

EXHIBIT 41

FILED UNDER SEAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- Master File No.:
IN RE BARCLAYS BANK PLC: : 1:09-cv-01989-PAC
SECURITIES LITIGATION :
-----:
This Document Relates to: :
:
ALL ACTIONS. :
-----:

August 19, 2015
9:06 a.m.

** CONFIDENTIAL UNDER PROTECTIVE ORDER **

VIDEOTAPED DEPOSITION of JOHN
KREITLER, taken by Plaintiffs, pursuant to
Subpoena, held at the offices of Sullivan &
Cromwell, 535 Madison Avenue, New York, New
York, Eileen Mulvenna, CSR/RMR/CRR, Certified
Shorthand Reporter, Registered Merit
Reporter, Certified Realtime Reporter, and
Notary Public of the State of New York.

VERITEXT LEGAL SOLUTIONS
MID-ATLANTIC REGION
1801 Market Street - Suite 1800
Philadelphia, PA 19103

1 KREITLER - CONFIDENTIAL

2 that this case involves -- or relates to an
3 April 8, 2008, offering of securities by
4 Barclays?

5 A. Yes.

6 Q. Were you employed by Barclays in
7 April of 2008?

8 A. No.

9 Q. When did you leave the company?

10 A. My last day in the office was in
11 and around December 2nd, 2007.

12 Q. Can you just take us through a
13 brief overview of your educational and
14 employment history.

15 A. Yes. I graduated from Princeton
16 University in 1985. I was employed at Chase
17 Manhattan Bank from the fall of 1985 through
18 the late winter, early spring 1986. I was
19 employed from that date through to May 2002
20 with Lehman Brothers. I was employed from
21 May 2002 through to my last day in the office
22 in December of 2007 with Barclays Capital. I
23 believe I was a employee on record through
24 March 31st, 2008.

25 Q. Starting with Chase Manhattan,

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2 what was your position there?

3 A. Operations clerk, I believe.

4 Q. What were your general
5 responsibilities in that position?

6 A. I don't recall.

7 Q. What was your position or
8 positions at Lehman Brothers?

9 A. There were several.

10 Q. What was the last position you
11 held at Lehman Brothers?

12 A. Head European credit trading.

13 Q. What were your responsibilities
14 as the head of European credit trading?

15 A. Head of trading desks in credit
16 trading for Europe.

17 Q. During your time at Lehman
18 Brothers, were you responsible for any
19 mortgage securitization activities?

20 A. No.

21 Q. Why did you leave Lehman
22 Brothers in May of 2002?

23 A. I was hired by Barclays Capital.

24 Q. What position did you assume
25 when you transitioned to Barclays Capital?

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2 A. Global head credit trading.

3 Q. Were you the global head of
4 credit trading throughout your entire tenure
5 with the company?

6 A. Yes.

7 Q. Who did you report to as the
8 head of global credit trading?

9 A. Grant Kvalheim.

10 MR. TOMAINO: You might want to
11 spell that, if you know.

12 THE WITNESS: Kvalheim,
13 K-V-A-L-H-E-I-M.

14 BY MR. RUSSO:

15 Q. What was Mr. Kvalheim's position
16 with the company?

17 A. Head global financing. Global
18 head.

19 Q. You said your last day at
20 Barclays was around December 2nd, 2007; is
21 that correct?

22 A. In and around.

23 Q. Why did you leave Barclays in
24 December of 2007?

25 A. I was asked to leave.

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2 Q. Who asked you to leave?

3 A. Jerry del Missier.

4 Q. Who is Jerry del Missier?

5 A. Head global markets.

6 Q. Did Mr. Kvalheim report to
7 Mr. del Missier?

8 A. No.

9 Q. Did you report to
10 Mr. del Missier at any time during your
11 tenure with the company?

12 A. I don't recall.

13 Q. How did Mr. del Missier
14 communicate to you that you were being asked
15 to leave the company?

16 A. In a meeting.

17 Q. Who was at the meeting?

18 A. He and myself.

19 Q. Nobody else?

20 A. No.

21 Q. Do you recall when that meeting
22 took place?

23 A. I don't recall.

24 Q. Was it in or around December 2nd
25 of 2007, or was it several months earlier?

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2 A. I would be speculating. Roughly
3 one month prior to that.

4 Q. Okay. And what did Mr. del
5 Missier tell you during this meeting?

6 A. That he was going to run the
7 business with other people.

8 Q. Which business are you referring
9 to?

10 A. Credit trading.

11 Q. Did he mention which other
12 people would be running the business?

13 A. No.

14 Q. Did he explain to you why these
15 other individuals were going to be running
16 the business going forward?

17 A. No.

18 Q. Did he provide you with any
19 other reason why he was asking you to leave?

20 A. No.

21 Q. Do you recall saying anything to
22 Mr. del Missier during this meeting?

23 A. No.

24 Q. During the one-month time period
25 between when you had this meeting with

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2 Q. Which desks?

3 A. I would be speculating, but the
4 US ABS desk and the European ABS desk.

5 Q. Why do you believe that these
6 desks were -- held positions in subprime
7 mortgage assets as of December 2007?

8 A. That's my recollection.

9 Q. Focusing again on the
10 December 2007 time period, when you left
11 Barclays, were any of the trading desks that
12 you oversaw -- strike that -- did any of the
13 trading desks that you oversaw have positions
14 in Alt-A mortgage assets?

15 A. I don't know what Alt-A assets
16 are.

17 Q. Have you heard the term "Alt-A"
18 before?

19 A. I've heard the term.

20 Q. You have no understanding of
21 what that term means?

22 A. No.

23 Q. So you don't know one way or the
24 other whether any of the trading desks you
25 oversaw were -- held positions in Alt-A

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2 assets?

3 A. I don't recall.

4 Q. You don't recall or you don't
5 know what an Alt-A asset is? I'm confused.

6 A. I don't know what an Alt-A asset
7 is, and I don't recall whether we had
8 positions.

9 Q. Were any of the trading desks
10 that you oversaw exposed to any other
11 mortgage-related assets as of December 2007?

12 MR. TOMAINO: Objection to form.

13 THE WITNESS: Repeat the
14 question.

15 BY MR. RUSSO:

16 Q. Sure.

17 As of December 2007, did any of
18 the trading desks that you oversaw have any
19 positions in other mortgage-related assets
20 besides the US ABS desk or the Euro ABS desk?

21 A. I don't recall.

22 Q. At the time you left Barclays in
23 December of 2007, did any of the trading
24 desks that you oversaw have any positions in
25 CDOs?

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2 A. Michael Wade as -- if indeed
3 it's called the asset securitization group.

4 Q. Did you play any role in that
5 group?

6 A. I comanaged John Carroll with
7 Michael Wade.

8 Q. Did you play any role in the
9 securitization of mortgage loans during your
10 time at Barclays?

11 A. No.

12 Q. So you never had any
13 responsibilities over securitizing whole
14 loans into mortgage-backed securities?

15 A. No.

16 Q. Apart from any formal
17 responsibilities, did you play any role
18 whatsoever in the securitization process?

19 A. I don't understand the question.

20 Q. During your time at Barclays,
21 were you ever involved in any way in
22 assisting with or overseeing the
23 securitization of mortgage loans?

24 A. I managed John Carroll.

25 Q. Why do you say that that

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2 A. Net interest margin.

3 Q. Do you recall the ABS trading
4 desk holding any NIM assets during the 2007
5 time frame?

6 A. No.

7 Q. Did the ABS trading desk hold
8 assets referred to as post-NIM residuals?

9 A. I don't know.

10 Q. Do you know what a post-NIM
11 residual is?

12 A. No.

13 Q. What is your understanding of
14 what makes a mortgage subprime?

15 MR. TOMAINO: Objection to form;
16 foundation.

17 THE WITNESS: I don't know.

18 BY MR. RUSSO:

19 Q. You have no concept of what a
20 subprime mortgage is?

21 A. Restate the question.

22 Q. Sure.

23 What is your understanding of
24 the characteristics that make a mortgage
25 subprime?

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2 MR. TOMAINO: Same objection.

3 Form; foundation.

4 THE WITNESS: Subprime was one
5 of dozens of assets that were in the
6 credit world. My understanding is
7 limited.

8 BY MR. RUSSO:

9 Q. You said you had reason to
10 believe that the ABS trading desk held
11 subprime assets. What are you referring to
12 when you say subprime?

13 A. The name subprime.

14 Q. What is your understanding of
15 what makes a mortgage subprime?

16 MR. TOMAINO: Same objection.

17 THE WITNESS: Lower quality
18 borrowers.

19 BY MR. RUSSO:

20 Q. Lower quality -- do you mean a
21 lower FICO score?

22 A. I don't know.

23 Q. You don't know what makes a
24 borrower low quality?

25 A. I don't know what you call that.

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2 Q. Call what?

3 A. You introduced a new term to
4 represent a low-quality borrower. I don't
5 know what that means.

6 Q. You don't know what a FICO score
7 is?

8 A. No.

9 Q. So when you say that the ABS
10 trading desk -- or you have reason to believe
11 that the ABS trading desk was exposed to
12 subprime assets, what's your basis for that
13 testimony?

14 A. They traded mortgage product.

15 Q. Why did that lead you to believe
16 that -- is it your understanding that all
17 mortgage product is subprime?

18 A. No.

19 Q. So what is your understanding of
20 what trading in a subprime mortgage is?

21 MR. TOMAINO: Objection --

22 THE WITNESS: Restate the
23 question.

24 MR. TOMAINO: Objection to form.

25

EXHIBIT 42

FILED UNDER SEAL

In The Matter Of:

(C-"FHFA") FEDERAL HOUSING FINANCE AGENCY, ETC.

v.

BARCLAYS BANK PLC, ET. AL.

JOHN T. CARROLL - Vol. 1

September 5, 2013

MERRILL CORPORATION

Legalink, Inc.

225 York Street
50th Floor
New York, NY 10038
Phone 212 607 7400
Fax 212 607 9171

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
FEDERAL HOUSING FINANCE AGENCY, AS
CONSERVATOR FOR THE FEDERAL NATIONAL
MORTGAGE ASSOCIATION AND THE FEDERAL
HOME LOAN MORTGAGE CORPORATION,

Plaintiff,

-against- 1:11-CV-06190 (DLC)

BARCLAYS BANK PLC; BARCLAYS CAPITAL,
INC.; SECURITIZED ASSET BACKED
RECEIVABLES LLC; MICHAEL WADE;
JOHN CARROLL; and PAUL MENEFEE,
Defendants.

-----x

September 5, 2013
9:00 a.m.

Videotaped Deposition of JOHN T.
CARROLL, taken by Plaintiff, pursuant to
Notice, at the offices of Quinn Emanuel
Urquhart & Sullivan LLP, 51 Madison Avenue,
New York, New York, before ERIC J. FINZ, a
Shorthand Reporter and Notary Public within
and for the State of New York.

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Page 2	Page 4
<p>1 APPEARANCES:</p> <p>2 QUINN EMANUEL URQUHART & SULLIVAN LLP</p> <p>3 Attorneys for Plaintiff</p> <p>4 51 Madison Avenue</p> <p>5 New York, New York 10010</p> <p>6 BY: SCOTT R. COMMERSON, ESQ.</p> <p>7 (scottcommerston@quinnemanuel.com)</p> <p>8 -and-</p> <p>9 SERAFINA SHISHKOVA, ESQ.</p> <p>10 (serafinashiskova@quinnemanuel.com)</p> <p>11 SULLIVAN & CROMWELL LLP</p> <p>12 Attorneys for Defendants</p> <p>13 125 Broad Street</p> <p>14 New York, New York 10004-2498</p> <p>15 BY: JOSHUA FRITSCH, ESQ.</p> <p>16 (jfritsch@sullivan.com)</p> <p>17 KATHLEEN COCHRANE, ESQ.</p> <p>18 (kcochrane@sullivan.com)</p> <p>19 -and-</p> <p>20 BRIAN FRAWLEY, ESQ. (s.m. only)</p> <p>21 (bfrawley@sullivan.com)</p> <p>22 ALSO PRESENT:</p> <p>23 WILLIAM PACE, Videographer</p>	<p>1 EXHIBITS (Continued)</p> <p>2 DESCRIPTION PAGE</p> <p>3 (Deposition Exhibit 9205 for 108</p> <p>4 identification, prospectus</p> <p>5 supplement dated January 23, 2006</p> <p>6 for SABR Trust 2006-CB1,</p> <p>7 production numbers FHFA-BARC 82295</p> <p>8 through FHFA-BARC 82431.)</p> <p>9 (Deposition Exhibit 9206 for 113</p> <p>10 identification, prospectus</p> <p>11 supplement dated February 26, 2006</p> <p>12 for SABR Trust 2007-CB2,</p> <p>13 production numbers FHFA-BARC 21137</p> <p>14 through FHFA-BARC 21495.)</p> <p>15 (Deposition Exhibit 9207 for 141</p> <p>16 identification, email dated July</p> <p>17 27, 2006, with attachment,</p> <p>18 production numbers FHFA-BARC</p> <p>19 872903 through FHFA-BARC 872934.)</p> <p>20 (Deposition Exhibit 9208 for 197</p> <p>21 identification, email dated</p> <p>22 January 9, 2006, with attachments,</p> <p>23 production numbers FHFA-BARC</p> <p>24 941750 through FHFA-BARC 941760.)</p> <p>25</p>
Page 3	Page 5
<p>1 EXHIBITS</p> <p>2 DESCRIPTION PAGE</p> <p>3 (Deposition Exhibit 9200 for 26</p> <p>4 identification, document headed</p> <p>5 "Exhibit A: Deposition Background</p> <p>6 Questionnaire.")</p> <p>7 (Deposition Exhibit 9201 for 54</p> <p>8 identification, Form S-3 filed</p> <p>9 April 11, 2005, no production</p> <p>10 numbers.)</p> <p>11 (Deposition Exhibit 9202 for 60</p> <p>12 identification, form POS AM filed</p> <p>13 December 7, 2005, no production</p> <p>14 numbers.)</p> <p>15 (Deposition Exhibit 9203 for 64</p> <p>16 identification, Form S-3 filed</p> <p>17 December 21, 2005, no production</p> <p>18 numbers.)</p> <p>19 (Deposition Exhibit 9204 for 66</p> <p>20 identification, Form S-3/A filed</p> <p>21 February 9, 2006, no production</p> <p>22 numbers.)</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 EXHIBITS (Continued)</p> <p>2 DESCRIPTION PAGE</p> <p>3 (Deposition Exhibit 9209 for 204</p> <p>4 identification, email dated</p> <p>5 September 11, 2006, production</p> <p>6 numbers FHFA-BARC 459864.)</p> <p>7 (Deposition Exhibit 9210 for 210</p> <p>8 identification, email dated</p> <p>9 October 19, 2006, production</p> <p>10 numbers FHFA-BARC 459884.)</p> <p>11 (Deposition Exhibit 9211 for 213</p> <p>12 identification, email dated</p> <p>13 November 27, 2006, with</p> <p>14 attachment, production numbers</p> <p>15 FHFA-BARC 213697 through FHFA-BARC</p> <p>16 213701.)</p> <p>17 (Deposition Exhibit 9212 for 218</p> <p>18 identification, email dated</p> <p>19 September 26, 2005, production</p> <p>20 numbers FHFA-BARC 648711.)</p> <p>21 (Deposition Exhibit 9213 for 223</p> <p>22 identification, email dated</p> <p>23 November 30, 2005, production</p> <p>24 numbers FHFA-BARC 756415.)</p> <p>25</p>

2 (Pages 2 to 5)

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Page 6		Page 8	
1		1	
2	EXHIBITS (Continued)	2	EXHIBITS (Continued)
3	DESCRIPTION PAGE	3	DESCRIPTION PAGE
4	(Deposition Exhibit 9214 for 230	4	(Deposition Exhibit 9222 for 325
5	identification, email dated	5	identification, document headed
6	December 13, 2005, production	6	"2005 Compensation Profile," with
7	numbers FHFA-BARC 459821.)	7	attachments, production numbers
8	(Deposition Exhibit 9215 for 242	8	FHFA-BARC 835807 through FHFA-BARC
9	identification, email dated	9	835812, FHFA-BARC 933784 through
10	September 29, 2006, with	10	FHFA-BARC 933795 and FHFA-BARC
11	attachments, production numbers	11	938689.)
12	FHFA-BARC 521712 through FHFA-BARC	12	(Deposition Exhibit 9223 for 334
13	521742.)	13	identification, email dated
14	(Deposition Exhibit 9216 for 245	14	November 30, 2005, production
15	identification, email dated August	15	numbers FHFA-BARC 965719 through
16	25, 2007, production numbers	16	FHFA-BARC 965720.)
17	FHFA-BARC 582246 through FHFA-BARC	17	
18	582248.)	18	
19	(Deposition Exhibit 9217 for 255	19	
20	identification, email dated	20	
21	January 23, 2007, production	21	
22	numbers FHFA-BARC 580829 through	22	
23	FHFA-BARC 580830.)	23	
24		24	
25		25	
Page 7		Page 9	
1		1	
2	EXHIBITS (Continued)	2	EXHIBITS (Previously Marked)
3	DESCRIPTION PAGE	3	DESCRIPTION PAGE
4	(Deposition Exhibit 9218 for 259	4	(Deposition Exhibit 8403 for 51
5	identification, email dated June	5	identification, Amended
6	6, 2006, production numbers	6	Complaint.)
7	FHFA-BARC 559710.)	7	(Deposition Exhibit 8410 for 253
8	(Deposition Exhibit 9219 for 264	8	identification, email dated July
9	identification, email dated	9	11, 2006, production numbers
10	November 21, 2006, with	10	FHFA-BARC 158512 through FHFA-BARC
11	attachment, production numbers	11	158513.)
12	FHFA-BARC 787537 through FHFA-BARC	12	
13	787552.)	13	
14	(Deposition Exhibit 9220 for 274	14	
15	identification, document headed	15	
16	"Barclays Capital Inc., Written	16	
17	Supervisory Manual," production	17	
18	numbers FHFA-BARC 1020231 through	18	
19	FHFA-BARC 1020244.)	19	
20	(Deposition Exhibit 9221 for 321	20	
21	identification, email dated March	21	
22	14, 2007, with attachment,	22	
23	production numbers FHFA-BARC	23	
24	562860 through FHFA-BARC 562870.)	24	
25		25	

3 (Pages 6 to 9)

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STIPULATION

Upon completion of the transcription of today's session, the original transcript shall be sent to counsel for the witness by the court reporter. Counsel shall promptly forward it to the witness for review, correction, and signature under penalty of perjury. The witness shall have 30 calendar days from the day of receipt of the original transcript (not including any preliminary or "rough" transcripts) within which to review, make any correction, sign the deposition transcript under penalty of perjury, and return it to counsel. The witness's counsel shall then forward the original transcript plus corrections to the court reporter, who will promptly notify all counsel of its receipt and any changes to testimony made by the witness.

If the witness is not

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represented by counsel, the original transcript will be sent to the witness by the court reporter. After review, correction, and signature within 30 calendar days from the date of receipt, the witness shall return the original transcript to the court reporter, who will notify all counsel of its receipt and any changes to testimony by the witness. The court reporter will deposit the original transcript on a secure website. If, for any reason, the original is lost, misplaced, not returned, not signed, or unavailable, a certified copy may be used in its place for all purposes. The court reporter is otherwise relieved of any statutory duties.

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JOHN T. CARROLL

THE VIDEOGRAPHER: This is the video operator speaking, William Pace for Merrill Legal Solutions, at 225 Varick Street, New York, New York.

