bates 11 Citi FCIC 24594 were marked CR 12 Exhibit 5 for Identification, as of 13 this date.) 14 BY MR. BONDI: 15 Q I am showing you what has been 16 produced to us by Citigroup, it is Bates 17 Citi FCIC 24594 and it is some attachments 18 along with a cover e-mail from a Christina 19 Pretto to you dated July 30, 2007. 20 First, who is Christina Pretto? 21 A She was one of our PR people. 22 Q Do you recall receiving this 23 e-mail on or about June 30, 2007? 24 A I don't. 25 Q I would like to turn your 96
1 Interview - CHARLES PRINCE 2 activity if that makes sense to you. 3 So, it is not as if somebody came 4 up one day and said ah, liquidity puts, and 5 I said oh, liquidity puts. It wasn't that 6 sort of a moment. It was sort of adding on 7 to existing discussion. 8 Q When do you recall being informed 9 or were you informed about the size of the 10 exposure associated with the liquidity puts? 11 A I can't remember the specifics of 12 when that number was put on the table or not 13 put on the table. 14 Q Do you recall ever being 15 eventually told of the number associated 16 with that? 17 A Sure. Obviously in hindsight I 18 have read all the papers and I know what 19 happen and so forth. But I can't 20 reconstruction in my mind a particular time 21 when someone came in and said here's the 22 number and that sticks out in my mind. 23 Q The commercial paper that was 24 associated with the liquidity puts, do you 25 recall being told that the commercial paper 95	1 Interview - CHARLES PRINCE 2 attention to the second attachment here, 3 second attachment to the e-mail. It is 4 Bates Citi FCIC 24607 and it is a Power 5 Point deck entitled Tracking the Twin Storms 6 Catalyst of Market Volatility. 7 A Got it. 8 Q Do you recognize this document, 9 sir? 10 A I am sure I have seen it, but I 11 can't remember in what context I saw it, I 12 am sorry. 13 Q Do you recall seeing it during 14 your tenure as CEO at Citigroup? 15 A I am sorry, I can't place it as 16 to whether I saw it then or whether I saw it 17 during preparation. 18 Q I would like to draw your 19 attention to the first page of the 20 presentation on the executive summary. 21 A Yes. 22 Q The third bullet down states, 23 "The value of investment grade CDOs built up 24 out of subprime mortgages has declined 25 dramatically leading to significant losses. 97

1 Interview - CHARLES PRINCE 2 Total damage has been estimated at 50 to 100 3 billion." 4 Do you recall having the, do you 5 recall hearing that statement or reading 6 that statement in or about July 30, 2007? 7 A I don't, but the -- it was clear 8 that in the summer of 2007, many of the CDOs 9 had, many parts of the tranches of the CDOs 10 were declining in value. I want to 11 distinguish that between the super seniors. 12 Super seniors, at that point no one thought 13 had any issues. In fact, no one thought 14 those had any issues until October. But it 15 is clear that some of the lower tranches had 16 declined in value by the summer. So, do I 17 remember seeing that at the time, no. I 18 mean I see it on the piece of paper now. 19 MR. KARP: Just so the record 20 is clear, because the quote would not 21 revealed this, this is for the entire 22 industry. 23 A For the entire industry. 24 Q I think the presentation in fact 25 is titled Catalyst of Market Volatility. 98	1 Interview - CHARLES PRINCE 2 thinking much more broadly about how would 3 it affect the real estate business 4 generally, how would it affect our consumer 5 business, which has an originate and hold 6 strategy. The parts of the CDOs that would 7 be affected based on our thinking at the 8 time wouldn't be things that we owned at 9 all. So, the answer to your question is no, 10 but it is a very long no. 11 Q So, in the summer of 2007, it was 12 your understanding that you did not, you 13 meaning Citigroup, did not hold the lower 14 tranches of CDOs that were being affected? 15 A That was my understanding, yes. 16 Q In the summer of 2007, did you 17 ever ask Mr. Maheras or any of his 18 colleagues in the investment bank, what 19 tranches do we hold or what is our exposure? 20 A You know, in hindsight that is an 21 excellent question. At the time, it 22 wouldn't have occurred to anyone to do that. 23 And if someone had asked the question, the 24 answer that would have been given wouldn't 25 have in any way given you different 100
1 Interview - CHARLES PRINCE 2 In the summer of 2007, did it 3 case you any concern that there were 4 significant losses looming in the CDO 5 business in general? When I am talking 6 about business, I am talking about industry 7 business, not necessarily Citi specific. 8 A At the time, people believed that 9 the housing market would decline to a 10 certain degree. Without having read the 11 document, you can see in the little box on 12 this page under "consumer" that it says, 13 "Subprime foreclosure delinquency will 14 likely impact less than one percent of U.S. 15 housing stock." 16 And at the time, people believed 17 that the housing market would be affected in 18 ways where some of the lower or lowest of 19 the tranches of CDOs would be affected. I 20 think at the time no one had any or I know 21 at the time no one had any idea or hint that 22 the housing decline would be as significant 23 or as broad as it turned out to be. So, 24 your question was about CDOs, I didn't think 25 about CDOs at that point in time. We were 99	1 Interview - CHARLES PRINCE 2 information. 3 I believe it is true that not 4 only the risk function, but the management 5 of the business believed that our holdings 6 and our activities were a hundred percent 7 mark to market on a daily basis, so that we 8 had no nonmarked risk. 9 I believe that at the time people 10 felt that there were almost literally no 11 scenarios under which the super seniors 12 could be touched, so it wouldn't have 13 occurred to anyone either to ask the 14 question or to volunteer the information to 15 say now don't forget, we also have these 16 super seniors which are triple A and there 17 is no chance in the world that they will 18 ever be touched. That wouldn't have come up 19 in a normal context. 20 Looking back, I mean it is very 21 easy to see that is the one issue that you 22 should have asked. I understand that. But 23 at the time, you have to deal with what was 24 reality at the time and whether it was the 25 presentation that you just showed me to the 101

1 Interview - CHARLES PRINCE 2 SEC or the internal dynamics of marking to 3 market, the super seniors were not thought 4 to be of subprime character, as I have gone 5 back now and looked at that time. 6 Obviously at the time it wasn't a 7 topic of discussion. But as I looked at it 8 in hindsight, it is clear that people didn't 9 think of it as being in that character or 10 that category at all. 11 So, your question was did anyone 12 examine Tom Maheras on what the other 13 categories were we hold and how do you think 14 about it and so forth, that wasn't part of a 15 real world situation at the time. 16 Q In the summer of 2007 when events 17 were unfolding in the market as described in 18 this presentation, did you ask anyone at 19 Citigroup to run any stress test to see how 20 is Citi going to fair if events unfold in 21 the market, if things deteriorate in the 22 market? 23 A I didn't have to. People ran 24 stress tests all the time. There is an 25 index of -- and I can't remember the name of 102	1 Interview - CHARLES PRINCE 2 Q If I could get you look at one 3 additional page on this document here, which 4 is the next page, 24609. 5 A Yes. 6 Q And it says, the title, Tracking 7 the Twin Storms. Highlighting the 8 Parallels. And to your counsel's point, I 9 believe this is describing the market as a 10 whole? 11 A Yes. 12 Q There is a section on the left, 13 the subprime mortgages, it says, "Which 14 securities are involved?" It says, "CDOs 15 built out of subprime mortgages." 16 At the time you got this 17 presentation in July of '07, summer of '07, 18 did you realize that Citi had CDOs that were 19 built out of subprime mortgages? 20 A You know, I can't honestly 21 recall. As I said, the first time that CDOs 22 came up as any kind of an issue for us, any 23 kind of a problem or concern, was in the mid 24 September time frame. This was I think 25 talking about the industry as a whole. I 104
1 Interview - CHARLES PRINCE 2 it -- of housing prices around the country 3 which is used by everyone. 4 Q ABX? 5 MS. BUERGEL: Case-Shiller. 6 A Case-Shiller. And people would 7 run stress tests off of that. And they 8 would say okay, if Case-Shiller is down five 9 percent, what does it mean? If it is down 10 three percent what does it mean? If it is 11 down five percent in so many cities, what 12 does it mean and so forth? And I remember 13 vividly David and others saying to me -- and 14 I remember vividly the conversation. I 15 don't remember what time frame, but it could 16 easily have been in this time frame. People 17 saying to me: Gosh, housing rises would 18 have to go down 30 percent nationwide for us 19 to have, not a problem with CDOs, but for us 20 to have, quote, problems. And that has 21 never happened since the Depression. I 22 remember it vividly, those conversations. 23 So, it wasn't a situation where I 24 could have commissioned stress tests. We 25 had stress tests all the time. 103	1 Interview - CHARLES PRINCE 2 don't remember anybody saying: And don't 3 forget, Chuck, we got some of these as well. 4 I don't remember that as well. 5 MR. LERNER: For the record, I 6 don't think he said he remembered 7 receiving it at that time. 8 MR. BONDI: I understand that. 9 Q I was asking you if you 10 understood at the time, though, generally, 11 not based on this presentation, but 12 generally the CDOs that Citigroup had were 13 built out of subprime mortgages? 14 A I am not sure that I at that 15 point in time even had any specific 16 understanding of our, of the mechanics of 17 our CDO business. This was, this was a very 18 small part of one part of one division of 19 the company. I mean, we had a large 20 business. There would be no reason, unless 21 I happened to have worked in the fixed 22 income business, for me to have any 23 familiarity with that detailed level of 24 product activity. 25 Q On this same page, there is a 105

1 Interview - CHARLES PRINCE 2 section called, looks like What Went Wrong? 3 Under subprime mortgages it says, "Lax 4 lending standards, high LTVs, piggyback 5 loans, low or no doc and teaser rates." 6 Are the description of the 7 mortgage types on this presentation here the 8 types of mortgage products that we talked 9 about earlier in connection with your 10 Greenlining Institutional speech that you 11 had some concerns about? 12 A Some yes and some no. The ones I 13 mentioned earlier as examples of exotic 14 mortgages were the negative amortization and 15 the adjustable ARMs, which have to do 16 fundamentally with how much you are required 17 to pay back on a current basis. And by 18 deferring how much you have to pay on a 19 current basis, you are really betting on 20 home price appreciation rather than the 21 ability of the borrower to pay. 22 These items that are referred to 23 here, some of these relate to that and some 24 don't: So teaser rates or a category of ARM 25 mortgages, but they are not necessarily 106	1 Interview - CHARLES PRINCE 2 the old days, you would have an 80 percent 3 LTV. You couldn't borrow more than 4 80 percent of the value of the house. And 5 then it would go to 90 percent, then 6 95 percent and then a hundred percent. In 7 some cases people were doing 105 and 110 8 percent LTV. And so that is a different 9 issue. It is a related issue. 10 And if you put them altogether, 11 that is really the worst possibility. If 12 you have something where the borrower says I 13 make so much money, but they really don't, 14 and you have a situation where the appraisal 15 says it is worth a hundred thousand dollars 16 and it really isn't. And then you are 17 lending 110 percent LTV against an inflated 18 LTV, then you are really in trouble. And 19 that is basically, you know, if you pick an 20 example of a horrible loan, at the end of 21 the process, you had borrowers who had no 22 income borrowing 105 or 110 percent of an 23 inflated LTV value, and then walking away 24 from the loan, and not surprisingly the loan 25 didn't have much value. 108
1 Interview - CHARLES PRINCE 2 adjustable ARMs. Adjustable ARMs are you 3 the borrower can decide how much you want to 4 pay fundamentally. 5 A teaser rate could be that, or 6 it could be simply it is two percent for the 7 first 12 months and then it jumps to 8 12 percent. So you don't get to decide. It 9 is an automatic, it is a formulaic change. 10 So it could be similar or it could be 11 different. 12 A low or no doc loan is one that 13 doesn't have to do necessarily with you the 14 borrower deciding how much you can pay back 15 on a current basis, but could simply be that 16 you say you have so much income and you 17 don't have so much income. Or the appraisal 18 saying that the house is worth a hundred 19 thousand dollars and it is really only worth 20 \$50,000. So it could be a different 21 category of issue than the ability to pay 22 issue. 23 High LTVs and piggyback loans 24 basically go to how much of the value of the 25 house is loaned against. Some of the -- in 107	1 Interview - CHARLES PRINCE 2 Q Mr. Prince, is it fair to say 3 based on what you testified earlier that 4 during your tenure at Citigroup, you 5 wouldn't have known if any of these mortgage 6 types high LTV, big piggyback loans, no or 7 low doc or teaser rates were somehow in the 8 CDOs that Citigroup had created? 9 A Well, I think that is correct. 10 The reason I am hesitating a tiny bit in 11 answering is I think at the very end, in the 12 last week or so of my tenure, there were 13 some suggestions that there was a little 14 more of this, not a lot, but a little more 15 of this in some of our originations or some 16 of our CDO products than I had understood 17 before. But if you take that caveat, that 18 one week a little more information, a little 19 more -- if you take that caveat to your 20 question, the answer would be yes. 21 Q I am going to ask you, sir, to 22 take a look at another document. 23 I am going to show you what has 24 been produced to us by Citigroup, Citi FCIC 25 E 24768. And it is an e-mail chain. At the 109

1 Interview - CHARLES PRINCE 2 top of the e-mail chain is an e-mail from 3 you to Mr. Druskin dated August 3rd, 2007. 4 (Thereupon, the e-mail chain 5 Bates Citi FCIC E 24768 was marked CR 6 Exhibit 6 for Identification, as of 7 this date.) 8 BY MR. BONDI: 9 Q It is responding to an earlier 10 e-mail to you from Mr. Druskin. 11 First, at the bottom of this 12 e-mail, let's talk about the first e-mail 13 here, there is an e-mail from William 14 Kister. 15 A Yes. 16 Q Looks to a distribution list, and 17 it is titled Citi Markets and Banking 18 Revenue Highlights for August 2nd, 2007. 19 A Yes. 20 Q And July Update. 21 First off, would is William 22 Kister? 23 A I have no idea. I am sure he is 24 a very valuable employee of the company, 25 though. 110	1 Interview - CHARLES PRINCE 2 you know what he is referring to and what 3 are you referring to? 4 A The -- there are some unusual 5 aspects to running a securities business, 6 both in the way that people participate and 7 in the way you manage the business. 8 In most businesses, you have a 9 budget forecast, you do certain activities 10 to generate revenue, you try to hold down 11 your costs, you try to make a profit. And 12 most of those activities, if you are 13 building refrigerators or something, have 14 some level of predictability to them, some 15 level of direction to them. You have long 16 term contracts with suppliers, you have long 17 term contracts with customers, you have an 18 ability to see into the future a little bit. 19 In the securities business, your 20 ability to see is measured on a daily basis. 21 You have a budget for the year, you have a 22 budget for the month, for the quarter. You 23 have analysts who are predicting what you 24 are going to make without knowing what the 25 markets are going to do. And you are held 112
1 Interview - CHARLES PRINCE 2 Q Is this an e-mail that you 3 received? 4 A Yes. This is our daily report. 5 The markets and banking business would, 6 because of the kind of business it is, had 7 to close their books every day and so every 8 day you would get the results from the day 9 before of activity. And so we would get one 10 of these every day. This one happened to be 11 for that particular day. 12 Q And you would get these e-mails 13 on a daily basis during your entire tenure 14 as CEO? 15 A Yes. 16 Q Were these e-mails that you would 17 have read on a daily basis? 18 A You bet, you bet. 19 Q Looks like Mr. Druskin in 20 response to this e-mail says to you, "This 21 looks like water torture, just awful." And 22 you respond, "Worse." 23 A Yes. 24 Q What was he referring to and what 25 were you referring to in your response, if 111	1 Interview - CHARLES PRINCE 2 to the standards of your earnings estimates. 3 So, today as we sit here there is 4 an earnings estimate out for Citi that says 5 at the end of the first quarter, their 6 earnings ought to be X. And a large part of 7 Citi's earnings today relate to the 8 securities business. 9 The people who put those analyst 10 estimates together have no idea whether the 11 markets are going to be up, down or sideways 12 between now and the end of March and yet 13 they have estimates out there. So on a 14 day-by-day basis, inside the company, your 15 reviewing the progress of your business day 16 by day by day against your budget, against 17 the outside world's estimates and some days 18 the markets will be way up and you make lots 19 of money and you feel great. And some days 20 the markets are way down and you lose lots 21 of money and you feel awful. 22 So, on this particular day if you 23 look at the first line of the first e-mail 24 in the chain under "daily commentary," it 25 says, "Fixed income markets lost \$66 113

1 Interview - CHARLES PRINCE 2 million, \$100 million below forecast. 3 Meaning that we for that day had hoped to 4 make 166 million I guess, right? No, if we 5 -- we hoped to make \$34 million that day, 6 more or less, and instead we lost \$66 7 million that day. All right? And then 8 there are a series of sub-bullets below that 9 which break to fixed income business down by 10 components. 11 And then you go down a little bit 12 and you see the next heading is fixed income 13 underwriting, gained \$2 million, but that is 14 still 6.8 million below forecast. And then 15 the next heading was equity markets made 16 almost \$6 million, but that is still 17 \$9 million below forecast. So, when you put 18 the whole thing together -- is there a total 19 at the bottom? I haven't read these in a 20 long time. Here it is at the top. 21 The revenue for August 2nd, day 2 22 of 23 -- so we are measuring it for the 23 month -- was a loss of \$49 million, 162 24 million below forecast. Month to date 25 revenue -- so again we are measuring how we 114	1 Interview - CHARLES PRINCE 2 Q But were you concerned about 3 conditions more broadly than just that day 4 in this August time frame here? Were you 5 concerned more generally about the direction 6 that the market was heading? 7 A Well, sure is the answer. But 8 again I would ask you to put this in 9 context. 10 When we reported our results at 11 the end of the second quarter -- so this is 12 now mid-July, early July for the end of the 13 second quarter, we reported both on a 14 quarterly basis the second quarter and for 15 the first six months of the year, the first 16 and second quarters together, the best 17 results in the company's 200-year history, 18 the first quarter of 2007 -- first half of 19 2007 was the best six months in the 200-year 20 history of the company. This is now 30 days 21 after we reported the results. So was I 22 concerned about where the markets were 23 heading? Sure. But the markets are 24 typically slow in August. 25 In hindsight of course it got 116
1 Interview - CHARLES PRINCE 2 are doing against the month's budget was a 3 loss of twenty-five, two hundred fifty one 4 below forecast. 5 So, this is a daily snapshot that 6 comes out. It came to, it comes to 10 or 11 7 people, mostly in the corporate banking 8 business and to a couple of us at 9 headquarters. And Druskin got his and said 10 these daily losses are awful; they are like 11 water torture, meaning day after day after 12 day. And I apparently sent back something 13 saying that it wasn't worse than water 14 torture. I can't recall exactly the context 15 in which I said that, but it may be self 16 evident. 17 Q In other words, this wasn't a 18 typical time period in the market? 19 A Oh, for all I know, this is day 20 two of 23 and there is a cumulative, for all 21 I know week before that we made a bunch of 22 money. So this is one snapshot on one day. 23 Q This is reacting to that 24 particular point in time? 25 A Right. 115	1 Interview - CHARLES PRINCE 2 much worse, but I am trying to recollect how 3 I felt at that point in time. We were doing 4 great in the first six months of the year. 5 And in July we recorded those results, we 6 had our annual off-site with the board in 7 July. We as a group, as a company felt very 8 good about where we were. And then August 9 came, it was a little slow. Then in 10 September the leveraged lending thing went a 11 little more south on us, et cetera. 12 So I would not see this even 13 recalling it now, this is not a canary in a 14 mine signalling some great calamity coming. 15 It is daily report that Druskin and I both 16 complained gosh, we had a bad day yesterday. 17 Q What was the, as you put it, the 18 canary in the coal mine? What was it to you 19 that you thought these aren't normal 20 conditions, we are headed to awful times 21 ahead? 22 A When the rating agencies collapsed. 23 Q That was the October time frame? 24 A Mid October. 25 Q 2007. 117