We're here today on September 5, 2013, at 9:01 a.m., at the offices of Quinn Emanuel Urquhart & Sullivan LLP, at 51 Madison Avenue, New York, New York, to take the videotaped deposition of John T. Carroll, in the matter of Federal Housing Finance Agency, as Conservator for the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, versus Barclays Bank PLC, et al., which is in the United States District Court, Southern District of New York, Case No. 1:11-CV-06190.

At the outset of the deposition on the record, all counsel, both at the site and by remote access, shall identify themselves and whom they represent. If any counsel

participating remotely joins the

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JOHN T. CARROLL

deposition after it starts, that counsel shall identify himself or herself upon joining.

Would you please now announce who you are and whom you represent.

MR. COMMERSON: Scott Commerson of Quinn Emanuel for plaintiff FHFA.

MS. MAGEN: Serafina Shishkova, Quinn Emanuel, for FHFA.

MR. FRITSCH: Josh Fritsch, Sullivan & Cromwell, on behalf of Barclays defendants and Mr. Carroll.

MS. COCHRANE: Kathleen Cochrane, Sullivan & Cromwell, on behalf of Barclays defendants.

MR. FRAWLEY: Brian Frawley from Sullivan & Cromwell on behalf of Barclays and the witness.

THE VIDEOGRAPHER: The court reporter today is Eric Finz of Merrill Legal Solutions, and you may swear in the witness.

MR. COMMERSON: Just to be clear, is there anyone on the line?

4 (Pages 10 to 13)

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Page 14	Page 16
<p>1 JOHN T. CARROLL 2 I guess not. 3 JOHN T. CARROLL, 4 having been first duly sworn by the Notary 5 Public (Eric J. Finz), was examined and 6 testified as follows: 7 EXAMINATION BY 8 MR. COMMERSON: 9 Q. Mr. Carroll, I introduced myself 10 before we started, but I'll just introduce 11 myself again. My name is Scott Commerson, 12 I'm the attorney who will be taking your 13 deposition today. It's nice to meet you. 14 Can you please state your name 15 and address for the record? 16 A. Sure. John T. Carroll. 22 17 Country Club Drive, Port Washington, New 18 York. 19 Q. Mr. Carroll, have you been 20 deposed before? 21 A. Yes. 22 Q. How many times? 23 A. Once. 24 Q. What was the subject matter of 25 the case that you were deposed in?</p>	<p>1 JOHN T. CARROLL 2 MR. FRITSCH: Objection to form. 3 Q. Okay. So you've been deposed 4 once before and you probably know the ground 5 rules, but I'll just briefly help remind 6 you. I will be asking you questions, your 7 counsel may object. But unless he instructs 8 you not to answer, you're required to answer 9 my questions. Do you understand? 10 A. I understand. 11 Q. If you do not understand a 12 question, please tell me what you did not 13 understand about it and I will try to ask a 14 better question. Okay? 15 A. Okay. 16 Q. If you need to take a break at 17 any time, please tell me and I will 18 accommodate you, although I would ask that 19 you answer any questions that are pending 20 before we take the break. 21 A. Okay. 22 Q. Do you understand that you have 23 taken a legally binding oath to answer my 24 questions fully and truthfully? 25 A. Yes.</p>
Page 15	Page 17
<p>1 JOHN T. CARROLL 2 A. I was a 30(b)(6) witness, I 3 think that's what it was called. In a 4 securities lawsuit, I believe, against UBS. 5 Q. So this is obviously when you 6 were employed by UBS? 7 A. Correct. 8 Q. Do you know approximately when 9 this deposition was taken? 10 A. Within the last year. 11 Q. And do you remember generally 12 what the topic was that you were designated 13 to testify about? 14 A. Particulars of one specific 15 mortgage securitization deal. 16 Q. Okay. I'm sorry. 17 A. That UBS had underwritten. 18 Q. Did that involve RMBS? 19 A. Yes. 20 Q. And do you remember generally 21 what the allegations in that case were? 22 A. No. 23 Q. Do you remember if it involved 24 fraud? 25 A. I don't recall.</p>	<p>1 JOHN T. CARROLL 2 Q. Is there any reason that you 3 cannot provide full and truthful answers 4 today? 5 A. No. 6 Q. Mr. Carroll, what, if anything, 7 did you do to prepare for today's 8 deposition? 9 A. I met with counsel. 10 Q. Can you please identify the 11 counsel you met with. 12 A. The three in the room, Kathleen, 13 Josh and Brian. 14 Q. When did you meet with them? 15 A. Yesterday. 16 Q. How long did you meet with them? 17 A. Approximately eight hours. 18 Q. Where did you meet with them? 19 A. In their offices. 20 Q. Aside from the three Sullivan & 21 Cromwell counsel that you identified, was 22 anyone else present? 23 A. Yes, one additional counsel. 24 Matt, was his name. 25 MR FRITSCH: Matt.</p>

5 (Pages 14 to 17)

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<p>1 JOHN T. CARROLL 2 THE WITNESS: Was he Barclays 3 counsel? 4 MR. FRITSCH: I can't answer for 5 you. 6 A. I don't remember. 7 Q. There was another -- 8 A. There was another gentleman in 9 the room off and on. 10 MR. FRITSCH: Co-counsel in our 11 case. 12 Q. Mr. Carroll, are you paying for 13 your counsel? 14 A. No. 15 Q. Mr. Carroll, are you being paid 16 for your deposition time today? 17 A. No. 18 Q. Were you -- strike that. 19 Are you being paid for your prep 20 time in this deposition? 21 A. No. 22 Q. Other than as directed by your 23 counsel, did you review any documents in 24 preparation for this deposition? 25 A. No.</p>	<p>1 JOHN T. CARROLL 2 Q. What did he say about the 3 deposition beyond the fact that it was going 4 to happen? 5 A. I believe he spoke about being 6 surprised that he was being deposed. 7 Q. Did he say why he was surprised? 8 A. Don't recall. 9 Q. Did you all discuss what the 10 case involved? 11 A. I don't remember. 12 Q. Did you all discuss the 13 allegations by FHFA in this case? 14 A. I don't recall. 15 Q. Do you recall discussing 16 anything with Mr. Dixon in that phone call 17 just beyond the fact that he was going to be 18 deposed? 19 A. No. 20 Q. Did you mention to him that you 21 would be deposed as well? 22 A. I'm sorry, we spoke about -- the 23 deposition really wasn't the main topic of 24 the conversation. So there were other 25 things that we spoke about unrelated to the</p>
Page 19	Page 21
<p>1 JOHN T. CARROLL 2 Q. Other than your counsel, did you 3 speak to anyone about today's deposition? 4 A. Yes. 5 Q. Who? 6 A. Brian Dixon. 7 Q. When did you speak with 8 Mr. Dixon? 9 A. Approximately a month ago. 10 Q. What did you say to Mr. Dixon 11 regarding this deposition? 12 A. He -- we spoke, it was the first 13 time we had spoken in a number of years -- 14 in about a year. And just mentioned that he 15 was being deposed, and I mentioned I was 16 being deposed. 17 Q. Did Mr. Dixon reach out to you? 18 A. I believe so, yes. 19 Q. And did he tell you why he was 20 calling you? 21 A. I don't recall. 22 Q. Did he say that the reason he 23 was calling you was to discuss his upcoming 24 deposition in this matter? 25 A. Not specifically, no.</p>	<p>1 JOHN T. CARROLL 2 deposition. 3 Q. And generally, what were those 4 things that you spoke about? 5 A. What he's doing currently 6 career-wise, what I'm doing currently 7 career-wise. Family. General catch-up. 8 Q. Okay. So aside from that one 9 call with Mr. Dixon, and aside from your 10 counsel, have you spoken with anyone else 11 regarding the deposition today? 12 A. Yes, I've told people I was 13 being deposed today, as far as where I was. 14 But not specifically. 15 Q. Beyond telling people that you 16 would be deposed today -- 17 A. Right. 18 Q. -- have you talked with anyone 19 else about the subject of today's 20 deposition? 21 A. No. 22 Q. Had you talked with anyone aside 23 from Mr. Dixon and your counsel about the 24 current litigation? 25 A. As it relates to Barclays</p>

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<p>1 JOHN T. CARROLL</p> <p>2 specifically or just the...</p> <p>3 Q. Let me be -- when you say --</p> <p>4 what distinction are you making? Are you</p> <p>5 talking about the FHFA litigation generally</p> <p>6 or --</p> <p>7 A. My role in this or me being a</p> <p>8 witness or just the FHFA litigation</p> <p>9 generally, is that your question?</p> <p>10 Q. -- my question is whether you've</p> <p>11 discussed this case, and by this case I mean</p> <p>12 the lawsuit by the FHFA against Barclays,</p> <p>13 with anyone aside from your counsel at</p> <p>14 Sullivan & Cromwell and Mr. Dixon?</p> <p>15 A. Yes.</p> <p>16 Q. And who else have you discussed</p> <p>17 this case with?</p> <p>18 A. I've discussed -- again, not the</p> <p>19 specifics of the case, but the fact that</p> <p>20 there is a lawsuit. I was a witness for UBS</p> <p>21 in a couple of employment claims, where the</p> <p>22 lawsuit came up very generally. I probably</p> <p>23 discussed it with colleagues at the point of</p> <p>24 it happening, or it coming out. It has been</p> <p>25 a major topic of the industry. And then</p>	<p>1 JOHN T. CARROLL</p> <p>2 affirmative. I was asked if I knew what</p> <p>3 the -- I was asked if the lawsuit involved</p> <p>4 fraud, I was asked if the lawsuit involved</p> <p>5 misinformation. And I don't believe, other</p> <p>6 than answering yes, I don't recall my other</p> <p>7 answers.</p> <p>8 Q. Have you testified at any other</p> <p>9 hearings aside from the two arbitration</p> <p>10 hearings you just testified about?</p> <p>11 A. No.</p> <p>12 Q. Mr. Carroll, when did you first</p> <p>13 learn of this litigation?</p> <p>14 A. I don't recall the exact date.</p> <p>15 Q. Did you receive any instructions</p> <p>16 directing you to retain documents?</p> <p>17 A. I don't remember.</p> <p>18 Q. Have you collected any documents</p> <p>19 for this litigation?</p> <p>20 A. I have not.</p> <p>21 Q. Have you made any efforts to</p> <p>22 preserve documents related to this</p> <p>23 litigation?</p> <p>24 A. I don't have any documents in my</p> <p>25 possession that would be related to the</p>
Page 23	Page 25
<p>1 JOHN T. CARROLL</p> <p>2 it's been -- I've noted to a couple of</p> <p>3 prospective employers that I was named in</p> <p>4 this case.</p> <p>5 Q. I just wanted to go back, you</p> <p>6 mentioned that you were a witness for UBS in</p> <p>7 a couple of employment claims.</p> <p>8 A. Um-hum.</p> <p>9 Q. Was that in deposition or at a</p> <p>10 hearing?</p> <p>11 A. At an arbitration hearing.</p> <p>12 Q. And do you know generally, what</p> <p>13 did that lawsuit involve?</p> <p>14 A. There was two of them. One of</p> <p>15 them was an employee that was terminated in</p> <p>16 a reduction of force. And the other one was</p> <p>17 an employee that was terminated for cause.</p> <p>18 Q. And how did the subject of this</p> <p>19 lawsuit come up at those arbitrations?</p> <p>20 A. Plaintiffs' counsel brought up</p> <p>21 the lawsuit.</p> <p>22 Q. Do you recall what he or she</p> <p>23 said about the lawsuit?</p> <p>24 A. I was asked if I was named in</p> <p>25 the lawsuit, to which I answered in the</p>	<p>1 JOHN T. CARROLL</p> <p>2 litigation.</p> <p>3 Q. I understand you're no longer</p> <p>4 employed by Barclays. Did you maintain any</p> <p>5 hard files from your employment with</p> <p>6 Barclays?</p> <p>7 A. No.</p> <p>8 Q. What about any --</p> <p>9 A. Well, I didn't -- I'm sorry, I</p> <p>10 didn't bring them with me when I left.</p> <p>11 Everything that was relative to my</p> <p>12 conducting business at Barclays remained at</p> <p>13 Barclays.</p> <p>14 Q. What about any electronic</p> <p>15 documents, did you retain any of those</p> <p>16 relating to your employment with Barclays?</p> <p>17 A. Yes.</p> <p>18 Q. And generally what electronic</p> <p>19 documents have you maintained from your</p> <p>20 employment with Barclays?</p> <p>21 A. My severance letter.</p> <p>22 Q. Aside from your severance</p> <p>23 letter, are you aware of any other</p> <p>24 electronic documents that you've retained?</p> <p>25 A. No.</p>

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<p>1 JOHN T. CARROLL</p> <p>2 Q. Did you send or receive emails</p> <p>3 using a personal email address relating to</p> <p>4 your employment at Barclays?</p> <p>5 A. Yes.</p> <p>6 Q. Have you made any effort to</p> <p>7 check your personal email archives to</p> <p>8 determine whether or not any documents there</p> <p>9 may relate to this litigation?</p> <p>10 A. No.</p> <p>11 Q. Do you have an archive of</p> <p>12 personal emails that relate to your</p> <p>13 employment with Barclays?</p> <p>14 A. No. Other than the severance</p> <p>15 agreement.</p> <p>16 MR. COMMERSON: This will be</p> <p>17 Exhibit 9200</p> <p>18 (Deposition Exhibit 9200 for</p> <p>19 identification, document headed</p> <p>20 "Exhibit A: Deposition Background</p> <p>21 Questionnaire.")</p> <p>22 BY MR. COMMERSON:</p> <p>23 Q. Mr. Carroll, have you seen this</p> <p>24 document before?</p> <p>25 A. Yes.</p>	<p>1 JOHN T. CARROLL</p> <p>2 section 2.4, is that an accurate description</p> <p>3 of supervisors to whom you reported and</p> <p>4 supervisees who reported to you?</p> <p>5 A. Supervisors is complete,</p> <p>6 supervisees, there are others who I didn't</p> <p>7 recall their names.</p> <p>8 Q. Mr. Carroll, can you tell me by</p> <p>9 year when you first started working with</p> <p>10 RMBS?</p> <p>11 A. 1993.</p> <p>12 Q. Did you first commence working</p> <p>13 with RMBS while employed by Bank of America</p> <p>14 Mortgage as a head trader?</p> <p>15 A. At the time it was called Arbor</p> <p>16 National Mortgage, which was purchased by</p> <p>17 Bank of America.</p> <p>18 Q. And can you tell me generally at</p> <p>19 Arbor National Mortgage what your</p> <p>20 responsibilities entailed with respect to</p> <p>21 RMBS?</p> <p>22 A. Yes. I was a trader on their</p> <p>23 secondary marketing desk, responsible for</p> <p>24 hedging and selling their mortgage-backed</p> <p>25 securities and whole loans.</p>
Page 27	Page 29
<p>1 JOHN T. CARROLL</p> <p>2 Q. Did you prepare this document?</p> <p>3 A. No, it was prepared by counsel.</p> <p>4 Q. Have you reviewed this document</p> <p>5 to confirm that everything on it is</p> <p>6 accurate?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. Just going through it,</p> <p>9 section 1-B, is that an accurate statement</p> <p>10 of your educational background?</p> <p>11 A. Yes.</p> <p>12 Q. Section 1-C, is that an accurate</p> <p>13 description of all the professional licenses</p> <p>14 that you've attained?</p> <p>15 A. Yes.</p> <p>16 Q. Section 1-D, is that an accurate</p> <p>17 description of all of your employers aside</p> <p>18 from Barclays?</p> <p>19 A. Yes.</p> <p>20 Q. Section 2, is that an accurate</p> <p>21 description of the positions that you held</p> <p>22 with Barclays and any Barclays-related</p> <p>23 entities?</p> <p>24 A. Yes.</p> <p>25 Q. And then on the next page,</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Can you explain to me what you</p> <p>3 mean by "hedging"?</p> <p>4 A. Protecting their mortgage</p> <p>5 pipeline, which is the loans that were being</p> <p>6 originated, from interest rate risk.</p> <p>7 Q. And how would you do that?</p> <p>8 A. By selling TBAs, so forward</p> <p>9 sales of agency securities, as well as</p> <p>10 selling short treasury bonds on occasion.</p> <p>11 And also entering into forward agreements</p> <p>12 with broker-dealers to sell whole loans.</p> <p>13 Q. After Bank of America Mortgage,</p> <p>14 you worked at MIAC Risk Management Services;</p> <p>15 is that correct?</p> <p>16 A. Yes.</p> <p>17 Q. Did you work with RMBS at MIAC?</p> <p>18 A. Not directly.</p> <p>19 Q. In what capacity did you work</p> <p>20 with RMBS at MIAC?</p> <p>21 A. MIAC was a servicing hedge</p> <p>22 advisory business. So I was not involved in</p> <p>23 the trading or managing of mortgage-backed</p> <p>24 securities, we were an adviser to large</p> <p>25 mortgage banks that had mortgage servicing</p>

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<p>1 JOHN T. CARROLL</p> <p>2 portfolios that would look to hedge the</p> <p>3 mortgage servicing portfolios to protect</p> <p>4 from both accounting impairment and real</p> <p>5 market impairment of the asset.</p> <p>6 Q. After MIAC, you went to work for</p> <p>7 NationsBanc Mortgage Corporation as vice</p> <p>8 president of loan trading; is that correct?</p> <p>9 A. Yes.</p> <p>10 Q. Did you work with RMBS at</p> <p>11 NationsBanc?</p> <p>12 A. Yes.</p> <p>13 Q. What were your responsibilities</p> <p>14 at NationsBanc pertaining to RMBS?</p> <p>15 A. I was a trader in the secondary</p> <p>16 mortgage -- the secondary marketing division</p> <p>17 of the mortgage company, responsible for all</p> <p>18 whole loan trading, all agency and nonagency</p> <p>19 adjustable rate mortgage trading. As well</p> <p>20 as I sat on the servicing hedge committee.</p> <p>21 Q. After NationsBanc you went to</p> <p>22 work for Morgan Stanley. Did you work with</p> <p>23 RMBS at Morgan Stanley?</p> <p>24 A. Yes.</p> <p>25 Q. What were your responsibilities</p>	<p>1 JOHN T. CARROLL</p> <p>2 RMBS?</p> <p>3 A. Yes.</p> <p>4 Q. What were they?</p> <p>5 A. I oversaw Aladdin's</p> <p>6 broker-dealer, which was a nonrisk</p> <p>7 broker-dealer in RMBS and ABS.</p> <p>8 Q. Can you explain to me what you</p> <p>9 mean by "nonrisk broker-dealer"?</p> <p>10 A. Sure, we didn't take positions</p> <p>11 in securities. We were putting buyers and</p> <p>12 sellers together for commission.</p> <p>13 Q. Is it your understanding that</p> <p>14 Aladdin was acting as a securitization</p> <p>15 underwriter?</p> <p>16 A. Not -- at the time I was there,</p> <p>17 no. And my division wouldn't have</p> <p>18 underwritten any securities.</p> <p>19 Q. It appears that your next</p> <p>20 position was at UBS.</p> <p>21 A. Yes.</p> <p>22 Q. I see that your title there was</p> <p>23 head of U.S. residential mortgage-backed</p> <p>24 securities?</p> <p>25 A. Yes.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 at Morgan Stanley pertaining to RMBS?</p> <p>3 A. Whole loan trading, purchasing</p> <p>4 and selling unsecuritized whole loans, as</p> <p>5 well as purchasing and securitizing whole</p> <p>6 loans. And then managing the retained</p> <p>7 products for the securitizations, if any.</p> <p>8 Q. When you say retained products</p> <p>9 for the securitizations, are you referring</p> <p>10 to residuals?</p> <p>11 A. Yes, but not completely. We</p> <p>12 would retain occasionally rated</p> <p>13 subordinates, we would retain rated net</p> <p>14 interest margin securities.</p> <p>15 Q. At any of your employers prior</p> <p>16 to Barclays, did you have any</p> <p>17 responsibilities pertaining to due</p> <p>18 diligence?</p> <p>19 A. No.</p> <p>20 Q. Following your employment with</p> <p>21 Barclays, you worked for Aladdin Capital</p> <p>22 Holdings; is that correct?</p> <p>23 A. Yes.</p> <p>24 Q. Did you have any</p> <p>25 responsibilities at Aladdin pertaining to</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. What were your responsibilities</p> <p>3 in that position with UBS?</p> <p>4 A. To rebuild or re-enter</p> <p>5 asset-backed, mortgage-backed and collateral</p> <p>6 loan obligation trading in the secondary</p> <p>7 markets.</p> <p>8 Q. When you say "rebuild," can you</p> <p>9 explain what that means?</p> <p>10 A. Yes. UBS had shut down trading</p> <p>11 with those products after 2008, after</p> <p>12 incurring very large losses. And I was one</p> <p>13 of the first hires that was brought back in</p> <p>14 to re-enter those businesses.</p> <p>15 Q. How did you help them rebuild</p> <p>16 the RMBS business at UBS?</p> <p>17 A. Hiring traders, implementing</p> <p>18 risk policies, implementing desk procedures,</p> <p>19 as well as presenting to senior management</p> <p>20 internally, as well as regulators</p> <p>21 externally.</p> <p>22 Q. Did you understand that more</p> <p>23 stringent risk policies were put into place</p> <p>24 compared to what UBS had previously?</p> <p>25 MR FRITSCH: Objection to form.</p>

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<p>1 JOHN T. CARROLL</p> <p>2 THE WITNESS: I'm sorry, can you</p> <p>3 read that back?</p> <p>4 Q. Did you understand that UBS was</p> <p>5 implementing more stringent risk policies</p> <p>6 commencing in 2009 than what it had employed</p> <p>7 previously?</p> <p>8 MR. FRITSCH: Same objection.</p> <p>9 A. I don't recall reviewing the</p> <p>10 previous policies, so I don't know that I</p> <p>11 can opine the policies that would have been</p> <p>12 in place when I was there versus what they</p> <p>13 were doing when I wasn't there.</p> <p>14 Q. Fair enough.</p> <p>15 You did describe that one of</p> <p>16 your responsibilities was implementing risk</p> <p>17 policies; is that correct?</p> <p>18 A. Yes.</p> <p>19 Q. What was your understanding of</p> <p>20 the purpose of implementing risk policies in</p> <p>21 the context of rebuilding UBS's RMBS</p> <p>22 business?</p> <p>23 A. Implementing risk policies on</p> <p>24 any trading desk is a major tenet of how you</p> <p>25 would do business on a day-to-day basis.</p>	<p>1 JOHN T. CARROLL</p> <p>2 employers prior to Barclays as well?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. Looking at Section 2-1,</p> <p>5 this is describing the various positions you</p> <p>6 held at Barclays. You commenced employment</p> <p>7 with Barclays in May of 2003?</p> <p>8 A. Yes.</p> <p>9 Q. Why did you leave Morgan Stanley</p> <p>10 to work for Barclays?</p> <p>11 A. I was offered a better position</p> <p>12 with more responsibility at Barclays.</p> <p>13 Q. Can you tell me, did you receive</p> <p>14 incentive compensation at any of your</p> <p>15 employers prior to Barclays?</p> <p>16 A. Yes.</p> <p>17 Q. Which ones?</p> <p>18 A. At Arbor National Mortgage,</p> <p>19 BofA, I'll treat those as the same entity,</p> <p>20 if that's okay.</p> <p>21 Q. Sure.</p> <p>22 A. At NationsBanc Mortgage. And at</p> <p>23 Morgan Stanley.</p> <p>24 Q. When you were hired by Barclays,</p> <p>25 did you understand that a component of your</p>
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<p>1 JOHN T. CARROLL</p> <p>2 It's something that's just a natural</p> <p>3 progression in entering a business or</p> <p>4 conducting a business.</p> <p>5 Q. Was there any discussion with</p> <p>6 UBS about improving upon the risk policies</p> <p>7 it had employed previously with respect to</p> <p>8 RMBS?</p> <p>9 A. Not that I recall.</p> <p>10 Q. I'd asked you earlier whether</p> <p>11 you had any responsibility for due diligence</p> <p>12 at any of your employers prior to Barclays,</p> <p>13 and you said no. I'd like to ask about</p> <p>14 employers subsequent to Barclays.</p> <p>15 Did you have any responsibility</p> <p>16 for due diligence at either Aladdin Capital</p> <p>17 or UBS?</p> <p>18 A. No.</p> <p>19 Q. And just to be clear, when I say</p> <p>20 responsibility, that would include</p> <p>21 overseeing others who were responsible for</p> <p>22 due diligence. Did you have that</p> <p>23 responsibility?</p> <p>24 A. No.</p> <p>25 Q. And that's true for all the</p>	<p>1 JOHN T. CARROLL</p> <p>2 compensation would be incentive-based?</p> <p>3 A. Yes.</p> <p>4 Q. And what did you understand that</p> <p>5 the incentive compensation would be based</p> <p>6 upon?</p> <p>7 A. I don't know.</p> <p>8 Q. Did you ask?</p> <p>9 A. No.</p> <p>10 Q. Sitting here today, do you have</p> <p>11 any understanding of what your incentive</p> <p>12 compensation was based upon?</p> <p>13 A. No.</p> <p>14 Q. We'll talk more about this</p> <p>15 later, but is it fair to say that the vast</p> <p>16 majority of your compensation at Barclays,</p> <p>17 at least for certain years, was</p> <p>18 incentive-based?</p> <p>19 A. Yes.</p> <p>20 Q. Indeed, it exceeded in the</p> <p>21 millions in certain years; is that correct?</p> <p>22 MR. FRITSCH: Objection to form.</p> <p>23 A. Yes.</p> <p>24 Q. On Section 4 of the deposition</p> <p>25 questionnaire, there are at least a dozen</p>

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1 **JOHN T. CARROLL**
 2 individuals here that are listed as
 3 supervisees that you were responsible for.
 4 Is that correct?
 5 A. Yes.
 6 Q. Do you know if any of these
 7 individuals received incentive compensation?
 8 A. Yes.
 9 Q. Did all of them receive
 10 incentive compensation, to your knowledge?
 11 A. I don't know if I could say all
 12 of them.
 13 Q. Did most?
 14 A. Most.
 15 Q. Were you responsible in any way
 16 for determining the amount of incentive
 17 compensation any of these individuals
 18 received?
 19 A. Yes.
 20 Q. How would you determine how much
 21 incentive compensation an employee would
 22 receive?
 23 A. There was a several month
 24 process whereby I would take to my boss,
 25 John Kreitler, a suggestion for what I

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1 **JOHN T. CARROLL**
 2 thought the desk should get paid. And then
 3 he would take that to his boss, who was
 4 Grant Kvalheim, who would take it to a
 5 compensation committee. And then it would
 6 be a negotiated process for several months
 7 before we would actually communicate
 8 bonuses.
 9 Q. When you say you would make a
 10 suggestion as to what type of bonus a desk
 11 should receive, can you explain to me what
 12 you mean by "desk"?
 13 A. A specific employee. Or
 14 specific trader or specific assistant.
 15 Q. And when you made those
 16 suggestions, as to the amount of bonus an
 17 employee should receive, what factors were
 18 you looking at?
 19 A. Previous year's compensation,
 20 peers in the company that were at roughly
 21 the same level of title and seniority. What
 22 others, other firms were paying, we would
 23 get compensation surveys from a couple of
 24 large search firms to look if we were in
 25 line with other broker-dealers at the same

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1 **JOHN T. CARROLL**
 2 level. Contribution to revenue would be
 3 looked at. Contribution to other business,
 4 ancillary business of the firm would be
 5 looked at, as well as performance reviews.
 6 Q. In what way would contribution
 7 to revenue factor into the incentive
 8 compensation for employees?
 9 A. Qualitatively mostly. You know,
 10 it would be one of many factors that went
 11 into an employee's compensation.
 12 Q. Would you look at the
 13 profitability of the employee's department?
 14 A. Yes.
 15 Q. And would that be a relatively
 16 important factor in the overall assessment
 17 of the incentive compensation that a given
 18 employee should receive?
 19 MR. FRITSCH: Objection to form.
 20 A. It was one factor. I don't know
 21 if I would characterize it as a larger or
 22 smaller factor than others.
 23 Q. When you commenced employment
 24 with Barclays, it was in the position of
 25 director for the U.S. ABS and whole loan

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1 **JOHN T. CARROLL**
 2 trading division; is that correct?
 3 A. Yes.
 4 Q. If you could just help me, is
 5 ABS and whole loan trading, is that a single
 6 division?
 7 A. Well, it was trading of
 8 asset-backed and whole loans. Was it a
 9 single division?
 10 Q. I'm just trying to understand,
 11 was UBS -- I'm sorry, was U.S. ABS one
 12 department and whole loan trading were
 13 second departments, and you were director of
 14 both, or was that considered a single --
 15 A. It was a single department
 16 within credit trading.
 17 Q. And what were your
 18 responsibilities as director of U.S. ABS and
 19 whole loan trading?
 20 A. Upon arriving at Barclays
 21 Capital, my role was to build out a mortgage
 22 whole loan trading business.
 23 Q. At the time you commenced
 24 employment there, was there currently any
 25 whole loan acquisition business in place at

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<p>1 JOHN T. CARROLL</p> <p>2 Barclays?</p> <p>3 A. No.</p> <p>4 Q. When you commenced employment</p> <p>5 with Barclays in 2003, was Barclays</p> <p>6 currently engaged in trading RMBS?</p> <p>7 A. No.</p> <p>8 Q. Is that something else that you</p> <p>9 developed when you were there?</p> <p>10 A. For non-agencies, yes.</p> <p>11 Q. When you say for "non-agencies,"</p> <p>12 can you explain what you mean?</p> <p>13 A. Sure, for securities that were</p> <p>14 not backed by the GSEs, or the FHA.</p> <p>15 Q. So your responsibility was to</p> <p>16 help them to develop trading for</p> <p>17 non-agencies -- non-agency securitizations?</p> <p>18 A. That was a follow-on</p> <p>19 responsibility.</p> <p>20 Q. Did Barclays also trade agency</p> <p>21 securitizations?</p> <p>22 A. Not at that time.</p> <p>23 Q. Did they eventually develop that</p> <p>24 business?</p> <p>25 A. Yes.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Yes. Up until early 2005 I had</p> <p>3 no direct reports, I was a trader on a</p> <p>4 trading desk. After being promoted to</p> <p>5 managing director, I was tasked with running</p> <p>6 the asset-backed securities secondary</p> <p>7 trading desk, as well as the secondary</p> <p>8 trading desk for non-agency RMBS that was</p> <p>9 bifurcated, so prime non-agency was part</p> <p>10 of -- we weren't doing it, but it was part</p> <p>11 of a JV, or became part of -- a joint</p> <p>12 venture, excuse me, between Tom Hamilton and</p> <p>13 myself.</p> <p>14 I also took over, I believe it</p> <p>15 was 2005, late 2005, not took over, I</p> <p>16 started to build an Asia asset-backed</p> <p>17 securities trading desk. And then in 2007,</p> <p>18 early 2007, I took over London for the same</p> <p>19 products.</p> <p>20 Q. In this position in 2005, were</p> <p>21 you still responsible for whole loan</p> <p>22 trading?</p> <p>23 A. Yes.</p> <p>24 Q. Can you explain to me the</p> <p>25 difference between secondary trading and</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. Is that something you had</p> <p>3 responsibility for as well?</p> <p>4 A. No.</p> <p>5 Q. Who had responsibility for</p> <p>6 agency-backed securitizations?</p> <p>7 A. Tom Hamilton.</p> <p>8 Q. What was Tom Hamilton's role</p> <p>9 within Barclays?</p> <p>10 A. He was a managing director, and</p> <p>11 head of agency trading. Agency mortgage</p> <p>12 trading.</p> <p>13 Q. Do you know approximately when</p> <p>14 Barclays commenced trading agency mortgages?</p> <p>15 A. Yes.</p> <p>16 Q. When was that?</p> <p>17 A. 2004.</p> <p>18 Q. In 2005, your position changed</p> <p>19 to managing director, head of global</p> <p>20 securitized asset trading. Was that a</p> <p>21 promotion?</p> <p>22 A. Yes.</p> <p>23 Q. Can you tell me how your</p> <p>24 responsibilities differed when you commenced</p> <p>25 in that position?</p>	<p>1 JOHN T. CARROLL</p> <p>2 whole loan trading?</p> <p>3 A. It's roughly the same thing. I</p> <p>4 mean, whole loan trading is effectively</p> <p>5 buying raw loans from mortgage originators.</p> <p>6 Secondary trading typically will refer to</p> <p>7 the activity that goes on after something is</p> <p>8 securitized and bought and sold in the open</p> <p>9 market. Technically, whole loan trading is</p> <p>10 a form of secondary trading.</p> <p>11 Q. Does secondary trading usually</p> <p>12 refer to the trading of actual RMBS notes?</p> <p>13 A. Typically.</p> <p>14 Q. Is that the distinction?</p> <p>15 A. Yeah. Again, it's an industry</p> <p>16 definition.</p> <p>17 Q. So just to be clear, in this</p> <p>18 position, managing director, you were</p> <p>19 responsible for overseeing both the</p> <p>20 secondary trading aspect as well as the</p> <p>21 whole loan trading aspect?</p> <p>22 A. Correct.</p> <p>23 Q. And then finally it appears that</p> <p>24 from August 2003 through January of 2008,</p> <p>25 you were employed by Securitized</p>

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<p>1 JOHN T. CARROLL</p> <p>2 Asset-Backed Receivables LLC as chief</p> <p>3 financial officer and vice president?</p> <p>4 A. Yes.</p> <p>5 Q. What were your responsibilities</p> <p>6 in that position?</p> <p>7 A. I don't recall.</p> <p>8 Q. Do you recall having any</p> <p>9 specific responsibilities in that position?</p> <p>10 A. No.</p> <p>11 Q. Did you oversee any employees in</p> <p>12 that position?</p> <p>13 A. No.</p> <p>14 Q. Mr. Carroll, were you ever</p> <p>15 employed by Barclays Bank in any capacity?</p> <p>16 A. I don't believe so.</p> <p>17 Q. It says in the footnote on this</p> <p>18 questionnaire, "Mr. Carroll's last day in</p> <p>19 the office at Barclays was January 23, 2008,</p> <p>20 although he received medical benefits until</p> <p>21 December 31, 2008."</p> <p>22 Mr. Carroll, why did you leave</p> <p>23 Barclays?</p> <p>24 A. I was let go.</p> <p>25 Q. Did Barclays explain why they</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. What were the terms of your</p> <p>3 severance agreement with Barclays?</p> <p>4 A. I don't recall all the</p> <p>5 specifics.</p> <p>6 Q. Can you tell me generally what</p> <p>7 you recall?</p> <p>8 A. I recall I received a severance</p> <p>9 payout of approximately \$300,000. I recall</p> <p>10 having a garden leave period imposed. I</p> <p>11 recall them paying medical benefits through</p> <p>12 December 31st.</p> <p>13 Q. Do you know if you retained any</p> <p>14 ownership interest in Barclays?</p> <p>15 A. I was, yeah, vested in -- not</p> <p>16 immediately vested, but had the same vesting</p> <p>17 schedule for my Barclays stock, yes.</p> <p>18 Q. Aside from the stock that you</p> <p>19 owned, do you know if you have any financial</p> <p>20 interest in Barclays?</p> <p>21 A. Currently?</p> <p>22 Q. Yes.</p> <p>23 A. Yes. I have a pension that's</p> <p>24 vested that pays out sometime after age 65,</p> <p>25 I believe. As an annuity. And I don't</p>
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<p>1 JOHN T. CARROLL</p> <p>2 were letting you go?</p> <p>3 A. I don't remember.</p> <p>4 Q. Do you remember any of the</p> <p>5 circumstances of why you were let go?</p> <p>6 A. Yes.</p> <p>7 Q. And what were they?</p> <p>8 A. I was, after October of 2008, I</p> <p>9 was moved into, I guess it was called the</p> <p>10 workout group, it was the area where they</p> <p>11 were amassing securities that had become</p> <p>12 illiquid that had lost value across the</p> <p>13 firm. I spent approximately two, two and a</p> <p>14 half months in that position. And was not</p> <p>15 happy being in that position, and was asked</p> <p>16 to leave the firm in January.</p> <p>17 Q. Is it fair to say that in 2008</p> <p>18 RMBS activity slowed significantly?</p> <p>19 A. Yes.</p> <p>20 Q. It's also fair to say that in</p> <p>21 2008 loan acquisition slowed significantly?</p> <p>22 A. Yes.</p> <p>23 Q. I believe you mentioned the</p> <p>24 severance agreement earlier.</p> <p>25 A. Yes</p>	<p>1 JOHN T. CARROLL</p> <p>2 recall having any other financial interest</p> <p>3 right now.</p> <p>4 Q. Do you know approximately what</p> <p>5 the value was of the stock that you had with</p> <p>6 Barclays when you left?</p> <p>7 A. No.</p> <p>8 Q. Can you give a rough ballpark?</p> <p>9 A. I believe -- it's a wild guess.</p> <p>10 Somewhere around \$500,000. Maybe less.</p> <p>11 Q. Are you currently employed,</p> <p>12 Mr. Carroll?</p> <p>13 A. I am not</p> <p>14 Q. So your last employer was UBS;</p> <p>15 is that correct?</p> <p>16 A. Yes.</p> <p>17 Q. Did you leave UBS voluntarily?</p> <p>18 A. I was asked to leave.</p> <p>19 Q. Did they explain why they asked</p> <p>20 you to leave?</p> <p>21 A. Yes.</p> <p>22 Q. What did they say?</p> <p>23 A. They were exiting the businesses</p> <p>24 that we had re-entered in 2009.</p> <p>25 Q. They decided to exit the RMBS</p>