1 Interview - CHARLES PRINCE 2 What in your view is the 3 significance of the rating agencies to the 4 overall financial crisis? 5 A Well, I mentioned earlier an 6 overview that I have of the currency flows 7 and the artificially low interest rates, you 8 remember all that. 9 I think as part of that the 10 increase in structured products resulted in 11 an increase the complexity of financial 12 products almost by definition. The 13 structured products were more complex than 14 simpler products. And I think as investors 15 were looking for enhanced yields in an 16 artificially low yield environment and as 17 the industry created more structured 18 products to try to satisfy that demand, the 19 rating agencies performed an absolutely key 20 go, no-go, kind of role. 21 If the rating agencies hadn't 22 approved the products, hadn't certified them 23 as it were, people wouldn't have bought 24 them. The more complex the instruments are, 25 the more people rely on the ratings. And so 118	1 Interview - CHARLES PRINCE 2 Q Why is that your belief, though, 3 what is the basis for your belief to say 4 that you didn't believe your team relied 5 exclusively or primarily on ratings? 6 A Salomon Brothers, Tom Maheras and 7 his team, were widely thought of as the best 8 fixed income house on Wall Street and had 9 been for a long time. 10 I was frequently told by the 11 regulatory agencies that David Bushnell was 12 the best risk manager on Wall Street. It 13 would have been inconceivable in that 14 circumstance for people with those levels of 15 experience and activity to primarily rely or 16 exclusively rely on some third party to do 17 their due diligence. It is inconceivable to 18 me that would be the case. 19 Q In July of 2007, in an article 20 with the Financial Times, you were quoted as 21 saying, "When the music stops in terms of 22 liquidity, things will be complicated. But 23 as long as the music is playing, we have got 24 to get up and dance. We are still dancing." 25 What did you mean by that quote? 120
1 Interview - CHARLES PRINCE 2 it is two sides of the same coin to say that 3 as products became more complex, ratings 4 became more important. 5 And as the industry grew in those 6 four, five years in the middle of the 7 decade, the structuring business grew, the 8 ratings became more and more and more 9 important. And that is why when the rating 10 agencies collapsed and downgraded, you know, 11 swathes of securities, not one, not one 12 grades, not two grades, but collapsed them 13 to junk bond status, it destroyed really, it 14 was the precipitating event in the financial 15 crisis. 16 Q How much did Citigroup rely on 17 ratings for its own decisions with respect 18 to its for instance CDO holdings? 19 A I don't know the answer to that. 20 I mean I wasn't involved in those decisions. 21 My belief is that the team did not rely 22 exclusively on the ratings, they didn't rely 23 primarily on the ratings because I think our 24 people were better than that. But I don't 25 know is the answer. 119	1 Interview - CHARLES PRINCE 2 A Well, I thank you at least for 3 the courtesy of using the entire quote. The 4 Financial Times likes that so much and 5 applies it so broadly that they don't put in 6 the first part about liquidity stopping and 7 being complicated. 8 This was a quote, or part of an 9 interview I gave in Japan, as I recall it, 10 to an FT reporter. And what I was referring 11 to was the leveraged lending business. And 12 you will recall that I said a couple of 13 times that in the summer of 2007, the 14 problem child focus in our corporate and 15 banking business was on leveraged lending. 16 Let me back up a step there. 17 In the leveraged lending 18 business, we and other members of Wall 19 Street had been in the business of lending 20 money to the private equity firms. And the 21 private equity firms had pushed the banks to 22 the point where the terms and conditions of 23 that lending were quite favorable to the 24 private equity firms and were quite 25 unfavorable for the banks. And all this has 121

1 Interview - CHARLES PRINCE 2 been widely reported. 3 The -- and widely recorded in the 4 context of these were really quite unusual 5 circumstances for the banks to loan money to 6 the private equity firms on these kinds of 7 terms. 8 In talking about this private 9 equity lending business in the context of 10 this interview, what I was trying to convey 11 was the sense that for a number of reasons, 12 it was impossible, in my view, for any one 13 major participant on its own to stop doing 14 those kinds of loans. Nothing illegal about 15 these loans. The question was were they on 16 good terms for the lender, were they smart 17 for the lender to do? And it was my 18 judgment then and it is my judgment now that 19 it was impossible for any individual 20 institution to simply say I am not going to 21 to that anymore. 22 And of course if I had called my 23 counterparts at the other banks and said 24 let's all say we are not going to do it this 25 way, smart lawyers would have said you are 122	1 Interview - CHARLES PRINCE 2 This is a reference on page 69 of 3 Secretary Paulson's book, and I do want you 4 to know I read other books beside Secretary 5 Paulson's books. 6 MR. KARP: I see you read 7 Chairman Bernanke's books. 8 MR. BONDI: And other, and 9 others. 10 BY MR. BONDI: 11 Q Secretary Paulson is referring to 12 an event, a dinner at the New York Fed in 13 June 26th of 2007. About a month or so 14 before this quote it seems like, June 26, 15 2007. 16 And he recounts this dinner, says 17 that you were present. Do you remember 18 being at a New York Fed dinner on June 26, 19 2007 with Secretary Paulson? 20 A I don't remember the date, but it 21 was common for then Chairman Geithner of the 22 New York Fed to have dinners for the Wall 23 Street CEOs at which Secretary Paulson or 24 others would come. 25 Q On the bottom of page 69, he 124
1 Interview - CHARLES PRINCE 2 going to go to jail if you do that. 3 So, my notion was -- and I guess 4 it was either unartfully phrased or too 5 artfully phrased that as long as that 6 situation obtained, as long as the music was 7 playing, that you had to, you had to dance 8 to that music. You had to be part of that 9 activity level. Although, I did point out 10 that when this excess liquidity driven 11 situation for the industry changed, it would 12 be complicated. But this was, I want to 13 emphasize, this was all in the context of 14 the lending to the private equity firms. It 15 had nothing to do with the mortgage 16 business, it had nothing to do with what 17 turned out to be CDOs. That was not part of 18 my thinking or on the radar screen at all. 19 Q Appreciate that clarification. 20 Something you said that struck me 21 as interesting again from the book that I 22 referenced earlier from Mr. Paulson. 23 A You marked that up quite a bit, 24 those tabs. 25 Q You should see my other books. 123	1 Interview - CHARLES PRINCE 2 writes, "Chuck Prince, the Citigroup CEO, 3 asked whether given the competitive 4 pressures there wasn't a role for regulators 5 to tamp down some of the riskier practices." 6 Basically, he asked, "Isn't there 7 something you can do to order us not to take 8 all these risks?" And he goes on to say, 9 "Not long after I remember Prince was quoted 10 as saying: As long as the music is playing, 11 you have got to get up and dance." 12 Do you remember expressing in 13 form or substance to Secretary Paulson this 14 question of isn't there something you can do 15 to order us not to take all these risks? 16 A Yes. 17 Q Can you elaborate on the context 18 of that question? 19 A I am not sure I understand your 20 question. 21 Q What was your conversation that 22 you recall with Mr. Paulson about can't 23 regulators do something to prevent us from 24 taking all those risks? What was the 25 context of Mr. Paulson's quote of you and 125

1 Interview - CHARLES PRINCE 2 this conversation you had, do you recall 3 having a conversation to that nature? 4 A We were -- Geithner had organized 5 this dinner. And again I am not sure of the 6 exact date, so I am not -- I don't know 7 whether that was the date or not. But there 8 was a dinner in the summer of that year at 9 which almost all of the heads of the various 10 banking and security houses were present. I 11 was present, and Paulson was up to visit to 12 talk to people. It was part of his normal 13 outreach of staying connected with the 14 industry and so forth. 15 And in the course of that, there 16 was a discussion about the lending to the 17 private equity firms and how some of those 18 terms had, through a process of competition, 19 had gotten to a point where they were really 20 quite unfavorable for the lenders. And I 21 remember expressing my view in this group 22 context that none of us could individually 23 back away from that business for a number of 24 reasons, which I thought were important. 25 And that as a result -- and that we couldn't 126	1 Interview - CHARLES PRINCE 2 production. I will represent that it 3 appears that this letter was sent, identical 4 letter was sent to multiple people. There 5 are two cover letters with this particular 6 exhibit; one is to Mr. Rubin and one is to 7 Mr. Thomas. And the letter is, it appears 8 to be signed by you. 9 First of all, do you recall 10 sending this letter on August 15, 2007? 11 A Well, you have just handed me 12 something and I haven't read it, but it 13 appears to be the monthly letter that I 14 would send to the board. That is why you 15 have two cover letters, because it would 16 have been sent, an identical letter would 17 have sent to each person on the board. And 18 I would typically send this along either 19 with the materials for the next upcoming 20 board meeting. Or if we didn't have a board 21 meeting coming up, I would simply send a 22 stand alone letter. And this was a practice 23 to find a way to give a little more of a 24 narrative or my thoughts about how the 25 company was doing to our board members 128
1 Interview - CHARLES PRINCE 2 agree among ourselves not to do it. And 3 that I thought it was an appropriate role 4 for the regulators, since they recognized 5 this unfavorable situation for the banks and 6 the lenders and that the Fed directly and 7 the Treasury Department perhaps indirectly 8 had some oversight responsibility for the 9 industry, that since we couldn't do it 10 individually, we were prohibited from doing 11 it as a group, that given their mandates, 12 that they ought to consider directing us to 13 tighten up. And that was the context. 14 Q So again it was in the context of 15 leveraged lending? 16 A Yes. 17 Q Mr. Prince, I am showing you 18 another document that was produced by 19 Citigroup, Bates Citi FCIC 4648. 20 (Thereupon, the document Bates 21 Citi FCIC 2648 was marked CR Exhibit 7 22 for Identification, as of this date.) 23 A Yes. 24 Q And I note for the record that 25 there are two identical cover pages in this 127	1 Interview - CHARLES PRINCE 2 because we sent them so much information for 3 their meetings that there was no overview or 4 there was no context. There wasn't enough 5 of a context, I was concerned. 6 So, I got into the habit of 7 saying you are going to get a big a stack of 8 materials, but before you read that, here's 9 a, how I am viewing the company and how we 10 are doing right now. That is the context 11 for these letters and this appears to be the 12 one I sent in August of '07. 13 Q Directing your attention up -- 14 first before we to that, Mr. Thomas was a 15 member of the board? 16 A Yes. 17 Q And Mr. Rubin was a member of the 18 board, obviously? 19 A Yes. 20 Q Page two of the letter which is 21 Bates 4651, draw your to the paragraph that 22 is next to the heading Credit Markets. 23 A Yes. 24 Q And you state, "You have read a 25 great deal about the credit markets. 129

1 Interview - CHARLES PRINCE 2 Whatever you have read, the reality is 3 probably worse." 4 And then you go on at the end of 5 that paragraph to say it is a very difficult 6 and dangerous situation with few historical 7 precedence. 8 What was on your mind in terms of 9 this paragraph? And please read the entire 10 paragraph. I have only drawn two sentences 11 out of the paragraph. But what was your 12 thinking, what was on your mind when you 13 wrote that paragraph? 14 A Well, I am not sure I can 15 reconstruct it except to say that I was 16 trying to give a context for what they were 17 reading in the papers. And, again, I don't 18 have in mind exactly what was in the papers 19 then. But it is clear as I read this 20 paragraph that I was trying to give them a 21 sense that as directors of the company, 22 these are quite difficult issues, quite 23 complicated issues. 24 And at the time -- this is early 25 August. At the time, my guess is that what 130	1 Interview - CHARLES PRINCE 2 As you go through it -- I am just 3 sort of skimming the balance of the next 4 couple of pages -- you can see that the 5 first thing I talk with is leveraged 6 lending. And I have got a couple of 7 paragraphs on that. And then at the bottom 8 of page three, I say, "We have exposures in 9 both leveraged lending and to a more limited 10 degree in the subprime area. We consciously 11 did not originate these aggressive products, 12 but did purchase some as part of portfolio 13 acquisitions" and so forth. 14 And so I think this is very 15 consistent with what I told you earlier 16 about in the summer, our primary focus was 17 on the leveraged lending or the private 18 equity lending kind of area. And only in a 19 subordinate sense with what was happening in 20 the mortgage markets and there my belief was 21 that we didn't have as much exposure. 22 Q And this was belief because you 23 were not aware at the time of the super 24 senior positions? 25 A And frankly, if I had been aware 132
1 Interview - CHARLES PRINCE 2 was in the papers was probably not as -- it 3 was probably mixed, as is often the case in 4 the papers where you have some people saying 5 it is going to be really bad or this could 6 be quite difficult. And you have other 7 people saying oh, it is a great buying 8 opportunity and so forth. 9 And what I was trying to give 10 them was a sense that there is really, there 11 are really issues here that we are looking 12 at very carefully. 13 Q In the next paragraph, you state, 14 "There are two basic credit issues facing 15 the market. The leveraged lending problem 16 and the subprime problem." 17 Were these the two basic areas 18 that you were focused on at the time that 19 this letter was written in August 2007, that 20 the leveraged lending problem and then the 21 subprime problem? 22 A Well, I guess the short answer is 23 I hope so. If I told the board these were 24 the two issues, I would hope those were the 25 ones I was focused on. 131	1 Interview - CHARLES PRINCE 2 of the super senior -- the short is yes, 3 that is correct. If I had been aware, there 4 is nothing about the super seniors at that 5 point in time which would have suggested to 6 anyone including me that we would have had a 7 big loss from this. 8 Q At the time you wrote this 9 letter, you also weren't aware of the 10 liquidity puts and the exposure from the 11 liquidity puts? 12 A That is correct. 13 Q We talked about earlier this twin 14 storms presentation that was sent to you on 15 e-mail on July 30, 2007. 16 A Yes. 17 Q That seems to have been a couple 18 weeks before this letter to the board of 19 August 15, 2007. The twin storms 20 presentation that had been sent to you two 21 weeks earlier on e-mail refers to industry 22 losses and CDOs of 50 to a hundred billion 23 dollars. 24 I didn't notice anywhere in the 25 letter to the board that you mentioned CDOs 133

1 Interview - CHARLES PRINCE 2 or exposure to CDOs. Why not? 3 A Well, again, I doubt if I had in 4 mind that we had any CDOs at all or any CDO 5 exposure at all. I think the closest you 6 get to that is on the bottom of page three, 7 that last paragraph there. And again I 8 think this pretty accurately reflects my 9 thinking at the time. I was always very 10 candid with the board. The worse thing you 11 can do is try to not tell them things. And 12 I wanted them to have my thinking as they 13 got ready for our board meeting so that when 14 they showed up, they at least understood how 15 I viewed the issues. And I think this is a 16 pretty good, pretty accurate, pretty candid 17 summary of how I viewed the problem in 18 whatever date this was, mid August. 19 Q You were chairman of the board at 20 the time you wrote this letter? 21 A I was. 22 Q Just to be complete for the 23 record, the paragraph that you referred to 24 on the bottom of page three, I will just 25 read it for the record so it is complete, 134	1 Interview - CHARLES PRINCE 2 purchased some as part of the portfolio 3 acquisitions." What was your basis to say 4 that we, for that statement we did purchase 5 some as part of portfolio acquisitions? 6 A I think it is important to -- in 7 answering your question I think it is very 8 important to understand the way this 9 parenthetical is constructed, please. 10 Q Please. 11 A I am going to paraphrase it, if I 12 may. We didn't originate these products in 13 our U.S. consumer business but did purchase 14 some as part of portfolio acquisitions. 15 That is all referring to the U.S. consumer 16 business. And then I turned to capital 17 markets and baking. And in our corporate 18 business, we did underwrite mortgage backed 19 securities, et cetera, et cetera, et cetera, 20 right? 21 So when you referred to purchase 22 some as part of the portfolio acquisitions, 23 that was still in our consumer business. 24 That had nothing to do with the fixed income 25 business. 136
1 Interview - CHARLES PRINCE 2 you said, you wrote, "We have exposures in 3 both leveraged lending and to a more limited 4 degree in the subprime area. (We 5 consciously did not originate these 6 aggressive products in our U.S. consumer 7 group, but did purchase some as part of 8 portfolio acquisitions and, in CMB, we did 9 underwrite mortgage backed securities 10 representing subprime products originated by 11 others.)" 12 A Close paren, period. Sorry. 13 Q Oh, yes, close paren period. 14 Yes, sir. 15 A Old lawyers never die. I am 16 sorry. 17 Q I just wanted to be complete that 18 we got that. 19 A Yes. 20 Q What was your basis, though, 21 because earlier -- I am just trying to 22 understand. 23 Earlier you had testified that 24 you weren't aware of the super senior 25 positions, but here you did write, "We 135	1 Interview - CHARLES PRINCE 2 Q I see? 3 A I am sorry to be very specific, 4 but you have to read the sentence very 5 carefully that way. 6 Q I appreciate the clarification 7 and I am glad that you pointed that out. 8 So that part, the some as part of 9 our portfolio acquisitions had nothing to do 10 with CMB or fixed income? 11 A Right. That was our retail 12 mortgage business which bought all kinds of 13 mortgages and almost always sold them to 14 Fannie and Freddie as part of that whole 15 flow of the mortgage business nationally. 16 Q Appreciate that. Thank you. 17 MR. BONDI: Let me mark this 18 eight. 19 (Thereupon, the e-mail chain 20 Bates marked Citi FCIC E 36374 was 21 marked CR Exhibit 8 for 22 Identification, as of this date.) 23 BY MR. BONDI: 24 Q Mr. Prince, I am showing you what 25 was produced by Citigroup and marked Citi 137

1 Interview - CHARLES PRINCE 2 FCIC E 36374. It is an e-mail chain between 3 yourself and Mr. Rubin. And I would like to 4 first direct your attention to the first 5 e-mail in this chain. At the bottom is one 6 from yourself to Mr. Rubin dated Sunday 7 September 9th where you begin with "Dear 8 Bob, welcome back from Korea." 9 A Uh-huh. 10 Q There is a section that says a 11 question regarding rescheduling. 12 A Uh-huh. 13 Q And the first star says, "Had 14 good first meeting with Tom Maheras," et 15 cetera, "re: CMB results." 16 What are you referring to about 17 "good first meeting" there? 18 A The context of this e-mail chain 19 is that I had set up these meetings, which 20 started as a Tom, I want you and your folks 21 to come and explain to me exactly what the 22 situation is with these securities. I 23 understand your point of view on them, but I 24 want to understand the detail of them very 25 carefully. 138	1 Interview - CHARLES PRINCE 2 October, I began to be more uncomfortable 3 with Tom's representations on these issues 4 and began to press him more on these and to 5 inquire into more and to say I want 6 understand this better. I want to be much 7 more detailed about this and so forth. 8 This would have been in the 9 context of him mentioning at that Business 10 Heads meeting I mentioned to you. And so 11 that was the context in which I shifted 12 focus from the private equity lending and 13 said okay, I want to really look at this 14 much more carefully. That is how these came 15 about. 16 Q Were these meetings held in the 17 library outside your office? 18 A The first couple of them were. 19 Then we had one or two that were downtown 20 where that business is located so that we 21 didn't -- we wanted to have a broader group 22 of people. So if Maheras wanted to bring 23 six or seven of his people, instead of 24 having them all traipse uptown, the three or 25 four of would go downtown. I wanted to see 140
1 Interview - CHARLES PRINCE 2 That eventually migrated from a 3 one or two or three sets of meetings to 4 becoming almost a daily update on the 5 markets. But this was at the beginning of 6 the: I want to understand much more 7 carefully than your representation of what 8 is going on here. 9 And what I am doing here in this 10 bottom e-mail is telling Bob who was in 11 Korea for the first meeting apparently, that 12 we had a good first meeting and I would like 13 to schedule two more follow-ups before our 14 board meeting. And so Bob, what is your 15 schedule like? Druskin is in this place, 16 that place. I want to do it on Wednesday. 17 Can you make the second meeting we are 18 having with Tom and his people? 19 Q Just so I'm clear, what prompted 20 your desire to have a greater understanding 21 about this business and schedule these 22 meetings? What was the precipitating event 23 or events? 24 A I think I said earlier that in 25 the time frame of the September into 139	1 Interview - CHARLES PRINCE 2 them in person, judge them in that way. And 3 then after a while we began to do them on 4 the telephone as we were more monitoring 5 market activities. 6 Q Do you recall Mr. Maheras at this 7 first meeting quantifying the exposure to 8 Citigroup associated with CDOs? 9 A You mean from a position? 10 Q Yes, sir. 11 A I don't remember. I don't know 12 whether he did or not is what I am saying. 13 Q The next e-mail up is a response 14 from Mr. Rubin to you dated also 15 September 9th, 2007. 16 And he says, "According to Lou, 17 Tom never did provide on on clear and direct 18 answer on the super seniors. If that is so, 19 and the meeting did not bring that to on on 20 head, isn't that deeply troubling not as to 21 what happened -- that is a different 22 question that is also troubling, but as to 23 providing full and clear information and 24 analysis now?" 25 What do you understand Mr. Rubin 141

1 **Interview - CHARLES PRINCE**
2 **to have meant by those statements?**
3 A He was reflecting, apparently, on
4 comments from Lou Kaden who was in the
5 meeting and who had worked with Bob Rubin
6 for many, many, many years.
7 Apparently, Kaden had talked to
8 Rubin after the first meeting that Rubin was
9 not in and had said to Rubin that -- I am
10 just, based on what Bob says here, Kaden
11 must have said that Maheras wasn't a hundred
12 percent forthcoming or something like that.
13 And Bob was reflecting that comment, Kaden's
14 comment to Rubin, back to me.
15 **Q Did you share that belief that**
16 **Mr. Maheras was not forthcoming?**
17 A Well, the top of the e-mail chain
18 is my response to Rubin, so that really is
19 how I reflected that, how I reacted to that
20 comment.
21 **Q For the record you responded, "I**
22 **thought for first meeting it was good. We**
23 **weren't trying to get final answers, so I**
24 **didn't see Tom avoid any questions. Also,**
25 **want more back channel with Dave B and he**
142

1 **Interview - CHARLES PRINCE**
2 **was only on phone for Friday."**
3 **First of all I best, what do you**
4 **mean by we weren't trying to get final**
5 **answers, final answers for what?**
6 A Well, for, you know, we were
7 examining what was going on with these
8 positions and so forth. We were examining
9 Tom's view of the positions, his judgments
10 on the positions. And my view was that at
11 that first meeting to do that, we had had a
12 good first meeting. Apparently Kaden
13 thought we didn't have a good first meeting.
14 But I thought for -- it wasn't a once and
15 only meeting. It was the start of a
16 process. And I thought for that first
17 meeting it was a good meeting and my back
18 channel reference to Dave B, which is David
19 Bushnell, was I wanted to have private
20 conversations with David, not in front of
21 people. But I wanted to say now David
22 without anybody else in the room, tell me
23 how you feel about this. That is what I
24 meant by back channel conversations with
25 David. And I had not had a chance to do
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1 Interview - CHARLES PRINCE
2 that because he was obviously traveling.
3 **Q Did you ultimately have these as**
4 **you described it back channel conversations**
5 **with David Bushnell?**
6 A Yes.
7 **Q And can you tell me what those**
8 **conversations entailed? What did you ask**
9 **and what did he say?**
10 A Again, I testified briefly, but
11 I'll do it in more detail.
12 Throughout this period, it was a
13 continuum, it was an evolving process in
14 which the outside environment suggested that
15 the CDO market or the CDO securities, that
16 the water level would rise on these tranches
17 and that the lowest level would be hit and
18 then well maybe the next level might be hit.
19 And maybe then the next level might be hit.
20 And throughout that whole process, Tom in
21 mid September some time said well, we have
22 got some of these super seniors up here, but
23 they will be a hundred percent fine.
24 And as figuratively the water
25 level was rising, I began to be more
144

1 Interview - CHARLES PRINCE
2 concerned about that. And as I said earlier
3 in a figurative sense Tom Maheras and Randy
4 Barker were figuratively at one end of a
5 table and Gary Crittenden and Dave Bushnell
6 were figuratively at the other end of a
7 table with Maheras and Barker saying you are
8 never going to lose a penny. These are
9 structured in a way that no matter how high
10 the water level gets, it is not going touch
11 these super seniors.
12 And Gary and David were saying we
13 ought to be pretty cautious about this. I
14 don't know. I don't know about that. We
15 ought to think about that. That was the
16 context. And so my conversations with David
17 fit into that context. I would say well
18 David, Maheras says X; what do you think
19 about that? How do you think about this
20 index deteriorating from so forth to so
21 forth? And so but those are the context of
22 the discussions.
23 **Q And what was Mr. Bushnell saying**
24 **to you in response to those back channel**
25 **conversations?**
145

1 Interview - CHARLES PRINCE 2 A What I can't do, unfortunately, 3 is I can't disaggregate what happened in day 4 by day sense. This was a period of time of 5 no more than 30 days. Maybe less, maybe it 6 was three weeks. It was very intensive. It 7 was not the only issue that we were dealing 8 with for the company. And so I can't, I 9 didn't keep a diary, I don't have any way of 10 saying well this on date David said this and 11 then the next day he said that. And on that 12 date Maheras said this versus that, I can't, 13 I can't disaggregate any of that. 14 (Thereupon, the Power Point 15 deck Bates marked FCIC 99654 was 16 marked CR Exhibit 9 for 17 Identification, as of this date.) 18 Q Mr. Prince, I am showing you what 19 has been produced by Citigroup Bates Citi 20 FCIC 99654 and it appears to be a Power 21 Point deck CEO discussion on global credit 22 markets dated September 12, 2007. Do you 23 recall ever seeing this document? 24 A I have clearly seen it in 25 preparation. And I remember being surprised 146	1 Interview - CHARLES PRINCE 2 What is meant by global credit 3 trading? 4 A That would have been the 5 reference to that part of the business that 6 was involved, what we would call fixed 7 income. 8 Q Fixed income? 9 A Yes. 10 Q There is a heading called what 11 Happened in July and August? 12 A Yes. 13 Q And there is a bullet that says 14 "poor risk management and balance sheet 15 management." 16 What do you understand by that 17 statement, poor risk management and balance 18 sheet management? 19 A What I think they meant by that 20 was -- because the subsequent sub bullet 21 says note that no limits were breached. So, 22 it is not -- it is a little bit of, in my 23 view, the senior people in the business 24 saying the junior people shouldn't have had 25 these positions. 148
1 Interview - CHARLES PRINCE 2 because of the cover which says CEO 3 discussion. Because I never made any kind 4 of presentation that even looked like this 5 and then I realized it was somebody 6 presenting to me. 7 I have a vague recollection of 8 the document, but I am very clear that 9 whether it was this document or something 10 like this document, this kind of information 11 would have been presented to me in about 12 that time frame. 13 Q Do you recall having a meeting on 14 or about Wednesday, September 12, 2007, in 15 the library outside your office with Mr. 16 Maheras and Mr. Barker and Mr. Bushnell and 17 others? 18 A I am sure that happened and I am 19 sure that was one of the meetings that I 20 referred to in my previous answer. 21 Q I would like to draw your 22 attention, sir, to the page 99657. 23 A Yes. 24 Q And it is entitled Global Credit 25 Trading. 147	1 Interview - CHARLES PRINCE 2 Q Who were the senior people you 3 are referring to and who were the junior 4 people? 5 A Maheras and Barker were the 6 senior people and you can see a couple lines 7 below that, it says "invoked complete 8 overall of trading management" and it 9 mentions three names of people who are, 10 quote, gone. 11 Q Those names Higgins, Pichler and 12 Choi, who are these people? 13 A I have no idea. 14 MS. BUERGEL: Just understand, 15 Mr. Prince gave his understanding of 16 what global trading credit was. That 17 actually was a subset of the fixed 18 income business run by Mr. Higgins and 19 Mr. Pichler. It was a very specific 20 trading desk known as global credit 21 trading. So, this slide actually 22 refers to that business which was not 23 the CDO business and not the leveraged 24 lending business, but a separate 25 trading operation. 149

1 Interview - CHARLES PRINCE 2 THE WITNESS: Uh-huh, okay, 3 thank you. 4 MS. BUERGEL: It also, if you 5 look at the third quarter Q, took 6 significant losses in the third 7 quarter. 8 BY MR. BONDI: 9 Q If you will flip the page to the 10 next page, sir. 11 A Yes. 12 Q Titled This Page is Global 13 Structured Credit. 14 A Uh-huh. 15 Q Global structured credit is the 16 CDO business within global structured 17 credit? 18 A Well subject to my counsel's 19 better thinking, I think so. 20 Q The first bullet talks about the 21 CDO market experienced extremely high growth 22 rate over the last three years, about the 23 volumes increased 95 percent from 2005 to 24 2006. And then the next bullet I want to 25 draw your attention to, "Citi consistently 150	1 Interview - CHARLES PRINCE 2 Q And the next, the next bullet 3 says: "Deal volume grew 50 percent from 4 2005 to 2006 with a 30 percent increase in 5 revenues." 6 Is that something you of that 7 known prior to September 12, 2007, that the 8 deal volume grew 50 percent from '05 to '06 9 with a 30 percent increase in revenues? 10 A Too small. 11 Q You indicate that that business 12 was too small. 13 A To be reported on it at that 14 senior level. 15 Q To be reported to you at a senior 16 level. 17 But it ultimately caused some 18 significant losses to Citigroup. 19 A Correct. 20 Q In retrospect, should the CDO 21 business and its operations have been 22 elevated up to your level prior to 23 September 2007? 24 A Well, that is obviously a 25 fundamental question. 152
1 Interview - CHARLES PRINCE 2 ranked number one or two in the overall CDO 3 business." 4 Were you aware of Citi's 5 approximate rating as compared to its 6 competitors in the CDO business through your 7 tenure as CEO? Is that something that would 8 have been on your radar, that Citi was 9 ranked number one or number two? 10 A No. The CDO business was a 11 product deep inside our fixed income 12 business, and we would have measured our 13 fixed income business three or four ways 14 competitively. But we wouldn't have gone 15 down to that lower level in terms of product 16 activity in terms of what came to me or 17 senior management. 18 Q From 2003 up until September 2007, 19 would people in the business meeting have 20 said to you along the lines of: Our CDO 21 business is getting a lot bigger or we are 22 getting a lot better? Is that something 23 that would have come up at Business Heads 24 meeting with you? 25 A Too small. 151	1 Interview - CHARLES PRINCE 2 I think that you would have to 3 ask it in a slightly broader way. 4 If someone had elevated to my 5 level that we were putting on a \$2 trillion 6 balance sheet, \$40 billion of triple A 7 rated, zero risk paper, that would not in 8 any way have excited my attention. 9 So, the simple question of should 10 I have been told about that business, if I 11 may, that question by itself doesn't lead 12 anywhere. What has to happen is that there 13 has to be a way for risk professionals going 14 forward to think about the possibility of 15 risk in ways which are useful. In other 16 words, it is not useful for -- it wouldn't 17 have been useful for someone to come to me 18 and say now, we have got \$2 trillion on the 19 balance sheet of assets. I want to point 20 out to you there is a one in a billion 21 chance that this \$40 billion could go south. 22 That would not have been useful information. 23 There is nothing I can do with that because 24 there is that level of chance on everything. 25 It turned out that the 153

1 Interview - CHARLES PRINCE 2 possibility of risk for these assets was not 3 understood. So, people would have had to 4 give me information not only about the 5 position, but about the risk characteristics 6 which information would have been useful to 7 me. 8 So I am sorry to give you a long 9 answer, but simply telling me that our 10 volume grew from X to Y wouldn't have really 11 told me anything. And in fact, the proof of 12 that is that as late as middle October, Tom 13 Maheras -- best fixed income guy on Wall 14 Street -- was telling me you are never going 15 to lose a penny on these instruments. 16 So, if somebody had come to me in 17 September and said now don't forget you 18 got... it wouldn't have made any difference. 19 Q There is a section on that same 20 page, it says Lessons Learned. The second 21 bullet says, in quotes, "Market standard" 22 end quote, "Warehouse agreements were not 23 robust. Practical limitations in our 24 ability to enforce them." What does that 25 mean? 154	1 Interview - CHARLES PRINCE 2 goes bankrupt, then you don't have anybody 3 to put them back even if your agreements say 4 if they don't meet these standards, I can 5 give them back. I think that is what that 6 sentence means. 7 Q The next bullet says, 8 "Implemented significant changes to risk 9 management in January; i.e., Donald Quinton 10 in CDO business and Mickey Batia in ABS 11 correlation," end of paren. Dash, "However, 12 not completely built out by time of market 13 disruption." 14 What do you understand to be 15 meant by that bullet? 16 A I don't know who the people are. 17 I think this falls under the heading of the 18 more senior people, Maheras and Barker, 19 saying we have changed the people. But them 20 saying -- as they did on the previous page. 21 But them saying here: We were caught in 22 between making the change, I didn't and 23 still don't put much stock in that sentence 24 having much relationship to anything. 25 Q Next bullet, "Business model not 156
1 Interview - CHARLES PRINCE 2 A What I think that means -- and I 3 am not a hundred percent sure, so I am going 4 to give you my best thought on it. 5 What I think that means is that 6 the warehouse means that we -- as I have 7 understood subsequently, we get mortgages 8 and put them in sort of a holding pen, a 9 warehouse as it were. And then from that 10 warehouse of mortgages, create structured 11 products. And that the market standard 12 warehouse agreements in hindsight were not 13 as creditor lender bank friendly as they 14 should have been. 15 So the ability to say to an 16 originator, we are going to give you back 17 the mortgages; we are not going to keep them 18 in our warehouse; we are not going to sell 19 them out to the market; we are going to put 20 them back to you, those agreements were not 21 as, quote, robust, didn't have lender 22 friendly enough standards. 23 And practical limitations on our 24 ability to enforce them, which I think 25 refers to the fact that if the originator 155	1 Interview - CHARLES PRINCE 2 well diversified," dash "too much reliance 3 on one asset class. One of the primary 4 initiatives for 2007 was to increase mix of 5 asset classes-consummated in time." 6 What do you understand, sir, to 7 be meant by that bullet point? 8 A I don't know what that means. I 9 mean I can read the words, but I don't 10 understand it in this context. 11 Q And two pages later, Bates 12 numbered 99660, titled Lessons Learned/ 13 Opportunities Under Global Structured 14 Credit, talks about, there is a bullet that 15 says, "Redeployment of resources. Time 16 frame within six weeks." 17 What was being done there or what 18 was being contemplated there? 19 A I don't remember. I remember 20 actually in this meeting them saying we are 21 going to do something in the next weeks. I 22 frankly can't remember what it was and of 23 course in hindsight whatever it was it 24 didn't make much difference. But I don't 25 remember what it was. I am sure the people 157

1 Interview - CHARLES PRINCE 2 who put it together can tell you, but I 3 don't. 4 Q And last question on this one, it 5 says, "Redefine constraints and structures 6 with risk management." 7 What do you understand by that 8 bullet? 9 A I think it relates to the first 10 bullet, which says, "Focused on resizing 11 given revenue opportunities." 12 What they were saying here was 13 that the structured business is going to be 14 significantly smaller. They thought it was 15 going to be still meaningful but much 16 smaller than it had been. Turned out, of 17 course, there isn't any structured business. 18 And I think what they said was that given 19 this smaller size, we are going to resize 20 this, meaning we are going to get rid of 21 people and make it a smaller business and so 22 forth. And I think that in that context 23 they were saying: And risk limits will 24 shrink correspondingly with a smaller size 25 of the business. 158	1 Interview - CHARLES PRINCE 2 In the line you just referred to, 3 in the bracket, at the end of it it says 4 "Corporate HQ UTC dot-com." See that? 5 Q Yes? 6 A The very long bottom of it says 7 "see you then, George." Do you see that. 8 Q Yes. 9 A This is George David, a board 10 member, who was the CEO or chairman of the 11 UTC Corporation at the time. So he had sent 12 something to Gary Crittenden and copying me 13 either in anticipation of a board meeting or 14 after a board heating. But it took me a 15 little while to figure this out. 16 Q Do you understand this e-mail 17 seems to be focused on CDOs? 18 A Let me read it again. I am 19 sorry. 20 Well, as I read it, it seems to 21 me he is talking about most of the things 22 that are in the corporate investment bank. 23 So he talks about the warehouse, he talks 24 about CDOs, he talks about leveraged lending 25 commitments, and he talks about trading 160
1 Interview - CHARLES PRINCE 2 Q Okay. If I may do one more 3 document before we take a break for lunch. 4 (Thereupon, the e-mail chain 5 Bates Citi FCIC E 31582 was marked CR 6 Exhibit 10 for Identification, as of 7 this date.) 8 BY MR. BONDI: 9 Q Mr. Prince, I showing you what 10 has been produced by Citigroup and it is 11 Bates Citi FCIC E 31582. 12 A Uh-huh. 13 Q It is an e-mail chain. The 14 bottom e-mail says "from CEO's office corp." 15 A Uh-huh. 16 Q To, it appears to be Mr. 17 Crittenden and cc yourself dated 18 September 26, 2007. 19 A Right. 20 Q First, what does this CEO's 21 office corp. mean? Is that an e-mail that 22 you would have sent out? 23 A Took me a while to figure this 24 out myself. Here are the, here's the 25 Rosetta Stone to figure this out. 159	1 Interview - CHARLES PRINCE 2 inventories of fixed income securities. So 3 CDO is part of what he is talking about, but 4 not all of what he is talking about. 5 Q I want to direct your attention 6 to a statement that he makes in the bottom 7 of the first paragraph there. It says, "The 8 rate spikes of the last three to four months 9 (and associated liquidity), were the three 10 or four Six Sigma event. So the question is 11 whether-how our models missed this. 12 Alternatively, are our models too specific 13 to individual businesses and/or exposures 14 such that they don't encompass the big/rare 15 event affecting the big/combined warehouse 16 as outlined here." 17 A Uh-huh. 18 Q What do you understand to be Mr. 19 David meaning by these three sentences? 20 A George ran UTC, and United 21 Technologies Corporation is a business, as 22 are many manufacturing businesses, built on 23 the concept of Six Sigma. While I don't 24 understand it completely, my understanding 25 is that Six Sigma relates to a manufacturing 161