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<p>1 JOHN T. CARROLL</p> <p>2 business?</p> <p>3 A. Yes. Well, let me rephrase.</p> <p>4 They decided to exit the secondary trading</p> <p>5 of RMBS, ABS and CLOs, which I was looking</p> <p>6 after. There still is an RMBS business</p> <p>7 within UBS.</p> <p>8 Q. During your employment with</p> <p>9 Barclays Capital, to whom did you report?</p> <p>10 A. John Kreidler.</p> <p>11 Q. And Mr. Kreidler was the</p> <p>12 managing director of global -- head of</p> <p>13 credit trading?</p> <p>14 A. Yes.</p> <p>15 Q. Did you also report to Eric</p> <p>16 Bommensath?</p> <p>17 A. Subsequent to John Kreidler,</p> <p>18 yes.</p> <p>19 Q. At what point did you start</p> <p>20 reporting to Mr. Bommensath?</p> <p>21 A. Sometime in October of 2007.</p> <p>22 Q. And I know you mentioned when we</p> <p>23 went over this questionnaire that the list</p> <p>24 of supervisees was not complete.</p> <p>25 A. Um-hum.</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Do you know what this case is</p> <p>3 about?</p> <p>4 A. Yes.</p> <p>5 Q. What is your understanding of</p> <p>6 what this case is about?</p> <p>7 A. My understanding is that it's</p> <p>8 related to specific mortgage-backed</p> <p>9 securities that were underwritten and issued</p> <p>10 by Barclays while I was in the employ of</p> <p>11 Barclays, that have subsequently taken</p> <p>12 losses or have been reduced in value. And</p> <p>13 that the lawsuit's related to documents that</p> <p>14 were issued or signed by myself and</p> <p>15 co-defendants in the industry.</p> <p>16 Q. Are you aware of the specific</p> <p>17 allegations against you?</p> <p>18 A. I've read them, yes.</p> <p>19 Q. And generally what do you</p> <p>20 understand those allegations to be?</p> <p>21 A. Misstatements in documents</p> <p>22 related to mortgage loan pools.</p> <p>23 Q. Do you have any understanding as</p> <p>24 to why you are being sued for misstatements</p> <p>25 in certain documents?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. Do you remember approximately</p> <p>3 how many other supervisees you may have had</p> <p>4 that you can't recall the names of?</p> <p>5 A. Yes.</p> <p>6 Q. Approximately how many more were</p> <p>7 there?</p> <p>8 A. Four. Approximately.</p> <p>9 MR. COMMERSON: I'm going to</p> <p>10 show you a document that was</p> <p>11 previously marked as Exhibit 8403,</p> <p>12 (Deposition Exhibit 8403 for</p> <p>13 identification, Amended Complaint.)</p> <p>14 BY MR. COMMERSON:</p> <p>15 Q. Mr. Carroll, this is the amended</p> <p>16 complaint in this action. You can take a</p> <p>17 look and let me know if you've seen this</p> <p>18 document before.</p> <p>19 A. I don't recall seeing this</p> <p>20 specific document. I've seen the complaint,</p> <p>21 I don't recall if I've looked at the amended</p> <p>22 complaint.</p> <p>23 Q. Are you aware that you have been</p> <p>24 named as a defendant in this action?</p> <p>25 A. Yes.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Not exactly, no.</p> <p>3 Q. If you could please turn to page</p> <p>4 11 of the amended complaint. There is a</p> <p>5 chart there headed "Table 1." I'll</p> <p>6 represent to you that these are the eight</p> <p>7 securitizations that are at issue in this</p> <p>8 case.</p> <p>9 If you can take a minute to look</p> <p>10 at those and let me know if you're familiar</p> <p>11 with them.</p> <p>12 A. I recognize these as</p> <p>13 transactions that were done while I was at</p> <p>14 Barclays Capital, yes.</p> <p>15 Q. If you can just turn to page 13,</p> <p>16 Table 2 there lists the same</p> <p>17 securitizations, it has more information.</p> <p>18 In the second column from the far right,</p> <p>19 under "signatories of registration</p> <p>20 statement," there are certain individuals</p> <p>21 listed there.</p> <p>22 If you turn to page 14, you'll</p> <p>23 see that your name appears as a signatory</p> <p>24 for C-BASS 2006-CB1, and C-BASS 2007-CB2.</p> <p>25 Mr. Carroll, is it correct that</p>

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<p>1 JOHN T. CARROLL</p> <p>2 you signed the registration statements for</p> <p>3 those securitizations?</p> <p>4 A. Yes.</p> <p>5 MR. COMMERSON: This will be</p> <p>6 Exhibit 9201.</p> <p>7 (Deposition Exhibit 9201 for</p> <p>8 identification, Form S-3 filed April</p> <p>9 11, 2005, no production numbers.)</p> <p>10 BY MR. COMMERSON:</p> <p>11 Q. Mr. Carroll, I'm not going to</p> <p>12 ask you to read the whole document.</p> <p>13 A. Thank you.</p> <p>14 Q. To everyone's great relief,</p> <p>15 Can you tell me if you're</p> <p>16 familiar with it?</p> <p>17 A. Familiar with this particular</p> <p>18 document or what the document is?</p> <p>19 Q. Familiar with what the document</p> <p>20 is.</p> <p>21 MR. FRITSCH: Just take a second</p> <p>22 to look through it.</p> <p>23 Q. Do you recognize this document</p> <p>24 as a registration statement?</p> <p>25 A. Yes.</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Do you know who at Barclays was</p> <p>3 responsible for preparing the information in</p> <p>4 the registration statements?</p> <p>5 A. I don't know. I'm sorry.</p> <p>6 Q. That's okay. I was just going</p> <p>7 to be clear that I'm talking about</p> <p>8 registration statements that are through</p> <p>9 SABR.</p> <p>10 Do you have any understanding</p> <p>11 who at Barclays was responsible for</p> <p>12 preparing those?</p> <p>13 A. My understanding was it was</p> <p>14 internal and external legal counsel.</p> <p>15 Q. And aside from legal counsel, do</p> <p>16 you have any understanding if anyone else at</p> <p>17 Barclays was responsible for preparing the</p> <p>18 information in those statements?</p> <p>19 A. I believe it was in coordination</p> <p>20 with the asset securitization group.</p> <p>21 Q. Who managed the asset</p> <p>22 securitization group at Barclays?</p> <p>23 A. Michael Wade.</p> <p>24 Q. Okay. So I believe you've</p> <p>25 identified internal and external counsel.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. What was the purpose of the</p> <p>3 registration statement?</p> <p>4 A. My understanding was the</p> <p>5 registration statement was the document that</p> <p>6 set up the shelf entity whereby the</p> <p>7 securities would be issued off of.</p> <p>8 Q. Are you aware that</p> <p>9 securitizations were issued pursuant to this</p> <p>10 registration statement?</p> <p>11 A. Yes.</p> <p>12 Q. When you refer to shelf entity,</p> <p>13 are you referring to SABR?</p> <p>14 A. Yes.</p> <p>15 Q. Do you understand that a</p> <p>16 registration statement would cover multiple</p> <p>17 series of securitizations?</p> <p>18 A. Yes.</p> <p>19 Q. Were you involved in preparing</p> <p>20 the information in the registration</p> <p>21 statements?</p> <p>22 A. No.</p> <p>23 Q. Did you review the information</p> <p>24 in the registration statements?</p> <p>25 A. I did not.</p>	<p>1 JOHN T. CARROLL</p> <p>2 and then the ASG group.</p> <p>3 A. Yes.</p> <p>4 Q. Aside from those two groups, are</p> <p>5 you aware of anyone else at Barclays who was</p> <p>6 responsible for preparing the registration</p> <p>7 statements?</p> <p>8 A. No.</p> <p>9 Q. And I'm going to ask the same</p> <p>10 questions with regard to reviewing the</p> <p>11 registration statements. Do you know who at</p> <p>12 Barclays was responsible for reviewing the</p> <p>13 information contained in the registration</p> <p>14 statements?</p> <p>15 A. I believe it was internal and</p> <p>16 external counsel.</p> <p>17 Q. Anyone else?</p> <p>18 A. Not that I'm aware of.</p> <p>19 Q. Okay. If you can just look at</p> <p>20 the fourth page from the last of this</p> <p>21 document.</p> <p>22 A. The registration statement,</p> <p>23 correct?</p> <p>24 Q. Correct, yes.</p> <p>25 You'll see that -- unfortunately</p>

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<p>1 JOHN T. CARROLL</p> <p>2 this document is not page numbered, but</p> <p>3 you'll see that it has the words "Power of</p> <p>4 Attorney" at the top.</p> <p>5 A. Yes.</p> <p>6 Q. Does the electronic S by your</p> <p>7 name indicate that you signed the</p> <p>8 registration statement?</p> <p>9 A. I believe so, yes.</p> <p>10 Q. If you can look at the first</p> <p>11 full paragraph at the top of that page.</p> <p>12 Feel free to read it to yourself. Is it</p> <p>13 your understanding that you granted Paul</p> <p>14 Menefee Power of Attorney to be able to sign</p> <p>15 amendments to the registration statement on</p> <p>16 your behalf?</p> <p>17 A. I don't recall -- I don't</p> <p>18 remember doing that at the time, but this</p> <p>19 refreshes the fact that it was done.</p> <p>20 Q. Do you have any reason to</p> <p>21 believe that you did not give Mr. Menefee</p> <p>22 Power of Attorney to sign amendments to this</p> <p>23 registration statement on your behalf?</p> <p>24 A. No.</p> <p>25 Q. At some point after you signed</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. And if you look at this</p> <p>3 document, your signature appears twice. Do</p> <p>4 you know why you signed this document twice?</p> <p>5 A. No.</p> <p>6 MR. COMMERSON: This will be</p> <p>7 9202.</p> <p>8 (Deposition Exhibit 9202 for</p> <p>9 identification, form POS AM filed</p> <p>10 December 7, 2005, no production</p> <p>11 numbers.)</p> <p>12 BY MR. COMMERSON:</p> <p>13 Q. Mr. Carroll, do you recognize</p> <p>14 this document as an amendment to a</p> <p>15 registration statement?</p> <p>16 A. Yes, based on the heading.</p> <p>17 Q. And if you look at the back of</p> <p>18 the document, one page from the end, do you</p> <p>19 see that this form, S-3/A, is amending the</p> <p>20 registration Form S-3 that we looked at a</p> <p>21 moment ago?</p> <p>22 A. I'm sorry, which page?</p> <p>23 Q. The signature page.</p> <p>24 A. Okay.</p> <p>25 Q. Do you understand that this</p>
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<p>1 JOHN T. CARROLL</p> <p>2 this registration statement it became</p> <p>3 effective. Correct?</p> <p>4 A. Yes.</p> <p>5 Q. Next to your name on this</p> <p>6 signature page, under "capacity," it says,</p> <p>7 "sole member."</p> <p>8 What does that mean?</p> <p>9 MR. FRITSCH: Objection to form.</p> <p>10 A. I don't know. I don't remember.</p> <p>11 Q. Just more generally, are you</p> <p>12 aware that you were the sole member of any</p> <p>13 entity within Barclays?</p> <p>14 MR. FRITSCH: Objection to form.</p> <p>15 A. I don't remember. I don't</p> <p>16 recall.</p> <p>17 Q. And then above your name,</p> <p>18 Barclays Bank is listed.</p> <p>19 Do you know if you were signing</p> <p>20 the registration statement as a director of</p> <p>21 Barclays Bank?</p> <p>22 A. I don't recall.</p> <p>23 Q. Do you know if you were signing</p> <p>24 it on behalf of SABR?</p> <p>25 A. I don't recall.</p>	<p>1 JOHN T. CARROLL</p> <p>2 document is amending the registration</p> <p>3 statement that we just looked at?</p> <p>4 MR. FRITSCH: Objection to form.</p> <p>5 A. Based on the sentence at the top</p> <p>6 of the page, yes.</p> <p>7 Q. More generally, do you</p> <p>8 understand that registration statements were</p> <p>9 amended at times?</p> <p>10 A. Yes.</p> <p>11 Q. If you look at the bottom,</p> <p>12 again, this is the second to last page,</p> <p>13 there is an asterisk in the sentence</p> <p>14 beginning with "The undersigned."</p> <p>15 Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. And beneath that, do you see</p> <p>18 there is a signature block representing Paul</p> <p>19 Menefee's signature?</p> <p>20 A. Yes.</p> <p>21 Q. And do you see that it's</p> <p>22 basically stating that he's signing as</p> <p>23 attorney in fact on behalf of the person or</p> <p>24 persons listed above?</p> <p>25 A. Yes.</p>

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<p>1 JOHN T. CARROLL</p> <p>2 Q. And do you see that your</p> <p>3 electronic signature is listed above?</p> <p>4 A. Yes.</p> <p>5 Q. Do you have any reason to</p> <p>6 believe that Mr. Menefee did not sign your</p> <p>7 name to this Form S-3/A?</p> <p>8 A. No.</p> <p>9 Q. Do you have any reason to</p> <p>10 believe that Mr. Menefee did not do so</p> <p>11 pursuant to a Power of Attorney?</p> <p>12 A. No.</p> <p>13 Q. You were aware that securities</p> <p>14 were issued pursuant to this amendment to</p> <p>15 the registration statement?</p> <p>16 A. Yes.</p> <p>17 Q. Do you know why Mr. Menefee</p> <p>18 signed the amendment on his own behalf two</p> <p>19 weeks prior to signing it on behalf of you</p> <p>20 and Mr. Wade?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. No.</p> <p>23 THE WITNESS: Could I take a</p> <p>24 quick break?</p> <p>25 MR. COMMERSON: Sure.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. One was Darius Saib, S-a-i-b.</p> <p>3 And the other one was Orin, O-r-i-n, Wexler,</p> <p>4 W-e-x-l-e-r.</p> <p>5 Q. Do you know if each of those</p> <p>6 employees made any allegations in those</p> <p>7 lawsuits regarding Barclays' RMBS practices?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. Regarding Barclays?</p> <p>10 Q. I'm sorry.</p> <p>11 MR. FRITSCH: You mean UBS.</p> <p>12 MR. COMMERSON: Fair objection.</p> <p>13 Q. Are you aware if the employees</p> <p>14 in either lawsuit made allegations regarding</p> <p>15 UBS's RMBS practices?</p> <p>16 A. No, I'm not aware of it.</p> <p>17 MR. COMMERSON: This will be</p> <p>18 Exhibit 9203.</p> <p>19 (Deposition Exhibit 9203 for</p> <p>20 identification. Form S-3 filed</p> <p>21 December 21, 2005, no production</p> <p>22 numbers.)</p> <p>23 BY MR. COMMERSON:</p> <p>24 Q. Mr. Carroll, do you recognize</p> <p>25 this document as a registration statement?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 THE VIDEOGRAPHER: Going off the</p> <p>3 record at 10:01 a.m.</p> <p>4 (A recess was taken.)</p> <p>5 THE VIDEOGRAPHER: Returning to</p> <p>6 the record at 10:11 a.m.</p> <p>7 BY MR. COMMERSON:</p> <p>8 Q. I just have two follow-ups from</p> <p>9 some of your testimony earlier. I had asked</p> <p>10 you if you were ever employed by Barclays</p> <p>11 Bank. I also want to ask, do you know if</p> <p>12 you were ever an officer or director at</p> <p>13 Barclays Bank?</p> <p>14 A. I don't recall.</p> <p>15 Q. Also, you testified regarding</p> <p>16 two lawsuits that you had previously</p> <p>17 testified in involving UBS. Correct?</p> <p>18 A. Yes.</p> <p>19 MR. FRITSCH: Objection to form.</p> <p>20 Q. Those were two employment</p> <p>21 lawsuits; correct?</p> <p>22 A. Yes.</p> <p>23 Q. What were the names of the</p> <p>24 employees that sued in each of those</p> <p>25 lawsuits?</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Yes.</p> <p>3 Q. If you can turn to the fourth</p> <p>4 page from the end, the signature page.</p> <p>5 Does the electronic S by your</p> <p>6 name there indicate that you signed this</p> <p>7 registration statement, Mr. Carroll?</p> <p>8 A. To my understanding, yes.</p> <p>9 Q. Okay. This document states that</p> <p>10 you were signing it on behalf of Securitized</p> <p>11 Asset-Backed Receivables, LLC.</p> <p>12 Do you see that?</p> <p>13 A. Yes. The heading here?</p> <p>14 Q. Yes.</p> <p>15 A. Yes.</p> <p>16 Q. Do you understand that by</p> <p>17 signing, electronically signing your name</p> <p>18 beneath SABR that you were signing this</p> <p>19 document on behalf of SABR?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. Yeah, makes sense.</p> <p>22 Q. Do you know why you signed this</p> <p>23 document on behalf of SABR when you signed</p> <p>24 the previous registration statement we</p> <p>25 looked at on behalf of Barclays Bank?</p>

17 (Pages 62 to 65)

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<p>1 JOHN T. CARROLL</p> <p>2 A. I don't know. I don't recall.</p> <p>3 MR. FRITSCH: Objection to form.</p> <p>4 MR. COMMERSON: This will be</p> <p>5 Exhibit 9204.</p> <p>6 (Deposition Exhibit 9204 for</p> <p>7 identification, Form S-3/A filed</p> <p>8 February 9, 2006, no production</p> <p>9 numbers.)</p> <p>10 BY MR. COMMERSON:</p> <p>11 Q. Do you recognize this document</p> <p>12 as an amendment to the registration</p> <p>13 statement?</p> <p>14 A. Yes, based on the cover page.</p> <p>15 Q. If you can turn to the fourth</p> <p>16 page from the back. Underneath the heading</p> <p>17 "Power of Attorney."</p> <p>18 A. Fifth page? Okay. I see Power</p> <p>19 of Attorney, yes.</p> <p>20 Q. Do you see that it states that</p> <p>21 each person whose signature appears below</p> <p>22 appoints Paul Menefee to sign any and all</p> <p>23 amendments to the registration statement?</p> <p>24 A. Yes, I see that.</p> <p>25 Q. And then you see that your</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. No.</p> <p>3 Q. What was your understanding of</p> <p>4 your responsibilities in signing the</p> <p>5 registration statements and amendments?</p> <p>6 MR. FRITSCH: Objection to form.</p> <p>7 A. I don't remember.</p> <p>8 Q. Did you understand that</p> <p>9 prospectuses and prospectus supplements</p> <p>10 would be issued pursuant to the registration</p> <p>11 statements?</p> <p>12 A. Yes.</p> <p>13 Q. Did you understand that</p> <p>14 investors would rely on statements made in</p> <p>15 prospectuses and prospectus supplements that</p> <p>16 were issued in registration statements and</p> <p>17 amendments?</p> <p>18 MR. FRITSCH: Objection to form.</p> <p>19 A. I don't know what investors</p> <p>20 would rely on. I don't know what they would</p> <p>21 be looking at.</p> <p>22 MR. COMMERSON: Josh, would you</p> <p>23 just mind explaining to me what's the</p> <p>24 basis for your objection?</p> <p>25 MR. FRITSCH: It's almost like,</p>
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<p>1 JOHN T. CARROLL</p> <p>2 signature appears below that?</p> <p>3 A. Yes.</p> <p>4 Q. Do you understand that you were</p> <p>5 giving Mr. Menefee Power of Attorney to sign</p> <p>6 on your behalf?</p> <p>7 MR. FRITSCH: Objection to form.</p> <p>8 A. Yeah, based on reading this,</p> <p>9 yes.</p> <p>10 Q. Do you know if there is any</p> <p>11 reason why the amendment was signed by</p> <p>12 Mr. Menefee as a Power of Attorney but the</p> <p>13 original registration statement was not?</p> <p>14 MR. FRITSCH: Objection to form.</p> <p>15 A. No, I have no idea.</p> <p>16 Q. Do you know whether you signed</p> <p>17 any of these registration statements or</p> <p>18 amendments on behalf of anyone else?</p> <p>19 A. I don't know.</p> <p>20 Q. Mr. Carroll, who made the</p> <p>21 determination of who would sign the</p> <p>22 registration statements and amendments?</p> <p>23 A. I don't recall.</p> <p>24 Q. Do you know how that</p> <p>25 determination was made?</p>	<p>1 JOHN T. CARROLL</p> <p>2 the first question is vague, it's</p> <p>3 almost -- reliance is a legal concept.</p> <p>4 And he's not a lawyer. But I object</p> <p>5 to form.</p> <p>6 Q. Did you understand that</p> <p>7 investors would review prospectuses and</p> <p>8 prospectus supplements in connection with</p> <p>9 deciding whether or not to invest in</p> <p>10 securitizations?</p> <p>11 A. I understand that they were</p> <p>12 provided to investors. Whether or not they</p> <p>13 were reviewed by the investors, I can't</p> <p>14 speculate.</p> <p>15 Q. Did you understand that the</p> <p>16 purpose of a prospectus and a prospectus</p> <p>17 supplement was to provide investors with</p> <p>18 information about a securitization?</p> <p>19 A. Yes.</p> <p>20 Q. Did you understand that the</p> <p>21 prospectus and prospectus supplements were</p> <p>22 part of the registration statement and</p> <p>23 amendment?</p> <p>24 MR. FRITSCH: Objection to form;</p> <p>25 calls for a legal conclusion</p>