1 Interview - CHARLES PRINCE 2 process in which you try to minimize defects 3 in the manufacturing process to a very, very 4 small degree. 5 George always thought that it was 6 a useful thing to try to apply the notion of 7 how you manage screwing cars together to the 8 banking business. And so he would say: 9 Your lending doesn't meet a Six Sigma level 10 of activity. I never could quite figure 11 that out, honestly. And so as I read these 12 two sentences, he seemed to be saying that 13 there was a three or four Six Sigma event, 14 whatever that is, and the question is how 15 our models missed this, et cetera, et 16 cetera. 17 And I think he was expressing in 18 language that would be consistent with a 19 manufacturing business the same, in some 20 ways the same concept I mentioned just a 21 moment ago that risk has to think about how 22 to provide risk judgments on what he would 23 call a three or four Sigma event; in other 24 words, a very unusual kind of event. So 25 that is what I understand him to be saying. 162	1 Interview - CHARLES PRINCE 2 what I think he meant by that was do our 3 risk models measure businesses at a small 4 individual level without aggregating. 5 So you could have a situation, 6 for example, where we had real estate 7 exposure in four or five parts of our 8 business and because we measured each of 9 those risks individually, each of the risks 10 would seem smaller. But if you step back a 11 little bit and you say well, wait a minute, 12 you actually got real estate risk in four or 13 five pockets, when you put the four or five 14 pockets together in an aggregate base, it is 15 a much bigger number. 16 That is not what happened here. 17 We didn't have significant damage from four 18 or five parts of the business individually 19 which were small but when you aggregated 20 them they were big, that didn't happen here. 21 What happened was a very small 22 part of the business that had enormous 23 consequences. So his question, which is a 24 perfectly appropriate question, was are 25 your, are your risk models, do they 164
1 Interview - CHARLES PRINCE 2 Q As you sit here today, you don't 3 know what that three or four Six Sigma event 4 means? 5 A Six Sigma refers to frequency. 6 Six Sigma is supposed to be the ultimate, 7 you know, one in a million or one in a 8 billion or something. And three or four 9 must be getting close to that level. 10 It is a bad analogy. I analogize 11 it to the Richter scale. A ten on the 12 Richter scale was the biggest earthquake 13 ever. This may be a three or four, meaning 14 it is a larger rather than a smaller one. 15 But I don't really understand Six Sigma. I 16 am sorry. 17 Q In the sentence he says, 18 "Alternatively, are our models too specific 19 to individual businesses and/or exposures 20 such that they don't encompass the big/rare 21 event affecting the big/combined warehouse 22 as outlined here. What did you understand 23 by that sentence? 24 A What I think he meant by that -- 25 and again I'm guessing a little bit. But 163	1 Interview - CHARLES PRINCE 2 aggregate disparate risks across the 3 company -- perfectly appropriate question -- 4 was not pertinent to what actually turned 5 out to be the case here. 6 Q The e-mail above that from a 7 woman named Karen Lowely (phonetic) to you. 8 And she says, "I gave this to GC would said 9 it was a DB issue. Dave called to say he is 10 available to fill you in on this once you 11 return." I assume DB is David Bushnell. 12 A Yes. 13 Q And the Dave referred to here is 14 David Bushnell? 15 A Yes. 16 Q GC is that Michael Helfer? 17 A Gary Crittenden. Karen Lowely 18 was my assistant, so she saw this come in, 19 saw my e-mail. I was tied up obviously, 20 apparently. And she said to me by e-mail: 21 I gave this to Gary Crittenden, and Gary 22 said it was Bushnell's issue and Bushnell 23 called to say he can talk to me when I went 24 I want. And my e-mail back was tell him to 25 be prepared to join the 4:30 meeting. We 165

1 Interview - CHARLES PRINCE 2 must have had a meeting with George David. 3 Q You indicate for your assistant 4 to tell him to be prepared, he meaning David 5 Bushnell, to be prepared to respond. 6 A Right. 7 Q Did Mr. Bushnell respond to 8 George David's concerns about the three or 9 Six Sigma event not being caught by the 10 models? 11 A I can only assume so in the 4:30 12 meeting orally. I don't remember being -- I 13 don't remember this. I mean you showed it 14 to me, but don't have an independent 15 recollection of it. I don't remember any 16 back and forth. 17 Q Do you recall anything about what 18 Mr. Bushnell might have said at this 4:30 19 meeting concerning the models? 20 A No. 21 Q Before we go off record, I 22 understand there might be a scheduling 23 issue. Do you have a hard stop today, sir? 24 A Well, I guess I would just like 25 to understand how long we are going to go or 166	1 Interview - CHARLES PRINCE 2 didn't believe that there was any prospect 3 of loss in the CDOs in September of 2007. 4 A The super senior. 5 Q Super senior CDOs, excuse me. 6 What was Mr. Crittenden's view of 7 that in September 2007? 8 A I already said, I think he was 9 cautious about that. I described a couple 10 times the figurative notion that Randy and 11 Tom were at one end of a figurative table. 12 It was actually a round table. But 13 figuratively, and that David and Gary were 14 figuratively at the other end of the table 15 expressing caution about them. 16 Q You described in detail earlier 17 about when you first learned and had an 18 understanding of the CDOs and the positions 19 associated with those CDOs. 20 But my question is: Who should 21 have in your mind prior to the events that 22 we have been discussing in the fall of 2007, 23 who prior to those events do you believe 24 should have had an understanding of the 25 positions that were being taken with respect 168
1 Interview - CHARLES PRINCE 2 what your thoughts are about that. I have 3 some things scheduled in sort of the late 4 afternoon time frame. 5 MR. BONDI: I think hopefully 6 we will be finished by four, if that 7 is sufficient by your schedule. 8 THE WITNESS: That would be a 9 little late, but I will certainly 10 accommodate that. I will make some 11 changes during the break. 12 MR. BONDI: I will try my best 13 to finish earlier. 14 THE WITNESS: Of course. And I 15 will try to give you yes or no 16 answers. How is that? 17 MR. BONDI: No, I want you to 18 give full and complete answers. We 19 are a fact finding commission here, so 20 full and complete answers, please. 21 Why don't we take a brief lunch break? 22 (Lunch recess.) 23 BY MR. BONDI: 24 Q Mr. Prince, you described how Mr. 25 Maheras and Mr. Barker expressed that they 167	1 Interview - CHARLES PRINCE 2 to super senior tranches on CDOs? 3 A I believe that people at various 4 levels of the management chain were aware of 5 this, that is to say I don't believe that 6 there was at certain levels of the 7 organization any surprise that we had these 8 positions. Whether it was the person on the 9 desk itself or his or her manager, and those 10 people led up in a management chain 11 eventually to Randy Barker. 12 I don't know whether this product 13 was a significant enough product before the 14 September, October time frame, was seen to 15 be significant a product that it would have 16 gotten to Randy's attention. I don't know 17 the answer to that. 18 My guess is it would not having 19 been significant enough to be on Maheras's 20 radar screen. I am not sure whether it 21 would have been for Barker. But below that 22 one, two, three layers below that, I am sure 23 that it was at the right level. 24 The question that you are asking 25 I think really is in hindsight, given what 169

1 Interview - CHARLES PRINCE 2 has happened to this, even though it was a 3 very small position in an absolute sense, in 4 a relative sense, what should have been 5 known about this, who should have known 6 about this, and I think that if there had 7 been any inkling, any suggestion that \$40 8 billion of assets could go to zero, that we 9 wouldn't have had those positions. 10 And so the risk infrastructure, 11 even though in hindsight we had these 12 horrible problems, the risk infrastructure 13 was quite robust. Hundreds and hundreds and 14 hundreds of risk officers, very detailed 15 risk limits. We had a number of regulators 16 embedded into the organization. It was a 17 pretty transparent place as it related to 18 taking on risk. 19 In hindsight, the problem was 20 that no one thought that these were risky. 21 So, if I may, your question of who should 22 have known about these, as I said earlier in 23 my case, simply knowing about them wouldn't 24 have done anything. One would have had to 25 know about them and to have thought about 170	1 Interview - CHARLES PRINCE 2 before it he got back from Korea and then 3 several as you describe after he returned 4 from Korea. 5 Do you recall what the focus of 6 these meetings that you testified to 7 earlier? Were they solely on CDOs, or were 8 they CDOs and leveraged lending and other 9 matters? 10 A My best recollection is that they 11 were primarily CDOs and at some point we 12 hooked in the folks from the U.S. consumer 13 mortgage business to give their point of 14 view on the market situation as it related 15 to real estate. And this was in the context 16 -- when we had the meetings, we didn't talk 17 about, quote, CDOs. We talked about the 18 real estate market. And the impact on the 19 real estate market would than translate into 20 the CDOs. So I want to make sure I am clear 21 about this. 22 We didn't get in a meeting and 23 say okay, what about the CDOs? We didn't do 24 that. We would get in the meetings and we 25 would say we have got these securities 172
1 Interview - CHARLES PRINCE 2 them in a way that no one was thinking about 3 them. 4 On a going forward basis, how 5 that is accomplished, not only the knowledge 6 but the character of the knowledge, I don't 7 know the answer to that. The risk people, 8 the risk professionals, have to look at the 9 likelihood in different ways. 10 Risk is composed of the 11 likelihood of something happening and the 12 consequences of something happening. Here 13 the likelihood was quite small, but the 14 consequences were devastating. So the 15 question is how do you put that together? 16 And it is really not just who should have 17 known, but who should have known what about 18 it, not just factually, but in a judgmental 19 way. Who should have had a different risk 20 judgment about these assets. That is I 21 think if I may, that is a more complex way 22 of asking the same question. 23 Q We talked earlier about some 24 e-mails between you and Mr. Rubin talking 25 about setting up meetings, one that occurred 171	1 Interview - CHARLES PRINCE 2 positions, they are supposed to be gold 3 plated, but the real estate market is 4 deteriorating. What are you seeing in the 5 market about this? Who is buying this? 6 Somebody is willing to pay X cents on the 7 dollar for that. There was a trade. How do 8 see that? Is that going to be a getting 9 better situation or getting worse situation? 10 I was trying to judge where the market was 11 moving in that sense. 12 And so we would get input from 13 the trading desks, we would get input in, 14 towards the end I remember we would get 15 input from our real estate people in the 16 consumer business, certainly from the risk 17 people. And I think that as part of that, 18 as part of market color, we would also some 19 times get trading activity on the leveraged 20 lending book. So, somebody might say well, 21 somebody just bought a piece of this private 22 equity deal for 90 cents on the dollar. So 23 that would be part of our mix of market 24 color. But a primary focus would have been 25 on the real estate market which would then 173

1 Interview - CHARLES PRINCE 2 have translated into the CDO valuations. 3 Q Mr. Prince, I am showing you what 4 was produced by Citigroup and has been 5 marked Citi 1611657. It appears to be a 6 Power Point deck entitled Global Structured 7 Credit Products, The Way Forward, September 8 2007, Michael Raynes. 9 (Thereupon, the document marked 10 Citi 1611657 entitled Global 11 Structured Credit Products, The Way 12 Forward, September 2007, Michael 13 Raynes was marked CR Exhibit 11 for 14 Identification, as of this date.) 15 BY MR. BONDI: 16 Q Do you recognize this document? 17 A I do. 18 Q How do you recognize this 19 document? 20 A I remember at one point we were 21 having these meetings that described. I 22 said I want to meet the fellow that is doing 23 this. I want to meet as it turned out 24 Michael Raynes. And I remember Maheras and 25 Barker said: What do you need to meet him 174	1 Interview - CHARLES PRINCE 2 A I think that Raynes was scared to 3 death in the meeting. And I have a dim 4 recollection that Barker told me afterwards, 5 after the meeting, that Raynes expected me 6 to fire him in the meeting. And so I think 7 that my judgment of him in the meeting was 8 probably not an objective or an accurate 9 one. That is to say he was under a lot of 10 pressure, he was under a lot of stress 11 because of the context of the meeting. 12 He seemed to know the business. 13 He seemed to have a much more optimistic 14 view of the long term nature of the 15 business, much more reflective of we are 16 going through a dip, quite a large dip. 17 But, but you know, don't give up 18 precipitously kind of approach to it. That 19 is about all I remember. 20 Q Did you ultimately fire Michael 21 Raynes? 22 A No. The only person I acted on 23 was Randy Barker. 24 Q Did you ask anyone else to fire 25 anyone associated with the CDO business? 176
1 Interview - CHARLES PRINCE 2 for? I said with all that is going on, I 3 actually want to be able to see the guy. I 4 don't want to get it indirectly, I don't 5 want to get it filtered. I want to look at 6 this person, I wanted him to talk to me 7 directly about what is going on. So, they 8 got Raynes to come over and people put this 9 thing together and he came up and sat in the 10 library with our group and made this little 11 presentation. 12 Q Was this the first time you had 13 met Michael Raynes? 14 A Yes, first and only time. First 15 and only time. 16 Q Who was Michael Raynes? 17 A He was this guy. I am sorry to 18 put it this way. He was the guy who ran 19 this. I didn't know who he was other than 20 that. I learned since we hired him from 21 Deutsche Bank. All I knew was he was this 22 guy. 23 Q What was your impression after 24 the meeting that they had with Mr. Raynes of 25 Mr. Raynes? 175	1 Interview - CHARLES PRINCE 2 A No, I think I have answered that 3 question. The only person I ever acted on 4 in this context was Randy Barker. 5 Q Just wanted to make clear that 6 you hadn't asked someone else to fire 7 someone else. 8 A No. 9 Q Mr. Prince, I would ask you to 10 turn to the page that is four, five pages 11 into the deck, Citi 1611661, the topic says 12 Development and Structured Credit at Citi. 13 A Yes. Okay. 14 Q The first bullet says, "Prior to 15 June 2006, structured credit products was 16 managed in silos." What does that mean? 17 A What that means -- and there are 18 three sub bullets below that -- is that like 19 any business, the capital markets and 20 banking business is organized into operating 21 units. And apparently structured credit 22 products activities happened in several of 23 these business units. That is what those 24 words mean to me. By the way, all of these 25 units that he mentions are within fixed 177

1 Interview - CHARLES PRINCE 2 income. 3 Q Do you know if the various silos 4 under structured credit products, cash 5 versus synthetic, New York versus London, 6 capital markets versus trading, do you know 7 if they utilized the same valuation 8 methodologies for super senior tranches of 9 CDOs? 10 A I don't. But I would be amazed 11 if they didn't because we had a risk 12 function which was separate from the 13 businesses. 14 Q If you would flip two pages later 15 to 665? 16 A "Analysis of what went wrong." 17 Q Yes. The analysis of what went 18 wrong and proposed strategic changes." 19 First point. Significant 20 dependence on distribution as proxy hedge to 21 warehoused assets." 22 What do you understand that to 23 mean? 24 A What that means is that the 25 belief that Citi would be able to distribute 178	1 Interview - CHARLES PRINCE 2 really answering that and the reason for 3 that is this: In this presentation for this 4 discussion by Raynes, he wasn't saying 5 anything different than Maheras or Barker 6 had been saying. And my, my view of this 7 meeting was I simply wanted to hear it from 8 the horse's mouth, if you understand what I 9 mean. I wanted to make sure that he was 10 saying this and that he actually believed 11 it. But I don't think and I haven't 12 reviewed this carefully obviously; you just 13 handed it to me, but I don't think there is 14 anything in here which is different than 15 what Maheras and Barker was saying. 16 So, it is not as if I was getting 17 new information. The only new information I 18 was getting was that the guy running the 19 desk believed this to be the case. 20 Q The bullet that says, "Unprepared 21 for draconian meltdown scenario with respect 22 to largest collateral asset. Risk limits 23 too high." 24 What do you understand by the 25 largest collateral asset? Is that the 180
1 Interview - CHARLES PRINCE 2 the products out of the warehouse was the 3 significant dependence on part of this and 4 was used in his view as a proxy hedge, 5 meaning that the assets in the warehouse 6 weren't otherwise hedged. And that I think 7 in one of the Barker presentations that we 8 looked at earlier, there was some reference 9 to Citi's historical strength in 10 distribution wasn't sufficient for something 11 or other, and I think that is the same 12 point. 13 Q What was your reaction to hearing 14 that point about the significant dependence 15 on distribution as a proxy hedge to 16 warehoused assets? 17 A I don't remember any particular 18 reaction to this single point on this single 19 page of the presentation. 20 Q Did you agree with looking at 21 this page 665 of what went wrong on these 22 bullets? Did you agree with any of the 23 analysis as to what went wrong when it was 24 presented to you? 25 A Well, I don't have any way of 179	1 Interview - CHARLES PRINCE 2 subprime mortgages? 3 A Yes, I think he said that on an 4 earlier page actually. As I was turning to 5 get to this page, he said, I think he said 6 something to that effect on page 658, the 7 first page in the deck. "CDO market has 8 come under significant assault this year 9 prompted by an unprecedented fall in value 10 of its largest asset class subprime 11 mortgages." 12 Q Is reference to risk limits too 13 high, was that the risk limits on the 14 positions that could be accumulated on the 15 books of Citi? 16 A I think that what it is referring 17 to is if you look across to the right side 18 of the page opposite that bullet, the 19 change, the left side is what went wrong. 20 The right side is what they would propose to 21 do about it. 22 The change opposite that first 23 bullet that you referred to is change in 24 traditional CDO business model with respect 25 to warehousing and counter party risk. I 181

1 Interview - CHARLES PRINCE 2 think this is the same point that we looked 3 at a few minutes ago on this different 4 document or a different document that talked 5 about our market standard warehouse 6 agreements weren't robust enough and our 7 ability to put the loans -- I think that is 8 what this is really referring to, that on a 9 going forward basis, we would propose that 10 our warehouse be much more not at our risk 11 through the way that the agreements were 12 structured and through monitoring the 13 counter parties so that we would have the 14 ability to put the loans back to somebody 15 else. We wouldn't be stuck holding the bag 16 as it were. And that the people we would 17 put them back to would have to be of 18 substance. I think that is what that means. 19 So, on the left risk limits too 20 high, I think what he is referring to is 21 that the way the warehouse agreements were 22 structured and the nature of the counter 23 parties didn't have us, give us the ability 24 to put things back to people. 25 Q The next bullet, "Utilized 182	1 Interview - CHARLES PRINCE 2 not a financial hedge would have been 3 appropriate prior to this time period? 4 A Do I have that view thousand or 5 did I have a view then? I don't understand 6 the question. 7 Q I will clarify that. 8 When Mr. Raynes was presenting 9 this to you -- 10 A Right. 11 Q -- did you have a view that 12 there should have been a hedging strategy in 13 place in the past prior to this point where 14 he is recommending a hedging strategy? 15 A I understand the question now, 16 thank you. 17 At the time of this presentation, 18 which as I recall was in either late 19 September or early October, he was basically 20 talking about what went wrong and how we are 21 going to do it better going forward. 22 At that point in time, it was 23 already -- I will put it -- becoming clear 24 that we were going to have at what we 25 thought at the time were modest losses in 184
1 Interview - CHARLES PRINCE 2 balance sheet specifically on super senior 3 without a defined hedging strategy but 4 within risk limits." Is that consistent 5 with what Mr. Maheras was telling you 6 earlier? 7 A I am not sure that Tom ever used 8 those words. But I think it relates to the 9 first bullet on the page, meaning that our 10 hedge or our protection against the exposure 11 wasn't a financial hedge with a counter 12 party and so forth. But our hedge 13 effectively was our ability, our historical 14 demonstrated strong, et cetera, et cetera, 15 ability to distribute. 16 And that I think what he is 17 saying here is that because we had such a 18 long history of being able to distribute the 19 products out of the warehouse, that we 20 didn't need, we thought we didn't need, to 21 put a financial hedge on them while they 22 were in the warehouse and that that was a 23 problem. I think that is what he is saying 24 here. 25 Q Did you have a view whether or 183	1 Interview - CHARLES PRINCE 2 this book. I think at the time -- well, I 3 think even in mid September we were talking 4 in the hundreds of millions of dollars. So 5 at this time it was somewhere between 6 Maheras' zero and a little bit more than 7 that. But we thought we were going to have 8 some modest losses in that area or worried 9 about it. 10 And so at that point in time, of 11 course I would have preferred to have had 12 somebody else with that risk. And of course 13 I would have preferred to have had somebody 14 else have hedging exposure to us on what was 15 in our warehouse. 16 But, the context here wasn't: 17 Why didn't you have it before, what did you 18 think about, why didn't you do it before? 19 The context here was: I know we didn't have 20 it. The reason we didn't have it was 21 because we thought we could distribute 22 everything. Historically we have been able 23 to distribute everything. But going 24 forward, we are definitely going to have 25 hedges in place. That was the context of 185

1 Interview - CHARLES PRINCE 2 the presentation. 3 Q How successful, do you know how 4 successful Citigroup was in selling super 5 senior positions? 6 A I don't know the answer. I don't 7 whether our folks tried to sell a lot, 8 didn't sell a lot, held them because they 9 were thought to be so safe, I don't know the 10 answer to that. 11 Q Flip to two pages later, 667, 12 title of that page: Where Will The Alpha 13 Opportunities Be In The Next Six to 14 Twelve Months? The last bullet, 15 "Reemergence of better structured CDO 16 opportunities-finding higher fee potential 17 given dislocation and potential competitor 18 shifts." 19 A Uh-huh. 20 Q What do you understand Mr. Raynes 21 to have meant by that? 22 A Well, this was his: We are in a 23 dip in the road. And the business will 24 immerge in a better way, there will still be 25 structured CD opportunities, we will be able 186	1 Interview - CHARLES PRINCE 2 were painting an overly rosy picture for you 3 of the CDO business? 4 A Well, it turned out to be overly 5 rosy. At the time, I didn't think of it 6 using those words. I obviously didn't 7 accept what they were saying or I wouldn't 8 have gone through the process I went 9 through. But I didn't think of it as being 10 overly rosy. I thought of it as being much 11 more of defensive role. People, when they 12 do something, they are usually pretty 13 defensive about it. It is very hard for 14 somebody to say I did X and then to turn 15 around and say that wasn't a very good thing 16 to do. It is a very hard thing for people 17 to do. And it is why I mentioned earlier, 18 if you have a loan that goes bad you always 19 put somebody else in charge of the work out. 20 And I really thought at the time that they 21 were underestimating the complications or 22 the difficulties. But I didn't think it was 23 in an overly rosy sense that they were, you 24 know, consciously painting it to be better. 25 I think that they were just sort of dragging 188
1 Interview - CHARLES PRINCE 2 to charge for more it because a number of 3 our competitors won't be still in the 4 business. 5 Q And did you form an opinion about 6 whether this was a potential in the future 7 for Citigroup based on what Mr. Raynes was 8 telling you? 9 A I guess I thought at the time 10 that it was a very optimistic view, that he 11 was selling his view. 12 If we were in the mode of saying 13 we don't think this business is coming back 14 we are going to shut this business down, he 15 would have been out of a job. So, just in a 16 practical sense people don't usually kick 17 themselves out of a job. So I took this to 18 be his selling point that look, I know we 19 are going through a rough patch now, but it 20 is not going to be that bad and on the back 21 end of this, it is going to be a much better 22 business for us. 23 Q Did you feel as a whole, Mr. 24 Prince, that the business persons such as 25 Mr. Maheras and Mr. Barker and Mr. Raynes 187	1 Interview - CHARLES PRINCE 2 their feet if you understand the distinction 3 I am drawing, and that is how I thought they 4 were thinking about it. 5 Raynes I thought was selling. 6 The other guys I think were thinking, you 7 know, we have been through a lot of market 8 dislocations, I don't want our bosses who 9 are not in the business, haven't been in the 10 fixed income business for 25 years, I don't 11 want them to lose confidence or to lose 12 resolve over a market dislocation. We have 13 been through lot of these. It is not -- I 14 know it looks bad now. We always come out 15 of it. It is always going to be -- it was 16 that kind of a context. 17 Q And what was your view in 18 September and October's time frame of Mr. 19 Bushnell's performance as a chief risk 20 officer? 21 A I think -- I told you earlier 22 that I was told many times that David was 23 the best risk officer on the street. I 24 believed that then. And I still think very 25 highly of David's skills. I think that 189

1 Interview - CHARLES PRINCE 2 David has to, has to reflect on what could 3 have been done differently, what must have 4 been done differently because I don't think 5 it is satisfactory to simply say well, these 6 things happen. But at the time I wouldn't 7 have traded David for anybody else. So that 8 is the only way I can answer the question. 9 Q And, Mr. Prince, as a former CEO, 10 do you reflect on how things could have been 11 done differently to have avoided or 12 minimized the losses that Citi experienced? 13 A As CEO? 14 Q Yes, sir. 15 A Well, I have obviously thought 16 about that a lot. The context I bring to 17 that analysis is this: We had a \$2 trillion 18 balance sheet for the company as a whole. 19 We were involved in lot of different 20 businesses in lot of different geographies 21 around the world. We ended up in a 22 situation where a very, very small relative 23 dollar value of assets caused great harm to 24 the company. What could I have done 25 realistically to have changed that? And I 190	1 Interview - CHARLES PRINCE 2 what I would have done with that 3 information. 4 If I had gone to Tom Maheras' 5 office in the spring of 2007, the spring, 6 after HSBC had their problems in the early 7 part of the year with associates, and I had 8 said Tom, I am nervous about these super 9 seniors. Let's say I had that information. 10 And I said I want you to sell these triple A 11 rated securities. And he would have said 12 well, why? And I would say because I am 13 nervous that in the long run, we are going 14 to see a real estate crisis like we have 15 never seen since the depression. And I 16 think that despite all the smart people who 17 have done all the structuring, that the 18 flood waters will actually get all the way 19 up to that super senior level, I think I 20 would have sounded like a lunatic. No one 21 thought that would be the case in the 22 industry. 23 Now, there are some hedge funds 24 and so forth who bet against the real estate 25 business, and I have seen that. But our 192
1 Interview - CHARLES PRINCE 2 have turned that over in my mind over and 3 over and over again, as you might expect. 4 I have said earlier that simply 5 having the information that was known at the 6 time, I am not sure would have made much 7 difference. If David Bushnell would come to 8 me in June or July or a year earlier, the 9 end of '06, and said I want you to 10 understand that we are increasing our 11 activity in this particular area or had said 12 we are retaining these super seniors and had 13 described to me what that meant and what the 14 quality of the assets were and so forth as 15 believed by the rating agencies, as believed 16 by him as a risk professional, I think he 17 would have pointed to the reported comment 18 of Alan Greenspan that super seniors were as 19 safe as U.S. treasuries. I think he would 20 have pointed to Bernanke's comment that he 21 did not see a large real estate crisis 22 coming. I saw something from our chief 23 economist, Lou Alexander, contemporaneous 24 which said he not think we were going to 25 have a serious recession. So I am not sure 191	1 Interview - CHARLES PRINCE 2 regulators from multiple regulatory agencies 3 were fully embedded in our business. The 4 rating agencies had this stuff rated higher 5 than triple A. For someone not with a fixed 6 income background to have gone and made that 7 kind of direction to the largest fixed 8 income business on the street, I think I 9 don't excuse myself by saying that really 10 wasn't a realistic situation. 11 So then I think well maybe, maybe 12 it is because you weren't schooled in the 13 business, maybe because you didn't come up 14 through fixed income or maybe because we had 15 a big business and you were worried about 16 the consumer business or the acquisition in 17 Latin America that you were working on or 18 something like that. But I see whether it 19 is Merrill Lynch or Bear Stearns, Lehman 20 Brothers, firms that were much smaller, much 21 more focused, led by people who were long 22 time traders, market participants, missed 23 the same issue. 24 So, I think to myself well, if I 25 were Tom Maheras, would I have made a 193

1 Interview - CHARLES PRINCE 2 different call, if I had that kind of a 3 background? I don't think he would have. 4 So that leads me to, well, what could you 5 have done? I know what I did do, which is 6 that when the losses went from the hundred 7 or 200 or 300 that people with talking about 8 to 8 billion on a day, that I immediately 9 resigned. I don't know what else I could 10 have done. I am not satisfied with that 11 answer. But I don't know sitting here today 12 what I could have done differently. 13 If I had had information of a 14 different character about the assets, I 15 clearly would have acted on that. I turned 16 down the Ameritrust deal, I turned down a 17 number of deals where our consumer people 18 wanted to buy lower quality assets. I 19 directed our consumer finance people not to 20 originate these loans. I think if I had 21 had, if I had had the right information I 22 would have acted. 23 Q Why did you resign? 24 A Well, this was quite a 25 significant event, quite a negative event, 194	1 Interview - CHARLES PRINCE 2 look, this is going to be a big problem. 3 Now, at the time we didn't realize that 4 other people had very similar problems. I 5 said this is going to be a big problem. And 6 I am willing to continue to fight this 7 fight. But my advice to you, if I were your 8 lawyer, my advice to you is to accept my 9 resignation. I said you are going to need a 10 new person to lead us out of this difficult 11 situation. You are going to need a new 12 person who will start with a reservoir of 13 credibility which where mine will be 14 exhausted by this and so I will continue to 15 serve if that is your decision, but my 16 advise to you is to accept my resignation. 17 And by about Wednesday afternoon, Thursday, 18 they had decided to accept my resignation. 19 Q When do you recall first 20 discussing super senior positions on CDOs 21 with the board of directors? 22 A I am going to refer back to the 23 30 days or so that started with the middle 24 of September and ended with the very end of 25 October. 196
1 Interview - CHARLES PRINCE 2 and it happened on my watch. How could you 3 not resign? 4 Q Did someone ask you to resign? 5 A Just the opposite. When I told -- 6 it was in the paper, I am sure you read the 7 story. When I drove home and Gary called me 8 and told me it wasn't going to be two or 300 9 million but it was going to be 8 billion -- 10 I will never forget that call -- I 11 continued driving, and I got home, I walked 12 in the door, I told my wife, I said here's 13 what I just heard and if this turns out to 14 be true, I am resigning. 15 And I called Rubin that afternoon 16 or the next morning, I can't remember, and I 17 told him, and he said you can't do that. 18 You can't, et cetera, et cetera. And it 19 turned out to be true on Monday. 20 And so I called our senior, our 21 lead director Alain Belda, and I handed him 22 my resignation letter. I would say for that 23 Monday, Tuesday into Wednesday of that week, 24 they, several board members argued with me 25 not to resign. And I told them, I said 195	1 Interview - CHARLES PRINCE 2 And if you were to fast forward 3 that loop, if you were to have sort of a 4 time frame fast forward, you would see that 5 the issue first came up as a problem on my 6 radar screen and then moved to a discussion 7 among our group that I described in the 8 library group, and then got on to the 9 board's radar screen and then became an 10 examination in a very detailed sense with 11 Gary about valuations and valuation models 12 and so forth and so on. And then was the 13 end of the table. So without knowing 14 specifically, I would have to have people 15 recreate the paper trail. 16 My sense is that it was probably 17 in sort of two-thirds of the way through 18 that process which would have put us about 19 the second week in October. I could be off. 20 It wasn't before that 30-day started and I 21 was gone after that. So it was sometime in 22 that 30 days or so, and my best guess is it 23 is about two-thirds of the way through that 24 process. 25 Q Did any board member ask why 197

1 Interview - CHARLES PRINCE 2 didn't you tell us about this sooner? Did 3 anyone express frustration or concern with 4 not learning about the super senior tranches 5 sooner? 6 A Well, the answer is sure. As the 7 thing unfolded, there was much: How did we 8 get into this position? Why didn't we know 9 this? How could we not know -- I am talking 10 about me as well as them. I mean everybody. 11 How could we have such a small part of the 12 company with such apparent safety turn out 13 to be so toxic? How could that be? How 14 could it possibly be the case that something 15 that the markets saw as triple A, the rating 16 agencies saw as triple A, it was way off on 17 the edges over here, a tiny little thing 18 really, how could that blow up in this kind 19 of way? Everybody was saying that. 20 Q Now you alluded to valuations and 21 valuation models. 22 What were the challenges with 23 valuing the super senior tranches of CDOs? 24 A These had to be mark-to-market, 25 and when you have to mark-to-market things 198	1 Interview - CHARLES PRINCE 2 developed by Citigroup and others at the 3 time? 4 A I don't know the answer to that, 5 I am sorry. My sense was that they already 6 existed, but I don't know the answer. 7 Q I would like to turn your 8 attention to the same document, page 9 1611679. It is entitled Current Risk 10 Exposure and Mitigation. 11 A Yes. 12 Q It lists liquidity puts, 24.5 13 billion, ABS CDO cash inventory 2.3 billion. 14 And the ABS CDO warehouse of 0.9 billion. 15 Was that your understanding in 16 September 2007 of the current exposure to 17 those three items? 18 A I can't really tell you. Again, 19 during that time frame from mid September to 20 late October, at some point the numbers were 21 mentioned to me. My recollection is that 22 the liquidity puts were a little bit after 23 the super seniors that were held on the 24 books. But whether that was new information 25 the day it was presented, I can't remember. 200
1 Interview - CHARLES PRINCE 2 and there is no market, that becomes 3 complicated. 4 So, the way the accounting works, 5 although I am not an accountant, the way the 6 accounting works is that you use various 7 models. And as I recall it, we used three 8 or four models: Discounted cash flow model, 9 a model that was based on the Case-Shiller 10 index going from here to here. Three or 11 four different models like that. At some 12 point, one of our competitors made a big 13 write-down, I don't remember who that was, 14 and so that was -- well, they must have used 15 a model of X backing into what their 16 valuations were. So we looked at that as a 17 model. Gary really led that process. But I 18 remember there were at least three or four 19 different models, and I think during the 20 time I was there we finally settled on one 21 that sort of averaged all of them across, is 22 my recollection. 23 Q Were the models that you 24 described, were they models that already 25 existed or were these models that were being 199	1 Interview - CHARLES PRINCE 2 Q What is meant by exposure? 3 A Well, it has lots of different 4 meaning in lots of different contexts. 5 In context in which we are 6 talking about, it would typically refer to 7 something that is either where we have a 8 liability I -- I started to say where we 9 have exposure. Where we have a liability. 10 So, if you have an asset on your 11 book, you have exposure to that asset. If 12 you have someone who has a put to you or you 13 have a backup line to that person, then you 14 have exposure to that person and that 15 amount. It is, it is a liability that is on 16 your books or could be on your books. 17 MR. BONDI: Mark that, please. 18 (Thereupon, the e-mail Bates 19 marked Citi FCIC E 16495 was marked CR 20 Exhibit 12 for Identification, as of 21 this date.) 22 BY MR. BONDI: 23 Q Mr. Prince, I am showing you what 24 has been produced by Citi and Bates marked 25 Citi FCIC E 16495. It appears to be an 201

1 Interview - CHARLES PRINCE 2 e-mail from Andrew Liveris to you. 3 Who is Andrew Liveris? 4 A Andrew Liveris was on our -- 5 well, still is on their board, is the CEO of 6 Dow Chemical. 7 Q And below talks, below his e-mail 8 to you it appears to be another e-mail that 9 you are on Leah Johnson? 10 A Leah Johnson was the head of 11 public relations for Citi. 12 Q And it says, subject is Q3 13 earnings announcement. And it has attached 14 is a copy of the press release that we plan 15 to release and a transcript of the 16 prerecorded call. 17 A Uh-huh. 18 Q I would like to draw your 19 attention to page three of the recorded call 20 transcript? 21 A What is the Bates number. 22 Q Bates number is 16498. 23 A Got it, thank you. 24 Q Draw your attention to the 25 penultimate bullet down there. 202	1 Interview - CHARLES PRINCE 2 exposure that was in Mr. Rayne's 3 presentation of the global structured credit 4 products, A Way Forward, and what Mr. 5 Crittenden was saying in this recorded 6 earnings call on October 1st, 2007? 7 A I can only try to put these 8 together based on looking at the two 9 documents. That is to say, I don't have, 10 remember having any discussion with Gary 11 about the number was X, Y or Z. My guess is 12 that -- 13 MR. BIRENBOIM: I don't think 14 you should be guessing. 15 THE WITNESS: Okay. 16 MS. BUERGEL: If you don't have 17 any understanding of how this is put 18 together, Mr. Prince, the recorded 19 call transcript and how it relates to 20 the deck, then you shouldn't 21 speculate. 22 THE WITNESS: As I said, I 23 don't have a recollection of that. 24 BY MR. BONDI: 25 Q Did you agree as of October 1st, 204
1 Interview - CHARLES PRINCE 2 A Uh-huh. 3 Q It says, "Starting in January of 4 this year, we began to lower our exposure to 5 the subprime assets as we saw the market 6 changing. At the beginning of this year, we 7 had 24 billion of secured subprime exposure 8 in our lending and structuring business. 9 That number was 13 billion at the end of 10 June and declined slightly this quarter." 11 Do you recall Mr. Crittenden 12 saying that in a recorded transcript call on 13 October 1st, 2007? 14 A I don't have an independent 15 recollection of it. I know we did do a 16 recorded call, and I assume this is 17 accurate, but I don't have an independent 18 recollection of it. 19 Q A few minutes ago on the 20 Exhibit 11, we saw a list of other exposure. 21 Here Mr. Crittenden said the number was 13 22 billion at the end of June and declined 23 slightly this quarter. 24 A Uh-huh. 25 Q Why the discrepancy between the 203	1 Interview - CHARLES PRINCE 2 2007 that Citigroup's exposure was 13 3 billion at the end of June and then declined 4 slightly this quarter? 5 A Again I can't, I don't have an 6 independent recollection of how Gary came to 7 these numbers. You have shown me the other 8 exhibit with a long list of numbers. And 9 you have asked me why these numbers are 10 different than those numbers. I don't know 11 the answer to that. 12 Gary was responsible for putting 13 all the numbers together. It is not as if 14 we sat with that exhibit on one side of the 15 table and this on the other side of the 16 table. You are very appropriately I guess 17 putting these together, but I don't recall 18 how we got to those numbers so I can't 19 really other than guessing which I have been 20 asked not to guess, I can't really help you 21 with that. 22 Q The Raynes presentation from 23 September 2007 lists substantially more 24 exposure. 25 MR. BIRENBOIM: What page are 205