13 (Pages 66 to 69)

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<p>1 JOHN T. CARROLL</p> <p>2 A. I don't know.</p> <p>3 Q. Did you understand that you</p> <p>4 would be personally liable for any false or</p> <p>5 misleading statements and omissions</p> <p>6 contained in the registration statement,</p> <p>7 amendment, prospectus or prospectus</p> <p>8 supplement?</p> <p>9 MR. FRITSCH: Same objection.</p> <p>10 A. At the time specifically I don't</p> <p>11 recall.</p> <p>12 Q. Were you aware that the</p> <p>13 registration statements and amendments</p> <p>14 became effective?</p> <p>15 A. I don't remember.</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 Q. Do you have an understanding of</p> <p>18 what it means to become effective?</p> <p>19 A. No. As it relates to the</p> <p>20 statements?</p> <p>21 Q. Yes.</p> <p>22 A. I mean, I understand the</p> <p>23 definition of the word.</p> <p>24 Q. I'm asking specifically with</p> <p>25 respect to a registration statement or</p>	<p>1 JOHN T. CARROLL</p> <p>2 they had done to verify the information</p> <p>3 contained in the registration statement or</p> <p>4 amendment?</p> <p>5 A. Not that I recall.</p> <p>6 Q. Did you ever ask anyone what had</p> <p>7 been done to verify the information</p> <p>8 contained in the registration statement and</p> <p>9 amendment?</p> <p>10 A. Not that I recall.</p> <p>11 Q. Are you aware of any process</p> <p>12 that Barclays had in place to ensure the</p> <p>13 accuracy of the information contained in the</p> <p>14 registration statement or amendment?</p> <p>15 A. I am not.</p> <p>16 Q. Did you do anything to ensure</p> <p>17 that the information contained in the</p> <p>18 prospectus and prospectus supplement was</p> <p>19 accurate?</p> <p>20 A. I did not. I relied on legal</p> <p>21 counsel, internal and external. To prepare</p> <p>22 and check the documents.</p> <p>23 Q. What are you basing your</p> <p>24 understanding on that legal counsel prepared</p> <p>25 and reviewed the documents?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 amendment. Do you know what it means for</p> <p>3 those documents to become effective?</p> <p>4 A. I do not.</p> <p>5 Q. What did you do to ensure that</p> <p>6 the information contained in the</p> <p>7 registration statements and amendments was</p> <p>8 accurate?</p> <p>9 A. I relied on internal counsel and</p> <p>10 external counsel's review of the documents</p> <p>11 and the preparation of the documents.</p> <p>12 Q. Who was internal counsel?</p> <p>13 A. I don't remember.</p> <p>14 Q. Was there more than one</p> <p>15 attorney?</p> <p>16 A. Internal counsel?</p> <p>17 Q. Yes.</p> <p>18 A. I don't recall.</p> <p>19 Q. Just to be clear, when you said</p> <p>20 that you relied on internal and external</p> <p>21 counsel, do you recall actually speaking</p> <p>22 with anyone about what was contained in the</p> <p>23 registration statement?</p> <p>24 A. No.</p> <p>25 Q. Did you ever ask counsel what</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. The documents were provided to</p> <p>3 me from internal and external counsel.</p> <p>4 Which I would believe has their own</p> <p>5 processes.</p> <p>6 Q. When they were provided to</p> <p>7 you -- let me backtrack.</p> <p>8 Do you recall who provided the</p> <p>9 registration statements to you?</p> <p>10 A. No.</p> <p>11 Q. When the registration statements</p> <p>12 were provided to you, did counsel explain</p> <p>13 what they wanted you to do with the</p> <p>14 document?</p> <p>15 A. Not that I recall.</p> <p>16 MR. FRITSCH: Objection. I'll</p> <p>17 instruct the witness in case there is</p> <p>18 any -- don't reveal the contents of</p> <p>19 discussions with internal legal</p> <p>20 counsel, it's privileged. But you can</p> <p>21 answer the question.</p> <p>22 A. I'm sorry, can you repeat it or</p> <p>23 read it back?</p> <p>24 Q. I think you've already answered</p> <p>25 it.</p>

19 (Pages 70 to 73)

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<p>1 JOHN T. CARROLL 2 So you believe you testified 3 that the registration statements were sent 4 to you by legal counsel. Did you have any 5 understanding whatsoever as to what you were 6 supposed to be doing with these documents 7 when you received them? 8 A. I don't recall receiving the 9 entire document. I don't remember. I mean, 10 I don't recall receiving the entire document 11 from legal. 12 Q. What do you recall receiving? 13 A. Signature pages. 14 Q. So do you recall only receiving 15 the signature pages to the registration 16 statement? 17 A. I don't remember. I remember 18 signature pages coming on my desk hundreds 19 of times in my tenure. I recall -- it's 20 possible that the documents were sent 21 electronically, I just don't remember. 22 Q. But I believe you testified that 23 you don't recall reviewing any of the 24 information contained in any of the 25 registration statements or amendments. Is</p>	<p>1 JOHN T. CARROLL 2 else to make a change to a registration 3 statement? 4 A. Not that I recall. 5 Q. Would you have had authority to 6 make changes in the registration statement 7 if you saw something that was inaccurate? 8 A. I don't know. 9 Q. Were you provided with any 10 information to assist you when you were 11 provided with the registration statements? 12 MR. FRITSCH: Objection to form. 13 A. I don't recall. 14 Q. I guess I should just be clear. 15 You don't recall ever being provided with 16 the registration statements themselves; 17 correct? 18 A. I don't recall if I was or I was 19 not provided with the statements themselves. 20 Q. All you can recall is getting 21 the signature pages. Is that correct? 22 A. Yes. 23 Q. Now, I understand that you had 24 not reviewed the registration statements or 25 amendments themselves. Did you review any</p>
Page 75	Page 77
<p>1 JOHN T. CARROLL 2 that correct? 3 MR. FRITSCH: Objection to form. 4 A. That's correct. 5 Q. When you were provided with the 6 signature pages, were you given a deadline 7 to sign? 8 MR. FRITSCH: Objection to form. 9 You are getting a little close at 10 breaking attorney-client privilege. 11 MR. COMMERSON. I guess, Josh, 12 if you want to assert the 13 attorney-client privilege, I can't 14 tell you how to do the case. But I 15 think it's a valid question. 16 MR. FRITSCH: You can answer the 17 question. Remember, don't reveal the 18 contents of your discussions with 19 counsel. 20 A. I don't remember. 21 BY MR. COMMERSON: 22 Q. Have you ever made any changes 23 to a registration statement? 24 A. Not that I recall. 25 Q. Have you ever directed anyone</p>	<p>1 JOHN T. CARROLL 2 other documents prior to signing the 3 registration statements? 4 A. Not that I recall. 5 Q. Do you recall ever receiving 6 earlier drafts of the registration 7 statements or amendments? 8 A. I don't remember. 9 Q. I believe you testified earlier 10 that it was your understanding that the 11 registration statement was prepared by 12 counsel in conjunction with ASG. 13 A. Yes. 14 Q. And ASG is the asset 15 securitization group? 16 A. Yes. 17 Q. Can you explain to me what your 18 understanding is of the process by which 19 counsel and ASG prepared the information in 20 the registration statements and amendments? 21 A. I don't remember. 22 MR. FRITSCH: Objection to form. 23 Q. What are you basing your 24 understanding on that counsel worked with 25 ASG to prepare the information in the</p>

20 (Pages 74 to 77)

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1 **JOHN T. CARROLL**
 2 **registration statements and amendments?**
 3 A. The raw data that would go into
 4 the statement, as well as the amendments,
 5 was data that was housed within the asset
 6 securitization group.
 7 Q. And when you say "raw data," can
 8 you tell me what you're referring to?
 9 A. The shelf size, you know, any
 10 other -- any other quantitative data that
 11 would relate to securitizations, was all
 12 housed in ASG.
 13 Q. What about the underwriting
 14 guidelines used to underwrite the loans, is
 15 that something that's typically included in
 16 the prospectus supplement for an RMBS?
 17 A. I don't remember.
 18 Q. Do you know if it was typically
 19 included in the registration statement for
 20 an RMBS?
 21 A. I don't recall, but I don't
 22 believe it was.
 23 Q. Assuming information about
 24 underwriting guidelines was included in a
 25 registration statement, do you know if that

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1 **JOHN T. CARROLL**
 2 **information would have come from ASG?**
 3 A. I don't know.
 4 MR. FRITSCH: Objection to form.
 5 Q. Did you ever ask anyone
 6 questions about information contained in a
 7 registration statement or amendment?
 8 A. Not that I recall.
 9 Q. What is a prospectus?
 10 A. My understanding is it's a
 11 document provided or a document prepared
 12 based on a specific securitization.
 13 Q. And what's the purpose of
 14 preparing a prospectus?
 15 A. My understanding is it's a
 16 document that memorializes or provides
 17 information on the securities, that's
 18 required by the Securities Act to be
 19 presented to potential investors.
 20 Q. And would a prospectus
 21 supplement have generally the same purpose
 22 as a prospectus?
 23 A. Generally, yes. As I understand
 24 it.
 25 Q. What kind of information would

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1 **JOHN T. CARROLL**
 2 **be contained in the prospectus and**
 3 **prospectus supplement?**
 4 A. Information about the underlying
 5 securities. Information about the issuer.
 6 Information about the depositor.
 7 Representations and warranties, I believe.
 8 And other, there's other requirements based
 9 on the Securities Act that need to be
 10 included. I don't know all of them.
 11 Q. In your time as a trader, both
 12 at Barclays and elsewhere, did you ever have
 13 cause to review prospectus supplements or
 14 prospectuses?
 15 A. Yes.
 16 Q. What kind of information would
 17 you look for in those offering documents?
 18 A. I would look at language
 19 regarding cash flows. In other words, the
 20 waterfall. I would look at trigger
 21 language, so certain things in the document
 22 that relate to cash flows and performance of
 23 the loans that would turn on and off cash
 24 flows to certain classes. I would look at
 25 size of the classes. I would look at most

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1 **JOHN T. CARROLL**
 2 **of the quantitative data that was in the pro**
 3 **supp.**
 4 Q. Would you look at prospectus
 5 supplements in deciding whether or not to
 6 purchase RMBS?
 7 MR. FRITSCH: Objection to form.
 8 A. Not necessarily.
 9 Q. Would you look at the prospectus
 10 supplement for a description of the
 11 underlying collateral?
 12 A. Yes.
 13 Q. Why would you look at the
 14 prospectus supplement for that description?
 15 A. Because it was the easiest and
 16 quickest way to get it.
 17 Q. And why would the quality of the
 18 underlying collateral be important to you?
 19 MR. FRITSCH: Objection to form.
 20 A. The quality of the underlying
 21 collateral, among other things, would be
 22 inputs to the way we would price the
 23 security.
 24 Q. Might the quality of the
 25 underlying collateral affect whether or not

21 (Pages 78 to 81)

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<p>1 JOHN T. CARROLL 2 you purchase the RMBS at all? 3 A. Based on the information in the 4 prospectus? 5 Q. Correct. 6 A. No. 7 Q. What information would you rely 8 on if you were not relying on the 9 information in the prospectus regarding the 10 quality of the collateral? 11 A. I didn't say we -- your question 12 was would the quality of the collateral be 13 something that would keep me from purchasing 14 a security? 15 Q. Yes. 16 A. I answered no. 17 Q. That would never keep you 18 from -- 19 A. The quality of the collateral as 20 presented in the prospectus, no. 21 Q. So I guess -- 22 A. Well, purchasing -- let me 23 expand a little bit. Purchasing the 24 security, we made markets in securities. So 25 we would look at a prospectus to derive a</p>	<p>1 JOHN T. CARROLL 2 were purchasing RMBS? 3 A. In the secondary markets? 4 Q. Well, is there a difference 5 where you're saying -- are you 6 distinguishing between whole loan 7 acquisition and secondary markets? 8 A. Yes, I'm asking as it related 9 to -- 10 Q. Okay. Let's talk about whole 11 loan acquisitions first, and maybe you could 12 explain what the distinction would be. 13 So when trading whole loans, 14 what collateral characteristics would you be 15 most interested in? 16 A. I mean, I can rattle off. I'll 17 start and tell me when I stop. I mean, we 18 would look at the coupon, weighted average 19 coupon of the pool, we would look at the 20 weighted average credit score of the 21 borrowers in the pool. We would look at the 22 weighted average loan to value ratio of the 23 pool. We would look at the age of the 24 loans. We would look at the types of loans, 25 so were they fixed rate, were they</p>
Page 83	Page 85
<p>1 JOHN T. CARROLL 2 price, we would put a price on practically 3 anything in the marketplace. 4 Q. So practically anything. There 5 would never be a time when Barclays would 6 make a decision that they simply weren't 7 going to invest in a securitization 8 regardless of the price that was put upon 9 it? 10 MR. FRITSCH: Objection to the 11 form. 12 A. In a securitization or in 13 secondary trading? 14 Q. Either. 15 A. Not that I recall. And 16 exclusions to bidding products was typically 17 stuff that was outside of a mandate. Or a 18 product that we weren't trafficking on. 19 Q. So you say "outside of a 20 mandate," that would mean that Barclays had 21 guidelines that said that certain types of 22 products couldn't be purchased? 23 A. Yes. 24 Q. What collateral characteristics 25 would you be most interested in when you</p>	<p>1 JOHN T. CARROLL 2 adjustable rate, were they hybrid. 3 The amortization schedule of the 4 loans, were they interest-only or fully 5 amortizing. We would look at the caps, both 6 reset caps and life caps of adjustable rate 7 loans, which are the maximum interest rates 8 those loans can reset to. 9 We would look at the current 10 delinquency status. Not all of this 11 information would be in a pro supp or a 12 prospectus in a whole loan. There wouldn't 13 be a prospectus for a whole loan trade. 14 Q. Right. 15 A. So this is -- so I'm talking 16 about when we would make the assessment -- 17 you're asking -- when we would make the 18 assessment of how to buy a whole loan pool. 19 Q. Um-hum. 20 A. All of this is provided in a 21 data tape that has over 400 fields. The 22 payment history of the loan, the current 23 delinquency status. I may be repeating 24 myself. Like I said, there is a lot of 25 things.</p>

22 (Pages 82 to 85)

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1 JOHN T. CARROLL
 2 We would look at, of the 400, we
 3 would probably look at a hundred different
 4 attributes.
 5 The state concentrations. The
 6 loan type, is it for a primary house or a
 7 second house, second home. Is it a purchase
 8 or a refinance. And all this would be --
 9 this is in the aggregate, as a trader.
 10 We would look at whether there
 11 was a second lien behind the first liens.
 12 We would look at the percentage of second
 13 liens. We will buy second liens in addition
 14 to first liens.
 15 I mean, there's more.
 16 Q. You mentioned that all this
 17 information would be on a loan tape?
 18 A. Yes, that's what it's called,
 19 it's an electronic file.
 20 Q. Right. Now, on the secondary
 21 trading side, when you were purchasing RMBS,
 22 would you, as the purchaser, have access to
 23 a loan tape?
 24 A. No.
 25 Q. Where would the information come

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1 JOHN T. CARROLL
 2 from that you'd be relying upon?
 3 A. We would look, again, prospectus
 4 was typically only when you were buying
 5 something that was new issue, we wouldn't
 6 buy new issue securities on the secondary
 7 desk. But we would look at a prospectus if
 8 a deal was done, say, a month ago, and we
 9 were buying the security.
 10 The information that we would
 11 get on a security in the secondary market
 12 would traditionally be provided by a company
 13 called Intex. And Intex is a modeling
 14 system that also aggregates data from
 15 servicers and trustees.
 16 A trustee is effectively the, I
 17 don't want to say overseer, but the provider
 18 of information that's in a security.
 19 Trustee reports monthly based on servicer
 20 data. And we would put a heavy emphasis on
 21 the trustee data that would be loaded into
 22 Intex.
 23 Q. So prior to purchasing a
 24 securitization on the secondary trading
 25 market, you would look at information from

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1 JOHN T. CARROLL
 2 Intex?
 3 A. Yes.
 4 Q. And are you aware if this
 5 information from Intex would have
 6 information that would not be included in
 7 the public offering documents?
 8 A. Yes, because it would include
 9 performance history, or performance as the
 10 deal was seasoned. That would not be in the
 11 prospectus.
 12 Q. What if it was a new deal?
 13 A. Like I said, we'd refer to the
 14 prospectus in that case. If it was a deal
 15 that had not made -- the mortgages had not
 16 made a payment yet, you know, obviously you
 17 would just go offer the prospectus. But the
 18 prospectus is a point in time, whereas the
 19 Intex data is real-time.
 20 Q. And even in a deal that had, I
 21 guess, some performance history available
 22 from Intex, would you still be interested in
 23 the characteristics of the underlying
 24 collateral?
 25 A. Yes.