1 Interview - CHARLES PRINCE 2 you referring to? 3 MR. BONDI: I am referring to 4 page Citi 1611679. 5 MR. BIRENBOIM: Those numbers 6 are in September? 7 MR. BONDI: In September. 8 MR. BIRENBOIM: This is in 9 October. 10 MR. BONDI: Correct. 11 BY MR. BONDI: 12 Q Mr. Crittenden this October talks 13 about exposure being 13 billion at the end 14 of June and declined slightly this quarter. 15 Did you ever ask Mr. Crittenden 16 how are you coming up with something less 17 than 13 billion when internally we are 18 hearing something a lot more than 13 19 billion? 20 MS. BUERGEL: Mr. Bondi, there 21 is a lot whole lot of language about 22 what exposure means here. You are 23 plucking that out of a multi-paragraph 24 transcript. And Mr. Prince, I will 25 remind you if you don't have actual 206	1 Interview - CHARLES PRINCE 2 billion in October to 55 billion on November 3 4, 2007? 4 A Well, I feel like I am edging 5 into the same territory we just covered on 6 the earlier question, so I am hesitating to 7 see if my lawyers want to say anything. 8 MR. BIRENBOIM: You should 9 testify to what you have personal 10 knowledge to, not just to what you 11 read in the papers afterwards or 12 speculation. 13 THE WITNESS: What I have 14 personal knowledge of is the 15 following: On the Saturday, eight 16 days before that Monday, Gary 17 Crittenden called me and told me we 18 weren't looking at a couple hundred 19 million bucks, but we were looking at 20 eight billion dollars. 21 On Monday of that week, so a 22 Monday before November 4th, I sat with 23 Gary and as I recall it one or two 24 people from our securities business 25 and worked through their analysis of 208
1 Interview - CHARLES PRINCE 2 facts to offer, you shouldn't 3 speculate. 4 MR. LERNER: You can answer yes 5 or no. 6 THE WITNESS: I don't remember 7 the question that far yes or no. But 8 I don't have any independent 9 recollection of how he got to those 10 numbers, so all I could do would be to 11 guess. 12 Q I don't think that was my 13 question. I will let the court reporter 14 read it back just to get it right. 15 (Thereupon, the record was read 16 back by the reporter as recorded 17 above.) 18 THE WITNESS: No. 19 BY MR. BONDI: 20 Q On November 4th, 2007, Citigroup 21 announced that it had 55 billion in subprime 22 exposure mentioning in disclosing the super 23 senior tranches and the liquidity puts. 24 Do you have any understanding of 25 how the announced exposure went from 13 207	1 Interview - CHARLES PRINCE 2 how, when I went home on Friday it was 3 a couple hundred we were possibly 4 going to have to deal with, and 5 72 hours later it was 8 billion. And 6 over the course of that day on Monday, 7 I became convinced that their 8 calculation at the end of that day was 9 correct. And that is when I handed in 10 my resignation. And really didn't 11 have any substantive involvement after 12 that. 13 Q Let's move on to 13. 14 (Thereupon, the document Bates 15 marked Citi FCIC E 41087 was marked CR 16 Exhibit 13 for Identification, as of 17 this date.) 18 BY MR. BONDI: 19 Q Mr. Prince, I am showing you what 20 was produced by Citi and it is Bates marked 21 Citi FCIC E 41087. 22 A Correct. 23 Q And it is a cover e-mail 24 attaching a, appears to be Power Point 25 presentation. The cover e-mail is from 209

1 Interview - CHARLES PRINCE 2 Sheffali Welch e-mail on behalf of Gary 3 Crittenden to you and it is dated 4 October 14, 2007. 5 "All attached, please find the 6 audit committee deck for tonight's call at 7 9 p.m." 8 Do you recall attending the audit 9 committee call at 9 p.m. on October 14, 10 2007? 11 A I don't think there was an audit 12 committee call on the, at 9 o'clock. My 13 belief is that the 9 o'clock call was a prep 14 call because it says sent Sunday, 15 October 14th. The presentation says October 16 15th. And the list of people it was sent to 17 would have been the kind of group we would 18 get together with to prepare for tomorrow's 19 meeting. And so my guess is that the Sunday 20 night call assuming there was one, I don't 21 recall a specific call, but assuming there 22 was one was a prep call among these various 23 people. 24 Q Do you recall attending the audit 25 committee meeting or call on October 15th? 210	1 Interview - CHARLES PRINCE 2 Q I know we talked about many of 3 these same lessons, and I just wanted to ask 4 you on these six lessons learned that were 5 presented to the board did you agree that 6 these were lessons learned to Citigroup? 7 A Oh, I don't know. This -- these 8 quote lessons learned were presented at a 9 time when the fullness of the issues weren't 10 completely understood, I think. 11 So if I were sitting here today, 12 I wouldn't from a policy standpoint try to 13 determine whether someone's suggestions of 14 lessons learned put up in October of 2007 15 were the appropriate ones, whether they were 16 implemented fully or not. 17 Since the time of this 18 presentation, there has been almost a 19 complete change in personnel at the company 20 in the areas that we are talking about, and 21 I think I would much more importantly look 22 at what those new people thought the lessons 23 learned were as opposed to what people 24 thought at this point in time. 25 Q Mr. Prince, I am showing you what 212
1 Interview - CHARLES PRINCE 2 A Well, I certainly would have gone 3 to the board meeting. I don't think this 4 was just an audit committee presentation. I 5 think this was, I think this was actually 6 presented to the whole board. It may be 7 that Gary's assistant misspoke, it may be 8 that it was presented first to the audit 9 committee and then to the full board. I 10 think this was the big presentation to the 11 board and I don't think it was just an audit 12 committee. So -- and I am sorry to be 13 particular. The answer to your question 14 about the audit committee is no, but I think 15 it was presented to the full board and I was 16 there for that. 17 Q On page 37 of the deck, Citi FCIC 18 E 41124, there is a "lessons learned" page? 19 A Lots of lessons learned pages, 20 aren't there? 21 Q Yes, sir. And if you wouldn't 22 mind just reading these six just to yourself 23 in the interest of time and let me know when 24 you are finished. 25 A I have read them. 211	1 Interview - CHARLES PRINCE 2 was produced by Citi Bates marked FCIC 2970. 3 (Thereupon, the document Bates 4 marked FCIC 2970 was marked CR 5 Exhibit 14 for Identification, as of 6 this date.) 7 A Yes. 8 Q It is a discussion of October CMB 9 performance, presentation to the board of 10 directors October 31, 2007. 11 A Yes. 12 Q Do you recognize this document? 13 A Oh, I don't have an independent 14 recollection of it, but it certainly looks 15 like something that was presented. 16 Q Sure. If you wouldn't mind 17 taking a moment just to flip through it. 18 A Uh-huh. 19 Q To familiarize yourself with it. 20 A Yes, okay. 21 Q If you flip to page eight of the 22 deck, Citi FCIC 2978, there is a list of 23 subprime marketing methodology continued and 24 it lists the ABCP. Did you understand ABCP 25 to mean the asset backed commercial paper 213

1 Interview - CHARLES PRINCE 2 associated with the liquidity puts? 3 A Uh-huh, I think so, yes. 4 Q And the high grade ABS CDOs, 5 mezzanine ABS CDOs and ABS CDO squared 6 transactions, when this was presented to the 7 board of directors on October 13, 2007, do 8 you recall any reaction -- 9 MR. BIRENBOIM: October 31st. 10 MR. BONDI: Sorry? 11 MR. BIRENBOIM: I think you 12 said 13 or maybe I misheard. 13 BY MR. BONDI: 14 Q The presentation to the board of 15 directors on October 31, 2007? 16 A Yes. 17 Q On page eight when it lists the 18 various positions that Citigroup had and the 19 net exposure associated with those positions 20 as of September 30, 2007, do you recall any 21 reaction by any of the board members when 22 they heard this? 23 A The exposures? 24 Q Yes, sir. 25 A You know what I can't do? I 214	1 Interview - CHARLES PRINCE 2 Q Please. 3 A If you look at pages four and 4 five, this is actually a key chart, you can 5 see the three lines. They were in color on 6 the original chart, but for here I will 7 refer to them as the top line, middle line 8 and the bottom line. The bottom line, it 9 was the sort of the lowest quality. You can 10 see in the very bottom, it is the right hand 11 reference which ends with triple B minus. 12 And the middle line and the middle reference 13 is to single A. Do you see that at the 14 bottom of the page? And the left side of 15 the page you see the triple A, that is the 16 top line. 17 And so if you look across, this 18 is an historical chart on page four, and you 19 can see that the bottom line, the worst 20 quality over the course of the first part of 21 the year going to March '07, you can see 22 that first vertical line there, March '07, 23 the bottom line deteriorated and then picked 24 back up to a kind of a 75 percent level. 25 And then in June began to deteriorate. And 216
1 Interview - CHARLES PRINCE 2 can't separate the different meetings, as 3 obviously as the, as the situation 4 deteriorated, there was more and more 5 concern. But I can't in my mind remember 6 whether this meeting had this conversation 7 or that meeting had that conversation. 8 To the extent of exposures, if, 9 if the question was more narrowly did 10 someone say something extraordinary about 11 the total number on the page or any of the 12 components that led up to the total, I don't 13 remember that. But you have to put it in 14 context, I think. The exposure that we were 15 looking at here in terms of the impact on 16 the company was a couple hundred million 17 bucks and in a company that earned five 18 billion dollars quarterly, you don't want to 19 lose \$200 million obviously, but there was 20 nothing on this page that would have caused 21 one of the directors to say my gosh, what is 22 going on here, because that is not the 23 information that was being presented. And I 24 know you are on a fact finding mission. Can 25 I direct you to something? 215	1 Interview - CHARLES PRINCE 2 in June, but only in June, the single A, the 3 middle one, started to deteriorate. So up 4 until, up until June, even the single A 5 product hadn't really been affected. 6 The top line, the triple A, which 7 is the super senior kind of quality stuff, 8 straight as a line across, no impact at all. 9 It began to waiver a little bit in that 10 July, August time frame. You can see as we 11 go into September, you see the line that 12 says 8/29 and into September, it is trended 13 back up and it is almost at a hundred 14 percent again. And then you flip the page 15 and you see that after the ratings 16 downgrade, the top line began to deteriorate 17 in that far right side of the page. 18 Q I am sorry, you are looking at 19 page five? 20 A Now I am over to page five. 21 Bates number 975. 22 Q And it is the last box, I 23 apologize, the copy looks a little bad, it, 24 looks like 10/11? 25 A 10/11 Moody's something 217

1 Interview - CHARLES PRINCE 2 downgrade. 3 Q I think it is et al, Moody's et 4 al downgrade? 5 A Yeah. That was really the only 6 time -- you can see a little wavering on the 7 top line in the middle but it actually 8 recovers into the September time frame and 9 then when the downgrade happens, that is 10 when it falls off a cliff. 11 And so I point this out because 12 this is a very good visual reminder of when 13 Tom Maheras or somebody says look, the super 14 seniors are not going to be touched. They 15 would point at this chart, and they would 16 say look, you can see that even though this 17 has gone down, this one is straight as an 18 arrow. And then in the summer we would say 19 but it is still going down. And he would 20 say yeah, it is, but you can see the top one 21 is coming back up. It will be okay. Don't 22 panic here. Don't go crazy here. This is 23 going to be fine. 24 That was the context of the 25 discussions as we came into the late summer. 218	1 Interview - CHARLES PRINCE 2 anything in ABS CDO2 , it could be low or 3 high grade, but I think all of this related 4 to the super seniors which may be why the 5 marks that are shown on page eight, the 6 projected marks, are so low. 7 Q Mezzanine ABS CDOs, that wouldn't 8 have been super senior, though, would it? 9 A I don't know the answer to that. 10 I don't though the answer to that. And the 11 reason I don't know the answer is mezzanine 12 could refer to a place on the hierarchy of 13 the structure, or it could refer to a loan 14 that is in the middle of credit, a loan 15 portfolio. In other words -- I am sorry it 16 is so confusing. You could have a subprime 17 loan that is structured so that the highest 18 tranche was thought to be triple A. And 19 mezzanine could refer to something that is 20 midway up that tranche. Okay? 21 But it is all based on a subprime 22 loan at the bottom. You can also have a 23 situation where a mezzanine loan to a 24 corporation, to anybody, not real estate, a 25 mezzanine loan could be structured. And 220
1 Interview - CHARLES PRINCE 2 I am sorry to divert you from your question, 3 but this is a very good pictorial, these two 4 pages, of what happened over the course of 5 that summer and into the fall. 6 Q I appreciate that. I thank you. 7 We definitely are trying to get at the 8 facts. I appreciate the clarification. 9 Does the, on page eight of the 10 Power Point where it lists the high grade 11 ABS, the mezzanine ABS, CDOs, and the ABS 12 CDO squared, did any of those three 13 translate to any of these three lines on the 14 graph on page five? 15 A It would -- the lines on page 16 five deal with the credit rating. So 17 anything on page eight that related to 18 triple A these would relate to. So, if the 19 high grade ABS CDOs were super seniors, then 20 they would definitely be in the top line. 21 If the ABS CDO2 transactions 22 related to super seniors, they would be in 23 the top line as well. On page eight are 24 formats that relate to quality of assets. 25 They are not directly related. It could be 219	1 Interview - CHARLES PRINCE 2 then you can have a low quality mezzanine 3 loan, a middle quality mezzanine loan, and a 4 high quality mezzanine loan. And I don't 5 know whether this is referring to real 6 estate in the middle of the structure or to 7 a type of loan, like an auto loan would be a 8 loan which would be structured or a credit 9 card loan could be structured. 10 A mezzanine loan is a kind of a 11 loan, and I don't know whether it is 12 referring to that kind of a loan or a 13 structure in the subprime structuring. I am 14 sorry. Maybe it can be determined, but that 15 is why I don't know which one it is. 16 Q This October 11th line pertaining 17 on page five of the graph pertaining to 18 Moody's et al downgrades. Seems very 19 significant. 20 A I will say. 21 Q And I am interested to know, was 22 your view that Moody's and others got it 23 right on October 11, 2007, or that they got 24 this downgrade wrong? Or what is your view 25 of these downgrades that occurred on 221

1 Interview - CHARLES PRINCE 2 October 11, 2007? 3 MR. BIRENBOIM: What his view 4 was at the time or what his view was 5 looking back now? 6 MR. BONDI: That is a fair 7 characterization. Let's take those, 8 both of those questions so we make 9 sure the record is clear. 10 BY MR. BONDI: 11 Q At the time what was your view of 12 the downgrades? 13 A At the time what Maheras and 14 Barker and our folks said was that these 15 will be accounting marks, not economic 16 marks. What they meant by that was that 17 because the ratings are cut, there will be 18 an accounting loss instead of being marked 19 on your books at -- I am making up a 20 number -- a hundred, they will be marked on 21 your books at 50. But they would say in the 22 long run, if you hold the instrument, not if 23 you are trading it, but if you hold on to it 24 and wait for it to pay out because it is a 25 bond, that you will be paid all of your 222	1 Interview - CHARLES PRINCE 2 say they haven't and they won't. But that 3 because no one's willing to take the risk 4 that they won't, no one is willing to buy 5 them. And because it is a mark-to-market 6 paper, you have to value it not on the 7 ultimate, although insurance companies hold 8 it that way, right, but securities firms 9 have to mark-to-market. And so in that 10 sense I don't know whether or not in the 11 long run the marks are correct or not 12 correct. I know that it caused a 13 precipitous drop in value, it caused havoc. 14 I mean this was the precipitating event that 15 broke the financial system. And there were 16 a lot of things that happened since that 17 could have been done better or worse. But 18 this is the thing that broke the financial 19 system. 20 MR. LERNER: I think you ought 21 to give Mr. Prince a two-minute break 22 if this is a convenient time. 23 MR. BONDI: Sure. 24 (Brief break.) 25 BY MR. BONDI: 224
1 Interview - CHARLES PRINCE 2 money plus interest. So, in an economic 3 sense, there won't be an ultimate loss. 4 There will be an accounting loss, not an 5 economic loss. That is what they would say. 6 I would say at this point I don't know 7 whether that is true or not. In other 8 words, I don't know whether or not sitting 9 here today the super senior tranches are in 10 default. Maybe you know. I don't know. 11 I read something in the paper the 12 other day about something with Goldman and 13 AIG where they said that the Goldman -- the 14 worst Goldman originated tranche had lost 15 90 percent of its value or something like 16 that but was not in default. So I don't 17 know whether in the long run these ratings 18 reflect economic losses. It may be the 19 case. I think if Maheras were sitting here 20 he would say we structured these so that as 21 the flood waters of default rose, there were 22 no circumstances under which the waters 23 would breach into the super seniors. 24 Without knowing, I would bet that 25 if Maheras were sitting here today he would 223	1 Interview - CHARLES PRINCE 2 Q We mentioned before the break or 3 we were talking before the break 4 mark-to-market accounting. 5 A Yes. 6 Q What role did mark-to-market 7 accounting play in the difficulties at 8 Citigroup? 9 A Well, I think for every one on 10 the street, if you have to mark-to-market 11 and there is no market, as I said earlier, 12 it makes it very complicated. And if you 13 have a temporary liquidity problem and today 14 the liquidity problem has abated at least if 15 not solved, but it is abated, if you have a 16 temporary liquidity problem, then that has a 17 negative circle or loop that makes things 18 worse and worse and worse. So, if you can't 19 sell something at a price, then you have to 20 mark it lower. If you have to mark it 21 lower, it makes it harder to sell which 22 makes it down and down and down and down. 23 So, there is a negative 24 reinforcing loop from mark-to-market 25 accounting. You don't have that with loans, 225

1 Interview - CHARLES PRINCE 2 you don't have that in the insurance 3 business. It is an unusual feature of the 4 securities business. 5 Q Speaking more generally about the 6 financial crisis and the markets as a whole, 7 in your view, what was mark-to-market 8 accounting's role in the financial crisis as 9 a whole? Do you view it as a significant 10 factor in the crisis, a contributing factor, 11 a minor point? I am just trying to get a 12 sense of your views in terms of the overall 13 crisis and mark-to-market accounting's 14 impact. 15 A I recognize that is a very 16 controversial subject and you have lots of 17 views on it. I think that mark-to-market 18 account was somewhere between a contributing 19 factor and a significant factor, somewhere 20 between. And I think it has the effect of 21 being pro-cyclical, meaning it worsens 22 things rather than helping to make things 23 less worse. And that is a negative. 24 Q Are there any lessons learned in 25 the space of mark-to-market accounting that 226	1 Interview - CHARLES PRINCE 2 mark-to-market accounting involved stating a 3 mark, but only having to recognize on making 4 this up, a third of it, assuming you have 5 stated an intention to hold the instrument, 6 and you have to recognize a third of it this 7 year and a third of it next year and a third 8 of it -- now the mark market will change as 9 you go along. So it is a third of whatever 10 the mark is at that point in time and so 11 forth. I don't think anybody would do this, 12 but that is my point of view. You are 13 asking me my point of view. 14 My point of view is that it is 15 not an either/or. It is a how do you 16 recognize the mark. But if you have a 17 situation where you have a precipitous 18 event, there is no ability to deal with that 19 and the damage is accelerated by that 20 precipitous event. 21 Q Mr. Prince, Citigroup was during 22 your tenure supervised by the OCC, Federal 23 Reserve, Federal Reserve Board of Bank of 24 New York, among other regulators. 25 A The FDIC. 228
1 Interview - CHARLES PRINCE 2 you have thought of in terms of what we can 3 do differently in the future with respect to 4 mark-to-market accounting or accounting in 5 general? 6 A I actually have a point of view 7 on that. The debate is between people who 8 think that there ought to be mark-to-market 9 accounting because there is a purity of 10 that. There is -- you don't want people 11 hiding things on their books, you don't want 12 them to be zombie banks and so forth. 13 And people at the other end that 14 say mark-to-market accounting really causes 15 the fall in value to be accelerated and to 16 be so forth, so on. 17 I think that mark-to-market 18 accounting ought to be treated in much the 19 same way, a bad analogy, but an analogy, 20 that pension accounting has created. 21 So, if I have a company and my 22 pension plan is underfunded, I am not 23 required to make it all up today. I can 24 make it up over couple of years. And I 25 think if you had a situation where 227	1 Interview - CHARLES PRINCE 2 Q The FDIC. 3 Were your regulators in your 4 opinion asking the right questions of 5 Citigroup and Citicorp personnel? 6 A That is a very general question. 7 Our regulators were for the most 8 part embedded in the organization. They had 9 offices at the company. They were there 10 full-time. I met with the regulators on a 11 very frequent basis. They met with our 12 directors, with the audit committee. They 13 met with our auditors. They met with Dave 14 Bushnell frequently. There was nothing that 15 we were doing that wasn't fully transparent 16 to the regulators. 17 In the context of what we are 18 taking about, the question is were they 19 asking the right questions, they clearly 20 didn't ask the questions that related to the 21 ultimate losses on the super seniors. 22 Neither did Tom Maheras. Neither did the 23 rating agencies. 24 So, I think that the 25 regulators -- and I would say this with 229

1 Interview - CHARLES PRINCE 2 great respect. I think the regulators were 3 in the same category of believing based on 4 the information they had that these 5 positions would not turn out to be very 6 dramatic loss positions for the company. 7 So I don't think it was a matter 8 them asking the right questions or wrong 9 questions. It is much like the discussion 10 we had earlier about information flow. I 11 think they had the information, but it 12 turned out to be completely wrong for 13 everybody. 14 Q A lot of debate, Congress and on 15 Main Street and Wall Street and elsewhere 16 about regulations and whether the crisis 17 that we experienced was a failure of 18 regulation or regulations. And I wanted to 19 know, Mr. Prince, do you have a view of 20 that? Were there regulations that failed 21 during the crisis or leading up to the 22 crisis? Were there regulations that were 23 missing that you believe should have been in 24 place? 25 A I think clearly -- we talked 230	1 Interview - CHARLES PRINCE 2 approach would be to try to read the 3 disclosures in the proxy statement which had 4 year by year by year very extensive and 5 detailed discussions about that. 6 Q There have been much debate over 7 compensation in general and about the 8 incentives that go along with compensation. 9 In retrospect, do you believe 10 that the compensation structure at Citigroup 11 vis-à-vis the employees in the investment 12 bank, structured credit, caused or 13 contributed to some of the decisions that 14 were being made that ultimately led to 15 losses to Citigroup? 16 A Let me talk to, let me talk a 17 little bit about how compensation worked at 18 our company and make it personal, talk about 19 me. 20 I had a career with the company 21 which company and its predecessors was 22 almost 30 years and was fortunate enough to 23 be CEO for four years. 24 In that time frame, certainly for 25 all the periods that were pertinent to my 232
1 Interview - CHARLES PRINCE 2 earlier about the regulatory structure of 3 the origination of mortgages. This is done 4 on a state by state basis. It is very 5 spotty. In some states it is more robust 6 than in others. In some states it doesn't 7 exist at all. And I really think that among 8 the many causes of what happened, the 9 increasingly unhealthy nature of the raw 10 material that went into the securitization 11 factory was a big contributor. And if we 12 had had better regulation of the creation of 13 that raw material, we would have -- I don't 14 think we would have had the crisis honestly. 15 That is more the absence of regulation or 16 the unevenness of regulation, that is an 17 area that I would focus on. I frankly don't 18 see much of that talked about. 19 Q How were you compensated at 20 Citigroup? Was it a metrics? How did your 21 compensation get developed. 22 A Well, there is very extensive 23 disclosures in our proxy statements about 24 the compensation, so I would be reluctant to 25 summarize all that. I think the best 231	1 Interview - CHARLES PRINCE 2 having a leadership position the last 15, 3 20 years, our compensation was split between 4 cash and stock. And for most of that time 5 frame, we were required to retain so long as 6 we were employed a hundred percent of the 7 stock. We had no ability to sell and cash 8 out. 9 When we merged with Citicorp in 10 1998, we lowered that requirement from a 11 hundred percent to 75 percent, meaning you 12 could sell 25 percent of your stock. In my 13 case, I didn't do that. I kept a hundred 14 percent. And over the course of 30 years, 15 built up because of the percentage of your 16 compensation that went into stock and the 17 requirement to hold it, I built up 30 years, 18 a career's worth of compensation in stock 19 which I watched go from \$52, \$53 a share to 20 \$0.97. And virtually every share of stock I 21 ever got I still own. 22 I think that that compensation 23 program aligned me pretty well with 24 stockholders. So I think from the 25 standpoint of the leadership of the company, 233

1 Interview - CHARLES PRINCE 2 if you have that kind of a program, you are 3 pretty well aligned. Now, I can't speak to 4 people who might have sold some of their 5 stock, might have sold their stock after 6 they left the company, I didn't do that. 7 At lower levels of the company, 8 at the level of someone running a particular 9 desk, there I think that it is possible that 10 the compensation structure could incent 11 people to act aggressively. 12 You may remember I talked about 13 the five-point plan in trying to emphasize 14 to everyone long term versus short term. In 15 Japan, don't go for the short term and risk 16 the reputation of the company. 17 In the MTS trade, don't do that 18 quick trade at the risk of putting off all 19 of our clients. And despite all that, I can 20 see situations where someone might have, do 21 something because they were incented in the 22 short run. 23 But I think that is not really 24 the issue. I think the issue for Wall 25 Street is there structure of compensation 234	1 Interview - CHARLES PRINCE 2 I have read in the papers about the Lehman 3 stuff and so forth. And if it is true that 4 they did that just for quarter end, that's 5 not appropriate. 6 But most institutions don't do it 7 that way. They don't, they don't do it at 8 the end of a quarter and then back on and 9 off, on and off. But the notion that having 10 off balance sheet activities is normal 11 doesn't answer the question. 12 In Citi's case, as it turned out, 13 there were certain asset classes that came 14 back on the balance sheet. Most all of that 15 happened after I left the company. So, I 16 can only speak to it in the context of an 17 outsider. But in that context, I think that 18 again it is the precipitous nature of 19 actions more than the actions themselves, I 20 think. The suddenness of it, the inability 21 to react, and so in much the same way that 22 the rating agencies, the collapse of their 23 thinking about structured products 24 precipitated the decline of the triple A 25 tranches, the liquidity crisis apparently 236
1 Interview - CHARLES PRINCE 2 which incents organizations to go in 3 directions, not individuals to go in 4 directions. And all I can speak to is what 5 happened in my case, and in my case I don't 6 think it had that effect. 7 Q We have been looking at the 8 accounting and the losses at Citigroup and 9 one thing that struck me was the amount of 10 off balance sheet activity at Citigroup. 11 Do you have any views in terms of 12 whether the off balance sheet accounting 13 caused or contributed to any of the 14 financial problems at Citigroup in terms of 15 when items came on balance sheet? 16 A That is a very broad and 17 complicated subject, and I am sorry to 18 respond that way. 19 The notion of having items off 20 balance sheet is not in itself an unusual or 21 complicated item. Almost all financial 22 institutions have some activities or some 23 assets that are off balance sheet. It is 24 not appropriate to do off balance sheet 25 activities to manage your quarter end. And 235	1 Interview - CHARLES PRINCE 2 forced these vehicles to be reconsolidated. 3 And on a going-forward basis, I don't think 4 that the right answer is to say you can't 5 have things off balance sheet, but I do 6 think there has to be a way to think about 7 dealing with a precipitous reversal of those 8 activities. 9 Q In December of 2007, after you 10 had left the company, Citigroup made the 11 announcement that it would bring on assets 12 and liabilities associated with the seven 13 structured investment vehicles out of 14 London. 15 A Uh-huh. 16 Q The SIVs. 17 I know that occurred after your 18 departure, but what role did you have in 19 discussions concerning those SIVs prior to 20 your departure? 21 A John Havens on our calls -- 22 remember I said we had these calls 23 periodically. John Havens was charged with 24 managing the SIVs and the liquidity of the 25 SIVs. He had taken that on as part of new 237

1 Interview - CHARLES PRINCE 2 responsibilities. And he would report on 3 being able to sell an asset here or to roll 4 over some commercial paper there and when I 5 left was still reporting that he believed 6 that we would get through the funding 7 situation on the SIVs. That is that they 8 would be self funded. That is the last I 9 heard of it. 10 MR. BONDI: For this next 11 exhibit, I think we might not want Mr. 12 Learner to leave with it given the 13 nature -- 14 MR. KARP: This is the Federal 15 Reserve April 15th -- 16 MR. BONDI: Yes. 17 MR. LERNER: I won't steal it, 18 I promise. I will give it back. 19 MR. BONDI: Do we have an 20 understanding you will give it back 21 after the questioning? 22 MR. LERNER: I will give it 23 back. 24 (Thereupon, the document Bates 25 marked FCIC Citi 198 was marked CR 238	1 Interview - CHARLES PRINCE 2 Under the summary of risk 3 management conclusions, "The assessment of 4 Citigroup's overall risk management has been 5 downgraded from a satisfactory to fair. It 6 primarily reflects weaknesses in the firm's 7 is setting and monitoring of its risk 8 appetite and exposures that led to severe 9 and unexpected losses and in its marking and 10 bank business CMB." 11 What is your reaction, sir, to 12 that statement? 13 A Well, this is, I have not seen 14 this before. It is a document that appears 15 to be about 26, 27 pages long. And I don't 16 know the basis by which this first sentence 17 of the summary paragraph, on what it is 18 based, and I don't know what the company's 19 reaction to this was. So with all those 20 caveats, you know, I think it is -- I don't 21 really have a comment on it. I think it is 22 an unusual thing given the fact that the Fed 23 was embedded in our organization. But since 24 I didn't see it and don't know what the 25 company's position is, I don't really have a 240
1 Interview - CHARLES PRINCE 2 Exhibit 15 for Identification, as of 3 this date.) 4 BY MR. BONDI: 5 Q Mr. Prince, I am showing you what 6 is, was produced to us by the Federal 7 Reserve and it is marked FCIC Citi 198. It 8 is dated April 15, 2008. It was to the 9 board of directors, care of Mr. Pandit, your 10 successor. 11 I take it, sir, you haven't ever 12 seen this document? 13 A I have not received or reviewed a 14 copy of this. 15 Q I would like to draw your 16 attention, sir, to the second page and it 17 refers to a downgrade to Citi with respect 18 to its risk management under the summary of 19 risk management conclusions, Bates number 20 202? 21 A Got it. 22 Q I am going off of the page 23 numbers at the top. 24 A I see that now. I apologize. 25 Q It is Bates number 202. 239	1 Interview - CHARLES PRINCE 2 reaction to it. 3 Q Please flip to the third page of 4 this document, Bates FCIC Citi 203. The 5 last sentence of the carryover paragraph 6 reads: "Further, senior management at the 7 firm allowed its drive for additional 8 revenue growth to eclipse proper management 9 of risk while risk management failed to 10 serve as an effective check against these 11 decisions. 12 Do you have any reaction to that 13 statement by the Fed? 14 A I would just give you the same 15 answer I gave before. 16 Q Next paragraph. "Management did 17 not correctly identify and assess its 18 concentration to subprime risk exposures and 19 its CDO trading book which produced 20 significant losses that severely eroded the 21 firm's capital and its reputation." 22 Do you have any reaction to that 23 statement? 24 A Well, the "did not correctly 25 identify its concentration," I think is 241

1 Interview - CHARLES PRINCE 2 incorrect. I assume that people knew what 3 we had there. 4 We did not correctly assess, I 5 guess that might be closer to it. No one 6 correctly understood what it meant to have 7 those exposures in the CDO trading book. 8 And I would say with respect, the Fed didn't 9 either. 10 Q The next paragraph, the 11 penultimate sentence I would draw your 12 attention to, it begins with "it also did 13 not properly," the "it" I will submit, if 14 you carry over from the two prior, three 15 prior sentences, it appears to refer to the 16 firm, Citigroup. 17 "It also did not properly 18 highlight the funding and liquidity 19 implications of on-boarding assets and in 20 the case of certain counter-party credit 21 exposures such as liquidity puts that had 22 been written to CDO conduits, under measured 23 their potential impact." 24 What is your reaction to that 25 statement by the Fed? 242	1 Interview - CHARLES PRINCE 2 the board and so forth, I would disagree 3 with that. I think that we presented 4 information to the board in a very timely 5 fashion. 6 Q The next sentence pertains to the 7 board itself. It says, "The board of 8 directors in turn does not appear to have 9 posed the proper questions to senior 10 management in the early stages of the 11 subprime mortgage crisis which otherwise 12 might have caused senior management to 13 report more meaningfully and completely on 14 the potential impact on the firm's risk 15 exposures and future earnings." 16 Again, do you have any reaction 17 to that statement? 18 A I simply disagree with it. I 19 don't think that the board could fairly be 20 criticized in light of what market 21 professionals, the rating agencies and the 22 regulators, in light of the conduct of those 23 parties over the course of 2007, I don't 24 think that our board can be criticized for 25 what they did over the course of 2007. 244
1 Interview - CHARLES PRINCE 2 A Again, without having read the 3 whole document and without having read the 4 company's response to it, all I can say is 5 that the Fed was embedded in our 6 organization, understood what we were doing. 7 And beyond that I don't really have a 8 comment on this. 9 Q And if you would bear with me, 10 sir, I have a few more to ask you here. 11 A Sure. 12 Q The next paragraph, "Senior 13 management, as well as the risk management 14 function charged with independent monitoring 15 responsibilities, did not properly identify 16 and analyze these risks," carrying over I 17 think from the prior paragraph, "in a timely 18 fashion and were slow in presenting them to 19 the board of directors and the audit and 20 risk management committee." 21 What is your reaction to that 22 statement? 23 A The first part of the statement I 24 would have the same reaction I had before. 25 The second part, slow in presenting them to 243	1 Interview - CHARLES PRINCE 2 Q The next paragraph, bear with me. 3 A I understand. 4 Q I want to go through the next 5 paragraph at the least, please. 6 "Exasperating this situation was 7 the fact that communication among the 8 independent risk management function 9 business line management and senior 10 management on aggregated inherent subprime 11 risk across portfolios and products proved 12 to be inadequate when credit and market 13 conditions deteriorated in 2007." 14 Do you have a reaction to that 15 sentence? 16 A I don't think that the issues 17 that we had in 2007 related to risk across 18 portfolios and products. I think it was 19 pretty well encapsulated in the fixed income 20 business. 21 I think that in 2008, in a broad 22 consumer slow down, there were products in 23 different areas, very similar to the rest of 24 the industry. But I think that in 2007 it 25 was actually a very narrow product, not a 245