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1 JOHN T. CARROLL
 2 Q. And so talking about secondary
 3 trading of RMBS, in that context, what
 4 collateral characteristics would you be most
 5 interested in when you were purchasing RMBS?
 6 A. Similar. You know, coupon, LTV,
 7 Performance, you know, current delinquency
 8 status of the loans in the pool. A cash
 9 flow history of the pool. Again, all this
 10 trustee data you can look at, at specific
 11 points in time, so you can roll it forward.
 12 Second lien percentage of the
 13 deal.
 14 Q. The percentage of loans that
 15 were second lien loans?
 16 A. Yeah.
 17 Q. As opposed to first lien loans?
 18 A. Correct.
 19 Just basically concentrations
 20 that we talked about earlier. As well as
 21 who rated the deal, which rating agency is
 22 on the deal. What the credit support looks
 23 like.
 24 So in addition to the loan
 25 attributes, you are looking at a lot of

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<p>1 JOHN T. CARROLL</p> <p>2 other metrics because now it's a tranche</p> <p>3 securitization, so there are different</p> <p>4 classes with different subordination and</p> <p>5 things like that. So understanding where</p> <p>6 the class you're looking at falls in the</p> <p>7 cash flow waterfall.</p> <p>8 Q. So you want to look at that</p> <p>9 particular tranche and the characteristics</p> <p>10 there to determine whether you want to</p> <p>11 invest in that particular tranche?</p> <p>12 A. Correct. In addition to looking</p> <p>13 at underlying collateral characteristics.</p> <p>14 Q. In terms of collateral</p> <p>15 characteristics, would you look at the</p> <p>16 rating assigned to a particular deal?</p> <p>17 A. In secondary trading?</p> <p>18 Q. Yes.</p> <p>19 A. Yes.</p> <p>20 Q. As well as the rating assigned</p> <p>21 to a particular tranche of securities?</p> <p>22 A. They're not exclusive. The deal</p> <p>23 itself is not -- each tranche is rated</p> <p>24 separately.</p> <p>25 Q. Is rated separately?</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Would you look at the --</p> <p>3 description in the prospectus supplement of</p> <p>4 the underwriting guidelines used by the</p> <p>5 issuers of the mortgage loans?</p> <p>6 A. Not typically.</p> <p>7 Q. Why wouldn't that be important</p> <p>8 to you?</p> <p>9 A. When you're trading bonds in the</p> <p>10 secondary market, you have minutes or</p> <p>11 sometimes no time to bid the assets. So</p> <p>12 you're not -- when you're offered a block of</p> <p>13 loans as a secondary trading desk, you're</p> <p>14 not necessarily going to the prospectus as</p> <p>15 you're making markets.</p> <p>16 Q. And when you said "not</p> <p>17 necessarily," would there be circumstances</p> <p>18 when you would look at that kind of</p> <p>19 information?</p> <p>20 A. The information that we would</p> <p>21 want from the prospectus would be available</p> <p>22 in Intex, typically. The number one thing</p> <p>23 that we would want to get out of the</p> <p>24 prospectus when making the markets, not</p> <p>25 number one, but one of the most important</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. Yes.</p> <p>3 Q. Why would it be important to</p> <p>4 look at the rating assigned to the</p> <p>5 particular securities that you were</p> <p>6 considering investing in?</p> <p>7 A. Understanding -- the rating will</p> <p>8 tell you generally where the deal -- where</p> <p>9 that particular security falls in the</p> <p>10 hierarchy of cash flow when the deal is</p> <p>11 issued. I mean, also different ratings.</p> <p>12 obviously you want to get paid more, more</p> <p>13 coupon for a lower rating than a higher</p> <p>14 rating. It leads you to different pricing</p> <p>15 methodology.</p> <p>16 And if you're further down in</p> <p>17 the capital structure, you're going to be</p> <p>18 looking at collateral attributes a lot more</p> <p>19 carefully than if you're at the time AAA.</p> <p>20 Q. Is it fair to say that you'd</p> <p>21 want to be paid more for a lower rating than</p> <p>22 a higher rating because with the lower</p> <p>23 rating you're taking on more risk as the</p> <p>24 investor?</p> <p>25 A. Yes.</p>	<p>1 JOHN T. CARROLL</p> <p>2 things would be that trigger language that I</p> <p>3 talked about, how do the cash flows work.</p> <p>4 And it's fairly -- that type of</p> <p>5 language is fairly consistent or has been</p> <p>6 fairly consistent across securities. But</p> <p>7 it's something that traders are trained to</p> <p>8 look at to make sure that it's not</p> <p>9 different. So you have an understanding of</p> <p>10 what can happen if the deal performs poorly</p> <p>11 or in a certain way to the specific security</p> <p>12 you're buying.</p> <p>13 Q. I believe you mentioned LTV. Is</p> <p>14 that correct?</p> <p>15 A. Yes.</p> <p>16 Q. That was one of the factors that</p> <p>17 you would consider with respect to the</p> <p>18 collateral characteristics of the underlying</p> <p>19 mortgage loans?</p> <p>20 A. With regard to whole loan</p> <p>21 trading?</p> <p>22 Q. With regard to RMBS. Secondary</p> <p>23 trading of RMBS.</p> <p>24 A. Yes.</p> <p>25 Q. LTV is, of course, loan to value</p>

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<p>1 JOHN T. CARROLL</p> <p>2 ratio?</p> <p>3 A. Correct.</p> <p>4 Q. Why is loan to value ratio</p> <p>5 important?</p> <p>6 A. Because we use it as a -- the</p> <p>7 market uses it as one input to determine</p> <p>8 potential losses on a pool. It's a measure</p> <p>9 of the borrower's equity in the house.</p> <p>10 Q. Is a lower LTV generally better?</p> <p>11 MR. FRITSCH: Objection to form.</p> <p>12 A. Better than what?</p> <p>13 Q. Than a higher LTV.</p> <p>14 A. In what way, though? I'm sorry,</p> <p>15 I don't mean to --</p> <p>16 Q. When you're considering LTV, is</p> <p>17 it because you're considering credit risk?</p> <p>18 A. Right.</p> <p>19 Q. And would you consider a</p> <p>20 borrower with a higher LTV to be more of a</p> <p>21 credit risk than a buyer with a lower LTV?</p> <p>22 MR. FRITSCH: Objection to the</p> <p>23 form.</p> <p>24 A. No.</p> <p>25 Q. Why is that true?</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. And just in terms of looking at</p> <p>3 LTV as one of the characteristics you were</p> <p>4 focused on, was it important that the</p> <p>5 information regarding LTV be accurate?</p> <p>6 MR. FRITSCH: Objection to form.</p> <p>7 A. It's important that all the</p> <p>8 information in these loan tapes was</p> <p>9 accurate, yes.</p> <p>10 Q. I'm not talking about loan tapes</p> <p>11 now, I'm talking about information that you</p> <p>12 would rely on in the secondary market.</p> <p>13 A. Yes, of course.</p> <p>14 Q. Do underwriting guidelines</p> <p>15 factor into assessing the credit risk of the</p> <p>16 underlying assets in the case of mortgage</p> <p>17 loans?</p> <p>18 MR. FRITSCH: Objection to form.</p> <p>19 A. In purchasing whole loans, we</p> <p>20 would look at underwriting guidelines of the</p> <p>21 originator of the loans as one measure of --</p> <p>22 I'm sorry, the credit risk of the loans? As</p> <p>23 one measure of the type of loans you're</p> <p>24 buying.</p> <p>25 Q. Why would that be important?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. Because the credit risk of the</p> <p>3 borrower is not related to the loan to value</p> <p>4 ratio. There is mitigating factors. And</p> <p>5 all of them can be priced for. Most of them</p> <p>6 can be priced for.</p> <p>7 Q. I understand that you're now</p> <p>8 talking about mitigating factors. All other</p> <p>9 things being equal, would a pool of loans</p> <p>10 with a lower LTV be considered riskier than</p> <p>11 a pool of loans with a higher LTV?</p> <p>12 A. No.</p> <p>13 MR. FRITSCH: Objection to form.</p> <p>14 Q. And can you explain to me why</p> <p>15 that would not be a higher risk?</p> <p>16 A. A pool of loans with a lower LTV</p> <p>17 would mean there's more equity in the house.</p> <p>18 Q. That was my fault.</p> <p>19 Would a pool of loans with a</p> <p>20 higher LTV, all other things being equal, be</p> <p>21 considered more risky than a pool of loans</p> <p>22 with a lower LTV?</p> <p>23 A. It would be considered more</p> <p>24 risky, yes. All things being equal, other</p> <p>25 than that.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Understanding the parameters</p> <p>3 under which the loans were originated.</p> <p>4 Q. And why would it be important to</p> <p>5 understand the parameters under which the</p> <p>6 loans were originated?</p> <p>7 A. To categorize the types of loans</p> <p>8 that you're buying.</p> <p>9 Q. And when you say categorizing</p> <p>10 the types of loans that you're buying, is</p> <p>11 that so that you could accurately price</p> <p>12 them?</p> <p>13 A. Yes.</p> <p>14 Q. And you'd be pricing them based</p> <p>15 on the credit risk?</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 A. Whole loan trading we're talking</p> <p>18 about?</p> <p>19 Q. Yes.</p> <p>20 A. Whole loan acquisition.</p> <p>21 The credit risk of the pool</p> <p>22 would be one input to the pricing of the</p> <p>23 loan pool.</p> <p>24 Q. Would credit risk include both</p> <p>25 prepayment risk and default risk?</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. No, credit risk is pure default</p> <p>3 risk. As I would look at it.</p> <p>4 Q. Would the underwriting</p> <p>5 guidelines used by an originator be</p> <p>6 important in assessing the mortgage loans</p> <p>7 underlying an RMBS?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. Not as important as when you're</p> <p>10 buying a whole loan pool.</p> <p>11 Q. Why is that?</p> <p>12 A. When you're -- when you're</p> <p>13 trading RMBS in the secondary market, there</p> <p>14 is emphasis placed on the rating agency, or</p> <p>15 was emphasis, in the case of nonprime, but</p> <p>16 for the most part there is an emphasis</p> <p>17 placed on the rating agency view of the pool</p> <p>18 and rating of the pool. That makes the</p> <p>19 underwriting guidelines less relevant.</p> <p>20 Q. What information was provided to</p> <p>21 a rating agency so that a rating agency</p> <p>22 could rate a given pool of loans?</p> <p>23 A. I don't recall the complete</p> <p>24 information.</p> <p>25 Q. Do you know whether that would</p>	<p>1 JOHN T. CARROLL</p> <p>2 rating agency or assessing the credit risk</p> <p>3 as a loan trader?</p> <p>4 Q. Well, I believe that you told me</p> <p>5 that you can't really speak for a rating</p> <p>6 agency because you haven't dealt with them</p> <p>7 directly. Is that correct?</p> <p>8 A. I don't recall what was sent to</p> <p>9 the rating agencies when they rated the --</p> <p>10 Q. So I'm just asking you as</p> <p>11 someone who purchased whole loans.</p> <p>12 A. Okay.</p> <p>13 Q. And invested in RMBS. Do you</p> <p>14 believe that's something that would be</p> <p>15 important in assessing the overall risk of a</p> <p>16 pool of mortgages? And to be clear, I'm</p> <p>17 talking about the underwriting guidelines</p> <p>18 used by an originate -- the originator?</p> <p>19 A. Yes.</p> <p>20 Q. Why?</p> <p>21 A. Again, it's a set of guidelines</p> <p>22 under which the loans, the lending decision</p> <p>23 was made. So it would enable you as a loan</p> <p>24 purchaser to fit the particular pool that</p> <p>25 you're looking at into a box, if you will.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 include the underwriting guidelines used by</p> <p>3 the originator? Let me make my question</p> <p>4 better.</p> <p>5 Do you know whether rating</p> <p>6 agencies were provided with information</p> <p>7 regarding the underwriting guidelines</p> <p>8 employed by the originator in connection</p> <p>9 with rating mortgage loans in the RMBS?</p> <p>10 A. I don't remember.</p> <p>11 Q. Would it surprise you if they,</p> <p>12 indeed, were provided with that information?</p> <p>13 A. Not necessarily. I don't --</p> <p>14 again, I don't remember the -- I was not</p> <p>15 involved in the ratings processes for these</p> <p>16 deals.</p> <p>17 Q. Given your many years of</p> <p>18 experience in whole loan acquisition and</p> <p>19 RMBS trading, do you believe that the</p> <p>20 underwriting guidelines used by an</p> <p>21 originator would be relevant to assessing</p> <p>22 the credit risk of a given pool of mortgage</p> <p>23 loans?</p> <p>24 MR. FRITSCH: Objection to form.</p> <p>25 A. Assessing the credit risk by a</p>	<p>1 JOHN T. CARROLL</p> <p>2 of prime, Alt-A, midprime, nonprime,</p> <p>3 subprime.</p> <p>4 Q. And depending how strict or</p> <p>5 loose those underwriting guidelines were,</p> <p>6 those would affect your view of the quality</p> <p>7 of the underlying collateral. Is that</p> <p>8 correct?</p> <p>9 MR. FRITSCH: Objection to form.</p> <p>10 A. No.</p> <p>11 Q. Why not?</p> <p>12 A. I don't know what you mean by</p> <p>13 loose underwriting guidelines or strict</p> <p>14 underwriting guidelines.</p> <p>15 Again, we would look at loan,</p> <p>16 loan level attributes, as we talked about</p> <p>17 earlier. And all of them, I think I left</p> <p>18 out prepayment penalties, they'll continue</p> <p>19 to come to me throughout the rest of the</p> <p>20 day, are inputs as to how we would price</p> <p>21 loan pools.</p> <p>22 The underwriting guidelines are</p> <p>23 qualitative. The pricing is a combination</p> <p>24 of qualitative and quantitative inputs, for</p> <p>25 a loan pool</p>

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<p>1 JOHN T. CARROLL</p> <p>2 Q. Do you know whether the ratings</p> <p>3 for RMBS are based on an assumption that the</p> <p>4 loans conform to the applicable underwriting</p> <p>5 guidelines that are stated in the prospectus</p> <p>6 supplement for a deal?</p> <p>7 MR. FRITSCH: Objection to form.</p> <p>8 A. I don't know.</p> <p>9 Q. Have you ever valued the</p> <p>10 residual piece of a securitization?</p> <p>11 A. Yes.</p> <p>12 Q. In that context, do you consider</p> <p>13 whether or not the loans in the residual</p> <p>14 securitization pool comply with guidelines?</p> <p>15 MR. FRITSCH: Objection to form.</p> <p>16 A. No.</p> <p>17 Q. Would you consider factors such</p> <p>18 as LTV ratio and some of the other credit</p> <p>19 risk factors that you discussed?</p> <p>20 A. In valuing, absolutely.</p> <p>21 Q. And again, it would be important</p> <p>22 that that information regarding credit risk</p> <p>23 be accurate so that you could accurately</p> <p>24 price the pool?</p> <p>25 A. Yes.</p>	<p>1 JOHN T. CARROLL</p> <p>2 So when one of the three is</p> <p>3 either impaired or below an average, you</p> <p>4 would look for one of the other ones to be</p> <p>5 stronger.</p> <p>6 Q. Have you ever heard the term</p> <p>7 "exception loan"?</p> <p>8 A. Yes.</p> <p>9 Q. So would that be a situation</p> <p>10 where if one factor can compensate for a</p> <p>11 deficiency in another factor, that would be</p> <p>12 an exception?</p> <p>13 A. No.</p> <p>14 Q. Would an exception be where the</p> <p>15 loan does not meet the criteria?</p> <p>16 A. Yes. Not necessarily those</p> <p>17 criteria, however. Only those three</p> <p>18 criteria. An exception loan defined is a</p> <p>19 loan that does not meet stated underwriting</p> <p>20 guidelines by an originator.</p> <p>21 Q. So it's possible that there</p> <p>22 could be a loan that simply didn't meet the</p> <p>23 stated underwriting guidelines regardless of</p> <p>24 any, you know, presence of any compensating</p> <p>25 factors?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. I believe you mentioned the term</p> <p>3 "mitigating factors" earlier.</p> <p>4 A. Yes.</p> <p>5 Q. Is there any difference between</p> <p>6 the term "mitigating factors" and</p> <p>7 "compensating factors"?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. I would use the same -- I would</p> <p>10 use them interchangeably.</p> <p>11 Q. Sure. I just want to know if</p> <p>12 there was a difference I wasn't aware of.</p> <p>13 Can you tell me what you mean by</p> <p>14 either mitigating or compensating factors?</p> <p>15 A. Sure. In mortgage lending,</p> <p>16 generally, it's believed on a qualitative</p> <p>17 basis that there's three major tenets to</p> <p>18 mortgage lending. One is the borrower's</p> <p>19 willingness to pay, as evidenced through</p> <p>20 their credit score and their credit history.</p> <p>21 The second is the borrower's</p> <p>22 ability to pay, as evidenced through their</p> <p>23 income, history and reserves, if will you,</p> <p>24 savings. And then the loan to value ratio</p> <p>25 of the home.</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. I don't know. Again, the</p> <p>4 definition of a, of that type of loan is a</p> <p>5 loan that doesn't meet criteria. It doesn't</p> <p>6 mean that the loan doesn't get done or</p> <p>7 shouldn't get done. It just doesn't meet</p> <p>8 the stated underwriting criteria.</p> <p>9 Q. As an investor, if you learned</p> <p>10 that a large percentage of loans in the pool</p> <p>11 were exception loans without compensating</p> <p>12 factors, would that affect your view of the</p> <p>13 credit risk of the underlying pool of</p> <p>14 mortgage loans?</p> <p>15 MR. FRITSCH: Objection to form.</p> <p>16 A. It depends on what the</p> <p>17 exceptions were.</p> <p>18 Q. How about debt to income, how</p> <p>19 does that affect the credit risk of a pool?</p> <p>20 A. That was one of the three things</p> <p>21 we just discussed, right. A higher debt to</p> <p>22 income ratio is generally thought to be a</p> <p>23 more risky loan.</p> <p>24 Q. Because it would affect the</p> <p>25 buyer's ability to repay?</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. Yes.</p> <p>3 Q. And perhaps also willingness?</p> <p>4 MR. FRITSCH: Objection to form.</p> <p>5 A. We would look at it as, in the</p> <p>6 context of ability to repay, yes.</p> <p>7 Q. Is there any particular ratio of</p> <p>8 DTI at which you would say we're not buying</p> <p>9 that particular pool of loans?</p> <p>10 A. We would price -- we would put a</p> <p>11 price. Again, we see a pool of loans, we</p> <p>12 would traditionally put a price on it. All</p> <p>13 of these factors can be priced for.</p> <p>14 Q. Do you know whether the rating</p> <p>15 agencies considered DTI in formulating how</p> <p>16 much credit enhancement was required for a</p> <p>17 particular rating?</p> <p>18 A. I do not.</p> <p>19 MR. FRITSCH: Objection to form.</p> <p>20 Q. Is owner occupancy a collateral</p> <p>21 characteristic you would consider?</p> <p>22 A. Yes.</p> <p>23 Q. How so?</p> <p>24 A. One of the many weighted average</p> <p>25 quantitative percentages we would look at.</p>	<p>1 JOHN T. CARROLL</p> <p>2 based upon a -- the person's repayment</p> <p>3 history or payment history. And it's</p> <p>4 generally thought that there's, not thought,</p> <p>5 the credit score numbers are somewhat</p> <p>6 parabolic.</p> <p>7 So there's a, I don't know the</p> <p>8 exact probability, but they assign</p> <p>9 probabilities of default on certain assets</p> <p>10 to certain scores. So the possibility and</p> <p>11 probability of a borrower defaulting goes up</p> <p>12 as the credit score goes down.</p> <p>13 MR. COMMERSON: I show you the</p> <p>14 prospectus supplement, which will be</p> <p>15 the next exhibit in order, 9205.</p> <p>16 (Deposition Exhibit 9205 for</p> <p>17 identification, prospectus supplement</p> <p>18 dated January 23, 2006 for SABR Trust</p> <p>19 2006-CB1, production numbers FHFA-BARC</p> <p>20 82295 through FHFA-BARC 82431.)</p> <p>21 BY MR. COMMERSON:</p> <p>22 Q. So what I'm showing you is a</p> <p>23 prospectus supplement dated January 23, 2006</p> <p>24 for SABR Trust 2006-CB1.</p> <p>25 Do you see that?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. What is the significance of</p> <p>3 owner occupancy?</p> <p>4 A. I generally believe that a home</p> <p>5 that the owner lives in would be a better</p> <p>6 performing mortgage, all things being equal,</p> <p>7 than a second home or a rental property,</p> <p>8 investment property, if you will.</p> <p>9 MR. COMMERSON: Why don't we go</p> <p>10 ahead and change tapes.</p> <p>11 THE VIDEOGRAPHER: Going off the</p> <p>12 record at 11:07, and this will mark</p> <p>13 the end of Tape No. 1.</p> <p>14 (A recess was taken.)</p> <p>15 THE VIDEOGRAPHER: Returning to</p> <p>16 the record at 11:17 a.m., and this</p> <p>17 will mark the beginning of Tape No. 2.</p> <p>18 BY MR. COMMERSON:</p> <p>19 Q. Would FICO scores affect the</p> <p>20 credit risk of a mortgage pool?</p> <p>21 A. FICO scores would be an</p> <p>22 indicator of the credit risk of the pool.</p> <p>23 Q. How so?</p> <p>24 A. Credit score is based upon, my</p> <p>25 understanding, it's blackbox typically, but</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Yes.</p> <p>3 Q. Have you seen this document</p> <p>4 before?</p> <p>5 A. Not that I recall.</p> <p>6 Q. Do you recall if you ever</p> <p>7 reviewed this prospectus supplement?</p> <p>8 A. I do not.</p> <p>9 Q. Did you generally review</p> <p>10 prospectus supplements before they were</p> <p>11 issued?</p> <p>12 A. No.</p> <p>13 Q. Did you take any steps to verify</p> <p>14 that the information contained in the</p> <p>15 prospectus supplement was true and accurate?</p> <p>16 MR. FRITSCH: Objection; asked</p> <p>17 and answered.</p> <p>18 A. No.</p> <p>19 Q. Do you know if Barclays had a</p> <p>20 process to ensure that information in the</p> <p>21 prospectus supplement was accurate?</p> <p>22 MR. FRITSCH: Same objection.</p> <p>23 A. I believe they did.</p> <p>24 Q. What was the process?</p> <p>25 A. I don't know.</p>