1 Interview - CHARLES PRINCE 2 broad based set of products. 3 Q Do you know if the CDO desks at 4 Citigroup were communicating with other 5 entities within the Citigroup umbrella that 6 had some dealings with mortgages or the real 7 estate market such as the RMBS 8 securitization desk or such as the 9 origination teams at Citi financial? Do you 10 know if there was communication from the CDO 11 desk to other areas of the entities? 12 A I don't. 13 Q If there was not, would that have 14 surprised you? 15 A Communication about what? 16 Q Conditions in the real estate 17 market and the decline? 18 A I would have expected that anyone 19 in trading business would have reached out 20 to as many sources of market information as 21 one could get. And that you would have a 22 more welcome reception from members of the 23 family. So it seems to me logical that all 24 of the parts of our business that dealt with 25 mortgages would have had a natural 246	1 Interview - CHARLES PRINCE 2 business and had the background and the 3 responsibility for running that business, I 4 think it's probably correct to say that they 5 incorrectly discounted the probabilities 6 that the deterioration, et cetera, et 7 cetera. 8 What I would object to or what I 9 would not agree with is the use of the word 10 probability instead of possibility. 11 Q What do you mean by that? 12 A The sentence says, "Senior 13 management incorrectly discounted the 14 probability that something would happen." 15 It clearly wasn't probable that something 16 would happen. It was -- in the spring and 17 summer of 2007, it was at best remotely 18 possible. It was at the far end of unlikely 19 at that point in time, looking at every 20 external indicator, the documents you have 21 shown me today proved that. 22 So, it was not a probability that 23 was discounted in that time period. It was 24 a remote possibility. I think they did 25 discount, if I can change the words, they 248
1 Interview - CHARLES PRINCE 2 inclination to call and get market color. 3 That is all I can add. 4 Q Looking back at the document, the 5 next sentence in that paragraph says: This, 6 meaning the communication -- strike that. 7 We have already covered I think that 8 sentence or at that least that concept. 9 The next sentence though, it 10 starts with, "Senior management incorrectly 11 discounted the probability that the 12 deterioration that was becoming evident in 13 the CDO market and in the subprime credit 14 conditions during the spring and summer of 15 2007 would have such a significant 16 deleterious affect on the firm's valuation 17 of its assets and its ability to syndicate 18 problematic assets." 19 What is your reaction to that 20 statement? 21 A Well, senior management 22 presumably includes more than just the CEO 23 and the CFO and so forth. If you include in 24 that Tom Maheras and Randy Barker, the 25 people who were running the fixed income 247	1 Interview - CHARLES PRINCE 2 incorrectly discounted the remote 3 possibility that the deterioration, et 4 cetera, et cetera. 5 Without agreeing with every 6 single word, I think if you were to say that 7 Maheras and Barker in the summer, not the 8 spring, but in the summer made a mistake 9 about this possibility, this fairly remote 10 possibility, one of the documents said 11 0.01 percent, I think, if their view of that 12 turned out to be as wrong as it was, then 13 yes, they were incorrect about that. But I 14 think it was later in the year and I think 15 it was a remote possibility, not a 16 probability. 17 Q The next sentence reads: "While 18 the firm ultimately released those managers 19 whose businesses incurred the losses, some 20 other remedial actions were slow in coming 21 after the subprime CDO exposure was 22 identified and its ramifications on earnings 23 were announced." 24 Do you have any idea what the, 25 whether there were other remedial actions 249

1 Interview - CHARLES PRINCE 2 that were slow in coming after the subprime 3 CDO exposure was identified and its 4 ramifications on earnings were announced? 5 A I don't know the answer to that. 6 Q That may have occurred after your -- 7 A Presumably the ramifications on 8 earnings refers to our announcement in mid 9 October and I was gone, yes, late October, 10 early November, and I was gone after that. 11 Q When was your official last day? 12 A I think I was on the payroll 13 until the end of December, but my last day 14 as CEO was November 4th. 15 Q The last sentence of that 16 paragraph is, "Two rounds of CEO write-downs 17 were announced before a unit was formed to 18 concentrate on loss mitigation and enhancing 19 the CDO valuation process." 20 What is your reaction to that 21 statement? 22 A I don't have any reaction. I 23 mean I know what the words mean but I think 24 it happened after I left. 25 MR. LERNER: If you are done 250	1 Interview - CHARLES PRINCE 2 our consumer group had significantly under- 3 performed for a number of years and that he 4 should be very watchful of the performance 5 of U.S. consumer business. And please don't 6 take that out of context. It is not that I 7 didn't talk to him about the securities 8 business. But he had a background in the 9 security business. And so I am sure we 10 talked about the securities business, but it 11 is not as if I felt that there was anything 12 special that I was going to add to his 13 thinking on the subject, but he did not have 14 a background in the consumer business. 15 Q Take you back in time, Mr. 16 Prince, to some testimony that you gave on 17 April 29, 1998? 18 A That is a different lifetime, 19 isn't it? Testimony where, if I may ask? 20 Q I will get to that. It was a 21 hearing before the House Financial Services 22 Committee on bank mergers on April 29, 1998. 23 This was about a year before the Financial 24 Services Modernization Act, the 25 Gramm-Leach-Bliley Act which repealed 252
1 Interview - CHARLES PRINCE 2 with this, I'm returning my copy. 3 MR. BONDI: Thank you. 4 BY MR. BONDI: 5 Q Do you know someone named Richard 6 Bowen? 7 A Richard Bowen. Doesn't ring a 8 bell. Sorry. 9 Q Did you offer any advice to Mr. 10 Pandit in his role as CEO when he took over 11 as CEO? Did you give him any advice? 12 A Well, you have to remember that 13 Vikram didn't take over until some number of 14 weeks after I left. 15 So it is not as if there was a 16 hand off of the football on a Monday 17 afternoon. 18 The only thing that is responsive 19 to your question, I did meet with Vikram for 20 breakfast at some point. This would have 21 been sometime in 2008, first half of the 22 year, but I don't remember exactly when. 23 And he asked me my thoughts about different 24 parts of the company and so forth. And the 25 only thing I remember telling him was that 251	1 Interview - CHARLES PRINCE 2 Glass-Steagall. And you said something 3 there, and I just will read it for the 4 record to get your reactions. 5 "The size, resources and 6 diversity of operations of the new company 7 will provide the financial strengths and 8 stability necessary to survive and grow in 9 today's rapidly changing world. 10 "Whether it is a country crisis, 11 a real estate crisis or any other crisis, it 12 is clear that the financial services company 13 of tomorrow and its customers must have the 14 ability to withstand shocks. 15 "As companies become larger and 16 more diverse, they are better able to serve 17 as a source of strength and stability, not 18 only for their affiliates but most 19 importantly for their customers. This is 20 what we will do for the 100 million 21 customers of Citigroup." 22 What is your reaction to hearing 23 that statement now that you had made on 24 April 29, 1998? 25 A I am not sure how to answer the 253

1 Interview - CHARLES PRINCE 2 question. 3 Q Fair enough. That was general, 4 and I should be more specific. 5 Do you feel that your description 6 in terms of the size, resources and 7 diversities of operations of Citigroup that 8 had developed as a result of the merger with 9 Travelers, the Citicorp/Travelers merger, 10 and the growth through the years, put it in 11 a better position to withstand financial 12 shocks? 13 A Yes. 14 Q The model that you were 15 describing in terms of the companies 16 becoming larger and larger, more diverse and 17 better able to withstand shocks, is that 18 still your view to this day in terms of 19 companies being larger and better able to 20 absorb shocks as opposed to more focused and 21 streamlined, or are we talking about two 22 different things? 23 A Well, I think we are talking 24 about a couple of different things. 25 In the case of the financial 254	1 Interview - CHARLES PRINCE 2 businesses. I don't think that is the right 3 conclusion to take from that. 4 Q Do you feel like Gramm-Leach-Bliley 5 and the repeal of Glass-Steagall contributed 6 in any way to the financial crisis? 7 A Well, it is very interesting. 8 You understand of course that by the time of 9 Gramm-Leach-Bliley, the Glass-Steagall Act 10 in a legislative sense only applied to the 11 insurance business, that the Fed had long 12 had authority to have banks and be in the 13 securities business. And in fact when 14 Travelers and Citi merged, the only issue 15 that had to be dealt with was the 16 combination of the insurance business with 17 the bank, not the combination of the 18 securities business. 19 But I take your question to be 20 the combination of securities businesses 21 with banks, whether or not that is a good 22 thing or a bad thing, whether this ought to 23 cause us to revisit, whether that is 24 permissible or not. 25 The variety of firms that had 256
1 Interview - CHARLES PRINCE 2 crisis, what we saw was that a variety of 3 firms, some small, some medium, some large, 4 encountered significant problems. Bear 5 Stearns was a fraction of the size of 6 Citigroup, Merrill Lynch was somewhere in 7 the middle. AIG was probably bigger in some 8 ways. And some were brokerage houses, some 9 were banks, some were insurance companies. 10 We see a whole variety of institutions that 11 were hit very hard by the super senior 12 issue, basically. 13 So, I don't think that from the 14 financial crisis one could reasonably take a 15 view that size, type of business, or any of 16 those characteristics were determining 17 characteristics. I don't think you could, 18 in light of Bear Stearns I don't think you 19 could come away and say well, gosh, the 20 bigger the company, the more complex, the 21 more difficult it is. I don't think in 22 light of AIG you can come away and say well, 23 it is the banks. I think, I think it is not 24 something that fits into one of those types 25 of businesses or big versus small 255	1 Interview - CHARLES PRINCE 2 problems, I am talking the 2007, 2008 time 3 frame, not the consumer slow down after 4 that, were mostly securities firms. Bears 5 Stearns, Merrill Lynch -- Goldman and Morgan 6 both bank holding companies because of this. 7 Lehman Brothers of course. In our case, the 8 Salomon Brothers business part of Citi. It 9 was mostly the securities firms. And what 10 happened was that the Fed had to take over 11 responsibility for those in a funding and 12 regulatory sense. 13 So, if we were to say we are 14 going to enforce a separation of these 15 businesses, I am not sure what we would get 16 from that. The Fed had to take on the 17 securities businesses. As I understand it, 18 there is not much prospect for the Fed to 19 let go of the securities business going 20 forward, so they got it both ways. 21 My sense is that combining a 22 volatile business with a more stable 23 business is actually good, not bad. So, 24 again, if you wanted to roll the clock back 25 to the time when the securities businesses 257

1 Interview - CHARLES PRINCE 2 weren't as important as they were -- in the 3 Great Depression, the banks were the main 4 conduit to the capital markets; they are not 5 any more, then I could see that. 6 But I don't think that question, 7 and I don't mean it in a disrespectful way, 8 I don't think that question deals with the 9 reality of the modern world. The reality of 10 the modern world is that securities firms 11 and banks and insurance companies are all 12 participants in the capital markets and 13 there is no way to artificially segregate 14 them. 15 Q Your testimony more recently on 16 March 7, 2008, before the house committee on 17 oversight and government reform, you 18 testified that the risk models eventually 19 proved to be inadequate. 20 A When was this? 21 Q March 7, 2008. 22 A What was that in the context of? 23 2008, I am sorry, yes, I have got it, right. 24 Q House oversight committee? 25 A I got it, sorry. 258	1 Interview - CHARLES PRINCE 2 "When do you think the damage occurred?" 3 And you responded, "Well, I think 4 honestly that the lending patterns began to 5 deteriorate pretty significantly in 2006." 6 In 2006, when the lending 7 patterns began to deteriorate, did that 8 sound off any alarms in your mind that there 9 could be trouble ahead? 10 A Let me make sure that we are 11 working with all the comments in the right 12 area. 13 When I talked about lending 14 standards deteriorating, I was talking about 15 the lending standards in the origination of 16 mortgages. And if you look at the subprime 17 mortgage originations, as you know they are 18 done by semi annual tranches. And it is 19 really in the 2006 tranches and the first 20 tranche in 2007 that the quality really 21 began to deteriorate. So that is what I was 22 talking about in the raw material. 23 That judgment, that conclusion 24 can only be seen in hindsight, that is as 25 those tranches of originations for the 260
1 Interview - CHARLES PRINCE 2 Q I think the title of the hearing 3 was "CEO pay and the mortgage crisis." 4 You testified, and I am 5 paraphrasing, that the risk models 6 ultimately proved to be inadequate. 7 Do you still agree with that view 8 that the risk models at Citigroup ultimately 9 turned out to be inadequate? 10 A I think the risk models in the 11 industry, I think the risk models of the 12 rating agencies, I think the risk models of 13 the regulators, I think everybody's risk 14 models turned out to be inadequate. 15 Q During that hearing Congressman 16 Kanjorski asked you the following. He said, 17 "Mr. Prince, your bank was in trouble. 18 Didn't you get any reports that there were 19 such horrible failures in the system?" 20 You responded, "I think 21 Congressman, that in all on honesty, by the 22 time some of those reports surfaced in the 23 spring of 2007, most of the damage had 24 already been done. That is --" and 25 Congressman Kanjorski interrupts and says, 259	1 Interview - CHARLES PRINCE 2 industry had earlier and earlier and higher 3 and higher default rates, it became clear in 4 hindsight that in 2006 and 2007 the 5 underwriting criteria had fallen off 6 significantly. 7 When I talked about by the spring 8 of 2007, the damage had been done, I was 9 referring to the comments of Tom Maheras and 10 Randy Barker that when they saw the bottom 11 line in that chart on page five that I 12 talked about, when they saw the triple B 13 line start to deteriorate, which really 14 happened when the HSBC had their problem 15 with associates in March, they said to me 16 and the board and others after the fact, in 17 September, October, that they tried to go 18 out and hedge the positions. And there 19 wasn't enough liquidity in the market, there 20 wasn't enough volume to hedge it. 21 And so my point was that whatever 22 we owned in the spring, that top line that 23 was still flat, there was no ability to get 24 off of that by the time the spring came. 25 And I was referring to them having said that 261

1 Interview - CHARLES PRINCE 2 they tried to increase the hedging and 3 wasn't able to. So, I am sorry, I am not 4 sure I have answered your question. Is 5 there more to the question that I didn't 6 answer? 7 Q Let me ask it a little bit 8 differently, and that is lending practices 9 in the subprime origination space -- 10 A Right. 11 Q -- as of, as an industry began to 12 deteriorate if 2006. 13 Do you agree with that, not -- 14 outside of Citigroup? 15 A The industry. 16 Q And Citigroup had a CDO business 17 that relied on RMBS, residential mortgage 18 backed securities, where the underlying 19 asset of those residential mortgage backed 20 securities were subprime mortgages 21 originated by other originators other than 22 Citi. 23 My question I guess is the 24 following is: If you had known in 2006 that 25 Citigroup had substantial positions on its 262	1 Interview - CHARLES PRINCE 2 The rating agencies knew about that. The 3 press had stories about those kinds of 4 issues. But everybody believed and 5 everybody believed up until October of 2007 6 that the strength of the structuring process 7 would keep the rising flood waters away from 8 the super seniors. It is just as simple as 9 that. 10 And so it is not just the 11 characterization of the underlying asset. 12 It is also the characterization of the 13 result of the securitization process. And 14 as I said, for all I know, the super seniors 15 are still paying out. That was the 16 question. Now, in hindsight, if I knew a 17 fraction of what I knew today, would I go 18 and can them to get this stuff off books, of 19 course I would. What is the difference 20 between Citi and another bank? Our guys 21 didn't sell the super seniors. It is just 22 as simple as that. If our folks had sold 23 the super seniors, you would be asking me 24 why we were so much smarter than Merrill 25 Lynch. How did we get it right, you would 264
1 Interview - CHARLES PRINCE 2 books of CDOs and underlying those CDOs were 3 mortgages of originators that had 4 deteriorating lending standards, if you had 5 known that in 2006, could you have asked Mr. 6 Maheras or Mr. Barker, take hedge positions 7 on that? Could you have asked people to 8 take defensive mechanisms that would have 9 prevented Citigroup from having substantial 10 losses in the future? 11 A Look, the answer that helps me is 12 to say yes. But that is too simplistic an 13 answer even though it serves my personal 14 interest. The reality is that it would have 15 depended upon both an appreciation of the 16 underlying quality of the asset and the 17 belief in the strength of the securitization 18 model. 19 In '06, everybody, the rating 20 agencies, everybody knew that lending 21 standards were lax. They didn't know they 22 were deteriorating, but they knew they were 23 lax. It is not as if no doc and low doc 24 loans or the fact of negative amortization 25 products was unknown in 2006 or early 2007. 263	1 Interview - CHARLES PRINCE 2 be asking me. And that decision was made 17 3 levels below my office by people who had, I 4 believe, a good faith belief in what they 5 were doing. But it's overly generous to me 6 to say if I had known X would I have gone 7 and changed the world. I would like to say 8 yes, but I think it is more complicated than 9 that. 10 Q If I heard correctly today, 11 though, in 2006 and early 2007, you didn't 12 know the positions -- 13 A Correct. 14 Q -- that were being taken on CDOs? 15 A Correct. 16 Q I have learned to always ask one 17 question at the end that and that is, is 18 there anything, Mr. Prince, that you 19 expected me to ask or expected to talk about 20 today that we haven't? 21 A Gosh, you have covered so much 22 ground, so quickly. We talked about the 23 rating agencies, we talked about the 24 regulators, we talked about risk. We talked 25 about the board. I can't think of anything 265

1 Interview - CHARLES PRINCE 2 else, no. 3 Q And, Mr. Prince, in fairness 4 obviously to you and to the process here, is 5 there anything that you would like to add? 6 Is there anything that you feel that either 7 the Financial Crisis Inquiry Commission or 8 its staff ought to know, anything that you 9 would like to share? 10 A Well, I really wish that it 11 hadn't happened. I don't wish that for me, 12 but I wish it for the institution and I wish 13 it for the people of the institution. But 14 maybe that came through already. 15 Q Mr. Prince, we are obviously in a 16 confidential interview. I just ask that you 17 obviously don't discuss what we talked about 18 today with anyone outside of your counsel. 19 A You get to the senior enough 20 level in life, you forget things very 21 easily. 22 Q And, Mr. Prince, on behalf of the 23 Financial Crisis Inquiry Commission and its 24 staff I would like to thank you for your 25 time today and your candor. Thank you. 266	1 Interview - CHARLES PRINCE 2 3 Page 4 5 EXAMINATION BY MR. BONDI 3 6 7 E X H I B I T S 8 9 E-mail Bates numbered Citi FCIC E 40 10 31616 was marked CR Exhibit 1 11 12 Printout of remarks of April 19, 45 13 2007 to the Greenlining 14 institute's 14 Annual Economic 15 Summit in Los Angeles, California 16 was marked CR Exhibit 2 17 18 Document Bates marked Citi FCIC 56 19 91764 and 91765 continuing on to 20 765, which purports to be the 21 warehouse lines of credit with 22 mortgage originators from 2000 to 23 2010 was marked CR Exhibit 3 24 25 Presentation Bates Citi 7657 was 70 268
1 Interview - CHARLES PRINCE 2 A Thank you for such a professional 3 engagement. 4 (Time noted: 4 p.m.) 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 267	1 Interview - CHARLES PRINCE 2 marked CR Exhibit 4 3 4 Documents Bates Citi FCIC 24594 96 5 were marked CR Exhibit 5 6 7 E-mail chain Bates Citi FCIC E 110 8 24768 was marked CR Exhibit 6 9 10 Document Bates Citi FCIC 2648 was 127 11 marked CR Exhibit 7 12 13 E-mail chain Bates marked Citi 137 14 FCIC E 36374 was marked CR 15 Exhibit 8 16 17 Power Point deck Bates marked 146 18 FCIC 99654 was marked CR 19 Exhibit 9 20 21 E-mail chain Bates Citi FCIC E 159 22 31582 was marked CR Exhibit 10 23 24 The document marked Citi 1611657 174 25 entitled Global Structured Credit 269

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1 Interview - CHARLES PRINCE 2 CERTIFICATION 3 4 5 I, JESSICA R. BERMAN, a Notary Public 6 for and within the State of New York, do 7 hereby certify: 8 That the witness whose testimony as 9 herein set forth, was duly sworn by me; and 10 that the within transcript is a true record 11 of the testimony given by said witness. 12 I further certify that I am not related 13 to any of the parties to this action by 14 blood or marriage, and that I am in no way 15 interested in the outcome of this matter. 16 IN WITNESS WHEREOF, I have hereunto set 17 my hand this 18th day of March, 2010. 18 19 20 <u>JESSICA R. BERMAN</u> 21 22 * * * 23 24 25 271	

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