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<p>1 JOHN T. CARROLL</p> <p>2 Q. What are you basing your belief</p> <p>3 on that they had a process to ensure the</p> <p>4 accuracy of the information?</p> <p>5 A. Just we had processes all over</p> <p>6 the bank for everything. So I'm assuming</p> <p>7 that there was a process within the bank</p> <p>8 somewhere before the information got to the</p> <p>9 investors that the information was looked</p> <p>10 at.</p> <p>11 Q. Do you know who within Barclays</p> <p>12 was responsible for preparing the prospectus</p> <p>13 supplement?</p> <p>14 A. I do not.</p> <p>15 Q. Do you know who within Barclays</p> <p>16 was responsible for reviewing the prospectus</p> <p>17 supplement?</p> <p>18 A. I do not.</p> <p>19 Q. Did you make any effort to</p> <p>20 verify the information in this prospectus</p> <p>21 supplement regarding compliance of</p> <p>22 underwriting guidelines?</p> <p>23 MR. FRITSCH: Objection; asked</p> <p>24 and answered.</p> <p>25 A. No.</p>	<p>1 JOHN T. CARROLL</p> <p>2 questions about this prospectus supplement?</p> <p>3 A. I do not.</p> <p>4 Q. Do you recall ever discussing</p> <p>5 this prospectus supplement, period?</p> <p>6 A. I do not.</p> <p>7 Q. Did you ever receive reports</p> <p>8 from diligence firms regarding quality of</p> <p>9 loans in an RMBS?</p> <p>10 MR. FRITSCH: Objection to form.</p> <p>11 A. Not that I recall.</p> <p>12 Q. Okay. So you obviously didn't</p> <p>13 rely on any such reports in determining the</p> <p>14 accuracy of any of the information in this</p> <p>15 prospectus supplement; is that correct?</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 A. That wasn't my role at Barclays</p> <p>18 Q. I know you said you did not</p> <p>19 review the prospectus supplement. Do you</p> <p>20 recall reviewing any other documents in</p> <p>21 relation to the prospectus supplement?</p> <p>22 MR. FRITSCH: Objection to form.</p> <p>23 A. No.</p> <p>24 MR. COMMERSON: We will show you</p> <p>25 the second prospectus supplement that</p>
Page 111	Page 113
<p>1 JOHN T. CARROLL</p> <p>2 Q. Did you make any effort to</p> <p>3 verify information in the prospectus</p> <p>4 supplement as information regarding whether</p> <p>5 exception loans were supported by</p> <p>6 compensating factors?</p> <p>7 MR. FRITSCH: Objection to form;</p> <p>8 asked and answered.</p> <p>9 A. No.</p> <p>10 Q. Did you make any effort to</p> <p>11 ensure the accuracy of the information in</p> <p>12 the prospectus supplement relating to LTV or</p> <p>13 CLTV ratios?</p> <p>14 MR. FRITSCH: Same objection.</p> <p>15 A. No.</p> <p>16 Q. Did you make any effort to</p> <p>17 verify the accuracy of information in this</p> <p>18 document pertaining to owner occupancy</p> <p>19 statistics?</p> <p>20 MR. FRITSCH: Same objection.</p> <p>21 A. No.</p> <p>22 Q. Do you recall if you made any</p> <p>23 changes to this prospectus supplement?</p> <p>24 A. I do not.</p> <p>25 Q. Do you recall if you had any</p>	<p>1 JOHN T. CARROLL</p> <p>2 relates to the other registration</p> <p>3 statement you signed. This will be</p> <p>4 the next exhibit in order. This will</p> <p>5 be 9206.</p> <p>6 (Deposition Exhibit 9206 for</p> <p>7 identification, prospectus supplement</p> <p>8 dated February 26, 2006 for SABR Trust</p> <p>9 2007-CB2, production numbers FHFA-BARC</p> <p>10 21137 through FHFA-BARC 21495.)</p> <p>11 BY MR. COMMERSON:</p> <p>12 Q. Mr. Carroll, did you review this</p> <p>13 prospectus supplement before it was issued?</p> <p>14 A. Not that I recall.</p> <p>15 Q. And did you do anything to</p> <p>16 verify the information in this prospectus</p> <p>17 supplement before it was issued?</p> <p>18 A. Not that I recall.</p> <p>19 Q. You can put those aside.</p> <p>20 What is SABR?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. Securitized Asset-Backed</p> <p>23 Receivables.</p> <p>24 Q. Do you have any understanding as</p> <p>25 to -- I understand that's the name. Do you</p>

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<p>1 JOHN T. CARROLL 2 have any understanding as to what that is? 3 A. My understanding is it's a shelf 4 registration entity that securitizations 5 were issued off of. 6 Q. Do you know when it was created? 7 A. Not the exact date, no. 8 Q. Do you have an approximate date? 9 A. I believe it was sometime in 10 2003 or 2004. 11 Q. Do you know who created it? 12 A. Not specifically, no. 13 Q. Do you have a general idea? 14 A. Barclays Capital. 15 Q. Aside from serving as a shelf 16 registration entity that issued certain 17 securitizations, are you aware of any other 18 functions that SABR served? 19 MR. FRITSCH: Objection to form. 20 A. I am not. 21 Q. What is the function of a 22 depositor in a securitization? 23 A. My understanding is the 24 depositor is the entity that conveys the 25 loans into the shelf</p>	<p>1 JOHN T. CARROLL 2 sale for bankruptcy purposes? 3 MR. FRITSCH: Same objection, 4 calls for a legal conclusion. 5 A. I don't know. 6 Q. I'll represent to you that for 7 the eight deals at issue in this case, 8 Barclays acted as an underwriter for all of 9 them and SABR was a sponsor in two of them. 10 The two securitizations -- 11 MR. FRITSCH: I think that's 12 incorrect. 13 Q. -- that we've reviewed? 14 MR. FRITSCH: It's not a 15 sponsor. It's an issuer. 16 MR. COMMERSON: I'm sorry, I 17 meant depositor. 18 Q. SABR acted as a depositor for 19 two of the securitizations at issue. 20 Who made the decision that SABR 21 should act as a depositor for certain 22 securitizations? 23 MR. FRITSCH: Objection to form. 24 A. I don't know. 25 Q. Now, my understanding is that</p>
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<p>1 JOHN T. CARROLL 2 Q. Is it fair to describe, in 3 general, the process of securitization of 4 RMBS as a sponsor acquiring or originating 5 loans, then transferring those loans to the 6 depositor, and the depositor then 7 transferring those loans to the trust? 8 MR. FRITSCH: Objection to form. 9 A. I'm not entirely sure. 10 Q. Do you understand the depositor 11 conveys loans to a trust? 12 A. That's my understanding, yes. 13 Q. Why does the depositor serve as 14 the intermediary between the sponsor and the 15 trust? 16 MR. FRITSCH: Objection to form. 17 A. I don't know. 18 Q. Why doesn't the sponsor simply 19 transfer the loans the sponsor obtains 20 directly to the trust? 21 MR. FRITSCH: Objection to form. 22 A. I don't know. 23 Q. Do you know whether there are 24 issues with the sponsor's transfer of loans 25 to the depositor not constituting a true</p>	<p>1 JOHN T. CARROLL 2 SABR also acts as a sponsor for some 3 securitizations; is that correct? Not the 4 ones at issue in this case. 5 MR. FRITSCH: Objection to form. 6 A. I'm sorry, were there other SABR 7 securitizations? 8 Q. Are you aware if SABR ever acted 9 as a sponsor of a securitization? 10 MR. FRITSCH: Same objection. 11 A. I'm not sure -- I don't know. 12 Q. What does a sponsor do, do you 13 have an understanding of that? 14 A. My belief is that SABR was the 15 issuer. 16 Q. Okay. What's your understanding 17 of the responsibilities of an issuer? 18 A. The responsibilities of an 19 issuer? 20 MR. FRITSCH: Objection to form. 21 A. I don't know. 22 Q. What about the role of an issuer 23 within a securitization. 24 MR. FRITSCH: Same objection. 25 A. My understanding of the role of</p>

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<p>1 JOHN T. CARROLL</p> <p>2 the issuer is to provide information about</p> <p>3 the securitization.</p> <p>4 Q. To investors?</p> <p>5 A. To investors.</p> <p>6 Q. Anything beyond that?</p> <p>7 A. Not that I'm -- not that I</p> <p>8 recall.</p> <p>9 Q. Did SABR have any employees?</p> <p>10 A. I don't recall if we were</p> <p>11 employees. Actually we were directors. I</p> <p>12 don't know if --</p> <p>13 Q. What was your title within SABR?</p> <p>14 A. Vice president and CFO, I</p> <p>15 believe.</p> <p>16 Q. And I believe I asked you</p> <p>17 earlier if you can recall any</p> <p>18 responsibilities that you undertook with</p> <p>19 respect to that position and you couldn't</p> <p>20 recall any. Is that correct?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. I believe that's what I said. I</p> <p>23 guess signing documents was a</p> <p>24 responsibility.</p> <p>25 Q. Beyond signing the registration</p>	<p>1 JOHN T. CARROLL</p> <p>2 and Mr. Menefee, are you aware of anyone</p> <p>3 else who was affiliated with SABR?</p> <p>4 MR. FRITSCH: Objection to form.</p> <p>5 A. I don't remember.</p> <p>6 Q. Did SABR have a board of</p> <p>7 directors?</p> <p>8 A. Not that I recall.</p> <p>9 Q. Who appointed SABR's officers</p> <p>10 and directors?</p> <p>11 A. I don't remember.</p> <p>12 Q. Was it Barclays Bank?</p> <p>13 A. I don't remember.</p> <p>14 Q. Were you elected to your role as</p> <p>15 vice president and CFO?</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 A. Not that I recall.</p> <p>18 Q. Was anyone appointed secretary</p> <p>19 of SABR?</p> <p>20 A. Not that I recall.</p> <p>21 Q. Where were SABR's offices</p> <p>22 located?</p> <p>23 A. From the documents, I would say</p> <p>24 200 Park Avenue. But I don't remember. I</p> <p>25 didn't remember until I saw this document.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 statements and amendments, do you recall any</p> <p>3 other actions you took as vice president and</p> <p>4 CFO of SABR?</p> <p>5 MR. FRITSCH: Objection to form;</p> <p>6 asked and answered.</p> <p>7 A. No.</p> <p>8 Q. Do you know if SABR had</p> <p>9 officers?</p> <p>10 A. I would think the three of us</p> <p>11 were officers, right.</p> <p>12 Q. And can you tell me, it was</p> <p>13 yourself and who were the other two officers</p> <p>14 within -- of SABR?</p> <p>15 MR. FRITSCH: Objection to form.</p> <p>16 A. Michael Wade.</p> <p>17 Q. What was Michael Wade's title</p> <p>18 within SABR?</p> <p>19 A. I don't recall. I saw it</p> <p>20 earlier, but I don't recall.</p> <p>21 Q. And who was the other person?</p> <p>22 A. Paul Menefee.</p> <p>23 Q. Aside from the three of you, are</p> <p>24 you affiliated -- strike the question.</p> <p>25 Aside from yourself, Mr. Wade</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Is 200 Park Avenue, is that the</p> <p>3 address for any other Barclays entities that</p> <p>4 you're aware of?</p> <p>5 A. At the time it was the address</p> <p>6 for Barclays Capital.</p> <p>7 Q. Was there particular office</p> <p>8 space that was designated for SABR within</p> <p>9 the Barclays Capital building?</p> <p>10 MR. FRITSCH: Objection to form.</p> <p>11 A. Not that I recall.</p> <p>12 Q. Do you recall ever going to any</p> <p>13 physical location that you understood to be</p> <p>14 the office of SABR?</p> <p>15 A. No.</p> <p>16 Q. What entity or entities owns</p> <p>17 SABR?</p> <p>18 A. I don't know.</p> <p>19 Q. Did SABR have any operations?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. I don't understand the question.</p> <p>22 Q. Well, as I understand it, your</p> <p>23 understanding is that SABR served as the</p> <p>24 self -- the shelf registration entity,</p> <p>25 correct, for Barclays?</p>

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<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. Yes.</p> <p>4 Q. Beyond that, I don't know</p> <p>5 whether you consider that an operation or</p> <p>6 not, but are you aware of any operations</p> <p>7 that SABR was engaged in?</p> <p>8 A. I don't recall any.</p> <p>9 Q. Did SABR have any assets?</p> <p>10 A. Not that I recall.</p> <p>11 Q. Do you know whether SABR's</p> <p>12 profits and losses were allocated entirely</p> <p>13 to Barclays?</p> <p>14 MR. FRITSCH: Objection to form.</p> <p>15 A. No. I don't know.</p> <p>16 Q. Did you receive a salary as an</p> <p>17 officer of SABR?</p> <p>18 A. Not that I recall.</p> <p>19 Q. Did SABR have an HR department?</p> <p>20 A. Not that I recall.</p> <p>21 Q. Are you aware that when loans</p> <p>22 are transferred from a sponsor to a</p> <p>23 depositor into a trust that certain</p> <p>24 documentation has to go with those loans?</p> <p>25 MR. FRITSCH: Objection to form.</p>	<p>1 JOHN T. CARROLL</p> <p>2 would be transferred to the trust?</p> <p>3 A. I don't recall.</p> <p>4 Q. Did SABR make any inquiry</p> <p>5 regarding default history and foreclosure</p> <p>6 proceedings in connection with serving as a</p> <p>7 depositor?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. I don't recall.</p> <p>10 Q. Aside from yourself, Mr. Wade</p> <p>11 and Mr. Menefee, is there anyone else who</p> <p>12 was responsible for management of SABR?</p> <p>13 MR. FRITSCH: Objection; asked</p> <p>14 and answered.</p> <p>15 A. I don't recall.</p> <p>16 Q. Were you required to approve</p> <p>17 transactions involving SABR?</p> <p>18 MR. FRITSCH: Objection to form.</p> <p>19 A. I don't recall.</p> <p>20 Q. Do you know if anyone was</p> <p>21 required to approve transactions involving</p> <p>22 SABR?</p> <p>23 A. I don't know.</p> <p>24 Q. I know I've asked you about your</p> <p>25 responsibilities, this may be the same</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. No.</p> <p>3 Q. You're not aware?</p> <p>4 A. No.</p> <p>5 Q. Are you aware of what documents,</p> <p>6 if any, SABR provided to the trust with</p> <p>7 respect to these two securitizations?</p> <p>8 A. No.</p> <p>9 Q. Do you know what checks, if any,</p> <p>10 that SABR made to ensure that all loans were</p> <p>11 perfectly transferred?</p> <p>12 MR. FRITSCH: Objection to form.</p> <p>13 A. No.</p> <p>14 Q. As depositor, how long did SABR</p> <p>15 typically hold on to the loans before</p> <p>16 transferring them to the trust?</p> <p>17 MR. FRITSCH: Objection to form.</p> <p>18 A. I don't remember.</p> <p>19 Q. When loans were transferred by</p> <p>20 SABR as the depositor to the trust, was a</p> <p>21 price placed on those loans?</p> <p>22 MR. FRITSCH: Objection to form.</p> <p>23 A. I don't recall.</p> <p>24 Q. Did SABR have any involvement in</p> <p>25 setting the price at which mortgage loans</p>	<p>1 JOHN T. CARROLL</p> <p>2 answer, but I want to just ask the question</p> <p>3 slightly differently. Do you understand</p> <p>4 that you had any duties to SABR?</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 A. I don't remember.</p> <p>7 Q. Well, sitting here today, do you</p> <p>8 understand that you had any duties to SABR?</p> <p>9 A. No.</p> <p>10 Q. I know you couldn't remember</p> <p>11 what Mr. Menefee's and Mr. Wade's titles</p> <p>12 were at SABR. So I can help remind you. My</p> <p>13 understanding is that Mr. Menefee was the VP</p> <p>14 and chief accounting officer of SABR.</p> <p>15 Do you recall what</p> <p>16 responsibilities, if any, Mr. Menefee had in</p> <p>17 the context of that role at SABR?</p> <p>18 A. No.</p> <p>19 MR. FRITSCH: Objection to form.</p> <p>20 Q. Do you recall any actions</p> <p>21 Mr. Menefee took with respect to SABR, aside</p> <p>22 from signing the registration statements and</p> <p>23 amendments?</p> <p>24 A. No.</p> <p>25 Q. Do you recall any actions</p>

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<p>1 JOHN T. CARROLL</p> <p>2 Mr. Wade, whose title was president and CEO</p> <p>3 of SABR, do you recall any actions he took</p> <p>4 with respect to SABR?</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 A. No.</p> <p>7 Q. Do you know if SABR had any</p> <p>8 independent directors?</p> <p>9 MR. FRITSCH: Objection to form:</p> <p>10 asked and answered.</p> <p>11 A. I don't recall.</p> <p>12 Q. Do you recall ever meeting with</p> <p>13 Mr. Menefee or Mr. Wade to discuss any</p> <p>14 business related to SABR?</p> <p>15 A. Yes.</p> <p>16 Q. And what was the first meeting</p> <p>17 you recall?</p> <p>18 A. We met numerous times talking</p> <p>19 about the securitizations that were issued.</p> <p>20 Q. Is it your understanding these</p> <p>21 were securitizations in which SABR acted as</p> <p>22 the issuer?</p> <p>23 MR. FRITSCH: Objection to form.</p> <p>24 A. Yes, it's my understanding.</p> <p>25 Q. Aside from discussing these</p>	<p>1 JOHN T. CARROLL</p> <p>2 like there was a SABR meeting set up</p> <p>3 every -- for every transaction. It was just</p> <p>4 the course of day-to-day business we would</p> <p>5 talk about it, the securitizations.</p> <p>6 Q. Can you explain to me how</p> <p>7 Barclays' mortgage department was organized?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. Yes.</p> <p>10 Q. Okay. Please do.</p> <p>11 A. Okay. This is my recollection.</p> <p>12 You want me to start at the top and work my</p> <p>13 way down?</p> <p>14 Q. Sure. I don't necessarily want</p> <p>15 to know the names of everyone, I can ask</p> <p>16 those questions. But I'm interested in the</p> <p>17 various departments and how they interacted.</p> <p>18 A. Okay. I can tell you about what</p> <p>19 I would consider the front office</p> <p>20 departments, I can't tell you about legal,</p> <p>21 compliance and things like that. But I'll</p> <p>22 tell you that I was the head of the trading</p> <p>23 side of the business, which encompassed</p> <p>24 whole loan mortgages, for both residential</p> <p>25 properties as well as consumer whole loans.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 securitizations in which SABR acted as the</p> <p>3 issuer, do you recall any other meetings</p> <p>4 with Mr. Menefee or Mr. Wade in which</p> <p>5 business relating to SABR was discussed?</p> <p>6 A. I don't recall specific</p> <p>7 meetings.</p> <p>8 Q. Were any budgets created for</p> <p>9 SABR?</p> <p>10 MR. FRITSCH: Objection to form.</p> <p>11 A. I don't recall.</p> <p>12 Q. At these meetings in which the</p> <p>13 securitizations were discussed for which</p> <p>14 SABR was an issuer, can you recall what --</p> <p>15 can you tell me what you recall being</p> <p>16 discussed?</p> <p>17 A. I don't recall specific</p> <p>18 discussions.</p> <p>19 Q. Can you tell me generally?</p> <p>20 A. Discussions about the</p> <p>21 securitization? We would talk about timing</p> <p>22 of the transaction. And again, you know,</p> <p>23 these meetings were not formal, they could</p> <p>24 have been standing at a trading desk, they</p> <p>25 could have been in a hallway. It wasn't</p>	<p>1 JOHN T. CARROLL</p> <p>2 We never did a transaction in them, but I</p> <p>3 oversaw that.</p> <p>4 I also looked after asset-backed</p> <p>5 trading for consumer asset-backed. And I</p> <p>6 also looked at the time subprime RMBS,</p> <p>7 credit default swaps on subprime RMBS and</p> <p>8 the index products were a part of</p> <p>9 asset-backed trading.</p> <p>10 Q. Did that change at some point?</p> <p>11 A. Not really. I mean, it was all</p> <p>12 part of -- I mean, it was always in my</p> <p>13 world. Again, it's a title difference, it's</p> <p>14 not a -- within, so I reported to John</p> <p>15 Kreidler. My counterpart was Michael Wade,</p> <p>16 who ran what was called the asset</p> <p>17 securitization group.</p> <p>18 The asset securitization group</p> <p>19 did all of the work on securitizations, on</p> <p>20 due diligence, on -- basically they were</p> <p>21 bankers, currency bankers, structurers,</p> <p>22 collateral analysts, they all worked for</p> <p>23 Mike Wade.</p> <p>24 And then the other side of the</p> <p>25 house -- I was part of global credit</p>

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 2 trading, there was also a global rates
 3 trading business.
 4 Q. Did global credit trading
 5 encompass both the trading side as well as
 6 the asset securitization group?
 7 A. It did not.
 8 Q. Okay. So global credit
 9 trading -- I'm sorry.
 10 Did global credit trading just
 11 encompass the trading side you described?
 12 A. Correct.
 13 Q. Okay.
 14 A. The asset securitization group
 15 was part of, I don't recall the entity. It
 16 was part of global credit. Global credit
 17 was split into trading and banking. John
 18 Kreidler ran the trading side of global
 19 credit, Peter Goettler ran the banking side
 20 of global credit. Michael Wade reported to
 21 Peter Goettler.
 22 And the global rates business,
 23 which was the other half, was Tom Hamilton,
 24 who was responsible for all GSE mortgage
 25 trading, so Fannie Mac, Freddie Mac, Ginnie

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1 JOHN T. CARROLL
 2 Mac. As well as prime -- the prime
 3 non-agency business, so the private label
 4 or, you know, non-government guaranteed
 5 product was a joint venture between Tom
 6 Hamilton and myself.
 7 And the banking for that
 8 business was done within Michael Wade's
 9 group as well.
 10 Q. Okay. Any other departments
 11 that were a part of the mortgage business?
 12 A. Not within that construct. We
 13 had legal help, compliance help, we had
 14 product controllers, we had market risk,
 15 credit risk departments. All assigned to --
 16 not necessarily exclusively assigned to us.
 17 And then following that, there
 18 was an acquisition of a mortgage servicer,
 19 and an acquisition of a mortgage bank, and
 20 both of those reported in to Michael Wade.
 21 Q. Are you familiar with the
 22 syndicate desk?
 23 A. Yes. Forgot about that.
 24 Q. That's okay.
 25 Can you explain to me what the

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1 JOHN T. CARROLL
 2 syndicate desk's role was?
 3 A. Yeah. The syndicate desk was
 4 created effectively to be a, I would call
 5 them a deal manager. So when you were doing
 6 a new issue securitization, they would be a
 7 liaison between the issuer and the sales
 8 force and the customer base that was buying
 9 the assets.
 10 Q. Do you know, why couldn't the
 11 issuer and sales force communicate directly?
 12 MR. FRITSCH: Objection to form.
 13 A. There is no reason they
 14 couldn't.
 15 Q. Do you have an understanding as
 16 to sort of why Barclays decided to have the
 17 syndicate desk in place?
 18 A. Yes.
 19 Q. And what is that?
 20 A. It's industry practice. The
 21 originator, or the issuer, is not
 22 necessarily qualified to run a
 23 securitization. So every single
 24 broker-dealer that does these
 25 securitizations will have a syndicate

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1 JOHN T. CARROLL
 2 function, it may not always be a stand-alone
 3 syndicate desk. It may, in some cases, it
 4 is done directly off the secondary market
 5 desk -- excuse me, the secondary trading
 6 desk.
 7 Barclays' view, again, there is
 8 different interpretations as to whether or
 9 not it can be part of a secondary desk or
 10 not, based on different firms.
 11 Q. And just beyond, you know,
 12 acting as a liaison between the issuer and
 13 the sales force, what else did the syndicate
 14 desk do?
 15 A. Not much.
 16 Q. What about global financial risk
 17 management, are you familiar with that
 18 department?
 19 A. Yes. I referred to them as
 20 credit risk earlier.
 21 Q. Okay. And beyond, I guess,
 22 serving a credit risk role, can you describe
 23 what they did?
 24 A. My understanding of what they
 25 did was they were both counterparty -- they

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 2 approved counterparties for the firm. So
 3 clients that the firm wanted to do business
 4 with. They would have a process that, I
 5 don't know exactly what it was. As well as
 6 they were part of the approval processes for
 7 certain transactions that were done within
 8 the firm as well.
 9 Q. Do you know, would GFRM be
 10 responsible for approving originators from
 11 whom Barclays purchased mortgages for
 12 securitizations?
 13 A. Yes.
 14 Q. Would they also be responsible
 15 for approving servicers in securitizations
 16 as well?
 17 MR. FRITSCH: Objection to form.
 18 A. To the best of my knowledge.
 19 yes.
 20 Q. Who, if you know, who led the
 21 GFRM department?
 22 A. When I was at Barclays?
 23 Q. Yes.
 24 A. In the U.S., it was Patricia
 25 Moore. I believe that's her name.

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1 JOHN T. CARROLL
 2 Q. And in your role with Barclays,
 3 would you interact with GFRM?
 4 A. Yes.
 5 Q. In what capacities?
 6 A. I don't recall all of them, but
 7 there were several. We would have, in
 8 setting up the business they were a part of
 9 the committee that was convened to get the
 10 business approval. They were part of the
 11 committees that were set up for oversight
 12 for all of the trading businesses that I
 13 ran.
 14 They had specific approval
 15 ability for, like I said, for almost every
 16 transaction that the firm did that was
 17 either done by proxy or done by specific
 18 meetings. And they were also, like I said,
 19 they were responsible for oversight and
 20 continued monitoring of these businesses.
 21 Q. Would they oversee whole loan
 22 acquisitions?
 23 A. In what regard?
 24 Q. Well, if you -- in whole loan
 25 trading, did you need their approval to do a

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1 JOHN T. CARROLL
 2 trade for whole loans?
 3 A. We had -- yes. The type, the
 4 approval changed over time. Initially, they
 5 were part of a, I believe it was called an
 6 exposures committee, that was convened prior
 7 to bidding on any whole loan pools. As our
 8 business got larger and we were bidding on
 9 more whole loan pools, my recollection is
 10 that changed to more of an ad hoc electronic
 11 committee, and then ultimately changed to
 12 where we had approval to bid within certain
 13 parameters, as the business was developing
 14 and maturing.
 15 Q. You mentioned an exposures
 16 committee. What did you understand the
 17 purpose of the exposures committee to be?
 18 A. My understanding was that it was
 19 a committee that was convened, I believe,
 20 for many different types of transactions
 21 within Barclays. I believe the attendees
 22 were GFRM, I believe market risk was on it.
 23 I believe product control may have been
 24 there. Again, it was many committees, many
 25 representatives from different disciplines

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1 JOHN T. CARROLL
 2 at the firm that would look at -- we
 3 presented the transaction that was being
 4 looked at. And they would then vote on the
 5 transaction.
 6 Q. Are you familiar with the term
 7 "agented transactions"?
 8 A. Yes.
 9 Q. What does that mean?
 10 A. An agented transaction would be
 11 a securitization that Barclays acted as an
 12 underwriter but did not purchase the loans
 13 prior to issuing the securitization. Or
 14 underwriting the securitization, excuse me.
 15 Q. Would the exposure committee be
 16 involved with approving agented transactions
 17 involving Barclays?
 18 A. I don't recall.
 19 Q. Did you have a role with respect
 20 to agented transactions at Barclays?
 21 A. Not typically.
 22 Q. Okay. You said "not typically."
 23 Were there occasions when you were involved?
 24 A. Yes.
 25 Q. And what were those occasions?

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<p>1 JOHN T. CARROLL</p> <p>2 A. Again, involved in that an</p> <p>3 agented transaction would be obviously a</p> <p>4 third-party issuer using BarCap as an</p> <p>5 underwriter. Those deals would go through,</p> <p>6 or transactions would go through the ASG</p> <p>7 group. ASG was also an origination group,</p> <p>8 if you will, so they were not originating in</p> <p>9 the context of originating loans, they were</p> <p>10 originating opportunities to securitize. So</p> <p>11 again, just a different definition.</p> <p>12 My role would be very limited in</p> <p>13 that I would know about the transactions,</p> <p>14 occasionally these transactions were</p> <p>15 follow-on to a specific SABR shelf deal with</p> <p>16 a particular originator's collateral,</p> <p>17 mortgage originator's collateral. There</p> <p>18 were times when I was involved in the</p> <p>19 negotiation of winning the mandate, if you</p> <p>20 will.</p> <p>21 Simply, mostly as a function of</p> <p>22 my secondary trading business. But again,</p> <p>23 on an execution and a deal management --</p> <p>24 from a deal management perspective, I was</p> <p>25 not involved.</p>	<p>1 JOHN T. CARROLL</p> <p>2 deal went very well, and they saw the</p> <p>3 pricing of the deal, they would want to use</p> <p>4 your syndicate desk again because they felt</p> <p>5 that you had developed demand for the</p> <p>6 product.</p> <p>7 Q. So then when they were actually</p> <p>8 the issuer they would want to use Barclays</p> <p>9 as the underwriter for that deal?</p> <p>10 A. Exactly.</p> <p>11 Q. And you also mentioned "there</p> <p>12 were times when I was involved in the</p> <p>13 negotiation of winning the mandate."</p> <p>14 A. Yes.</p> <p>15 Q. Can you tell me --</p> <p>16 A. The mandate is the, you know,</p> <p>17 being awarded the mandate to underwrite the</p> <p>18 securitization. It was, again, the</p> <p>19 originator relationships were generally</p> <p>20 within ASG. However, it was an effort, more</p> <p>21 of a team effort. There would be,</p> <p>22 occasionally we would have salespeople on</p> <p>23 the phone with an originator pitching to</p> <p>24 them, you know, what our distribution looks</p> <p>25 like. I would talk to them or my traders</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. I just want to follow up on a</p> <p>3 few things to make sure I understand. You</p> <p>4 said occasionally these transactions were</p> <p>5 follow-on to a specific SABR shelf deal with</p> <p>6 a particular originator's collateral.</p> <p>7 A. Yes.</p> <p>8 Q. Can you explain to me what you</p> <p>9 mean by that?</p> <p>10 A. Sure. We would buy loans from</p> <p>11 New Century Mortgage, and we would be doing</p> <p>12 a SABR deal sometime in the future after</p> <p>13 those loans were delivered to us. But say</p> <p>14 we bought loans in February, now we are</p> <p>15 doing a deal in June, just for -- or even,</p> <p>16 whatever.</p> <p>17 And then New Century, a lot of</p> <p>18 these whole loan sellers would also do their</p> <p>19 own deals using their own shelf to retain</p> <p>20 the residuals, and then interest margin, and</p> <p>21 in some cases they would retain the</p> <p>22 subordinate bonds as well.</p> <p>23 Typically, if you did a deal</p> <p>24 with a single originator's collateral,</p> <p>25 anybody, New Century, Ameriquest, and the</p>	<p>1 JOHN T. CARROLL</p> <p>2 would talk to them in the context of how</p> <p>3 many of specific types of securities we had</p> <p>4 traded, how we felt their name was being</p> <p>5 perceived in the marketplace, how we felt</p> <p>6 the market was either, you know,</p> <p>7 concentrated with their name or not</p> <p>8 concentrated with their name, things like</p> <p>9 that.</p> <p>10 So it would be part of the</p> <p>11 process by which the banker or the account</p> <p>12 coverage officer would be pitching to this</p> <p>13 originator to do a deal with BarCap.</p> <p>14 Q. Do you recall if you were</p> <p>15 involved with negotiation of Barclays'</p> <p>16 mandate for any of the eight securitizations</p> <p>17 that are listed in the amended complaint I</p> <p>18 showed you?</p> <p>19 A. I don't recall specifically.</p> <p>20 MR. COMMERSON: This will be the</p> <p>21 next exhibit in order, I believe 9207.</p> <p>22 (Deposition Exhibit 9207 for</p> <p>23 identification, email dated July 27,</p> <p>24 2006, with attachment, production</p> <p>25 numbers FHFA-BARC 872903 through</p>

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1 JOHN T. CARROLL
 2 FHFA-BARC 872934.)
 3 BY MR. COMMERSON:
 4 Q. There is a cover email from you
 5 to Neil Aggarwal, A-g-g-a-r-w-a-l.
 6 A. Yes.
 7 Q. Who is Mr. Aggarwal?
 8 A. Neil Aggarwal was a trader,
 9 whole loan trader that worked for me on the
 10 trading desk.
 11 Q. And the subject matter is
 12 "Business Overview - Revised Draft." And
 13 there is no text in the email, but there is
 14 an attachment.
 15 A. Right.
 16 Q. The email is dated July 2006,
 17 and the attachment is dated June 2003.
 18 MR. FRITSCH: Where is that
 19 date, Scott?
 20 MR. COMMERSON: Sure. If you
 21 look at the cover page of the
 22 attachment.
 23 Q. Do you know, Mr. Carroll, why
 24 you were sending this attachment to
 25 Mr. Aggarwal in July 2006?

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1 JOHN T. CARROLL
 2 A. I do not.
 3 Q. Feel free to take a minute to
 4 skim through this attachment and tell me if
 5 you recognize it.
 6 A. I recognize it.
 7 Q. Did you prepare this
 8 presentation?
 9 A. I don't believe I did. I
 10 believe this was prepared by ASG, although I
 11 did have input into the content.
 12 Q. Turn to Bates number 907. So if
 13 you look at the bottom of the document, just
 14 focus on the last three digits there.
 15 A. Okay.
 16 Q. This page is entitled "Executive
 17 Summary." If you look at the third bullet
 18 there down, it says, "Primary drivers of
 19 revenue will be" -- I'm sorry, let me back
 20 up.
 21 Can you tell me generally what
 22 the purpose of this document was?
 23 A. By looking at the date, this was
 24 prepared shortly after joining, a week after
 25 joining Barclays. My recollection of the

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1 JOHN T. CARROLL
 2 document was that it was put together to
 3 start the discussion about entering the
 4 whole loan business.
 5 Q. The whole loan business?
 6 A. Yes.
 7 Q. Do you know who this
 8 presentation was intended for?
 9 A. I don't recall.
 10 Q. Was it an internal presentation?
 11 A. Yes.
 12 Q. Okay. So reading that third
 13 bullet, it says, "Primary drivers of revenue
 14 will be capital structure arbitrage,
 15 warehouse spread income and bid/ask on
 16 residuals."
 17 What does "capital structure
 18 arbitrage" mean?
 19 A. When you purchase a pool of
 20 whole loans, you assume capital structure.
 21 Again, the rating agency processes are
 22 blackbox and very guarded. So you would
 23 assume a certain capital structure based
 24 upon the pool attributes of the loan file
 25 that you got.

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1 JOHN T. CARROLL
 2 When you then went to issue the
 3 transaction, hopefully, you would have
 4 somewhat better -- a somewhat better capital
 5 structure, simply because you were
 6 conservative in the way that you bid it, bid
 7 the pool.
 8 Q. So can you explain what you mean
 9 by "capital structure"? What exactly were
 10 you trying to do?
 11 A. Well, when you bring the pool to
 12 the rating agencies before it's securitized,
 13 there is a capital structure involved that
 14 basically subordinates certain tranches of
 15 the transaction.
 16 So it starts at AAA, which is
 17 considered the least risky, and goes down to
 18 the residual, which is the most risky. And
 19 cash flows go generally from the top to the
 20 bottom and losses go from the bottom to the
 21 top. And each one of those particular
 22 ratings would be sized by the rating
 23 agencies.
 24 So you'd get, you know, for
 25 example, a transaction would be -- you would

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<p>1 JOHN T. CARROLL</p> <p>2 bid it to 4 percent below the AAA. So for</p> <p>3 every hundred million bonds you have 4</p> <p>4 million or below the AAA.</p> <p>5 And hopefully when you brought</p> <p>6 it to the rating agencies, you would get</p> <p>7 better treatment. Not better treatment,</p> <p>8 effectively you were just applying a bid/ask</p> <p>9 like any other market to the capital</p> <p>10 structure.</p> <p>11 Q. "Warehouse spread income," can</p> <p>12 you explain what that means?</p> <p>13 A. Just positive carry. We would</p> <p>14 own the loans for a period while the</p> <p>15 securitization was being prepared. And also</p> <p>16 the securitizations would also be issued and</p> <p>17 then settle a week or two later. And we</p> <p>18 would fund those loans while earning the</p> <p>19 coupon of the loans. So it's just positive</p> <p>20 carry, net interest income for the period.</p> <p>21 Q. And what about bid/ask on</p> <p>22 residuals?</p> <p>23 A. Similar to what I talked about</p> <p>24 in the capital structure. You're bidding a</p> <p>25 residual, typically when you're making a</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 Q. -- it acquired through the</p> <p>4 mortgage, the whole loan acquisition</p> <p>5 business?</p> <p>6 A. Yes.</p> <p>7 Q. In what circumstances would it</p> <p>8 keep it on its books?</p> <p>9 A. It was on the books between the</p> <p>10 time the whole loan pool settled and the</p> <p>11 securitization settled.</p> <p>12 Q. Fair enough.</p> <p>13 Would it ever intend to keep it</p> <p>14 without putting it in a securitization?</p> <p>15 A. No.</p> <p>16 Let me rephrase that. I don't</p> <p>17 know intent. There were pools of loans kept</p> <p>18 in 2007 that were not part of my business at</p> <p>19 the time. And then my -- there were pools</p> <p>20 of loans kept when the market went illiquid.</p> <p>21 I know that. Intent, I don't think it was</p> <p>22 the firm's intent to keep them, but I'm</p> <p>23 speculating.</p> <p>24 Q. Basically, if they could not</p> <p>25 sell them?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 market, when you're buying a pool of loans,</p> <p>3 you're going to keep the residual. It's a</p> <p>4 highly illiquid, very risky security.</p> <p>5 There was a market developing</p> <p>6 for them over time, but you would typically</p> <p>7 keep it. So you would bid the residual to a</p> <p>8 certain yield, and then you would, if you</p> <p>9 sold it, you would hope to sell it at a</p> <p>10 higher yield, effectively. It was, at the</p> <p>11 time in 2003, residuals were getting sold,</p> <p>12 but again, it was not a highly liquid</p> <p>13 market.</p> <p>14 Q. Do you know if in 2003 Barclays</p> <p>15 had any intention of originating its own</p> <p>16 loans at that point?</p> <p>17 MR. FRITSCH: Objection to form.</p> <p>18 A. I don't recall.</p> <p>19 Q. The top bullet says, "The</p> <p>20 principal whole loan business plan involves</p> <p>21 the acquisition of newly originated</p> <p>22 collateral and exit through an asset-backed</p> <p>23 securitization structure."</p> <p>24 Did Barclays ever keep</p> <p>25 collateral on its own books --</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. Yes.</p> <p>4 But prior to that point, all of</p> <p>5 the loans that were purchased were</p> <p>6 securitized.</p> <p>7 Actually, let me clarify that.</p> <p>8 All the loans that were purchased were</p> <p>9 either securitized or sold back to the</p> <p>10 originator.</p> <p>11 Q. And in what circumstances would</p> <p>12 they be sold back to the originator?</p> <p>13 A. First pay defaults typically.</p> <p>14 So if the loan missed its first payment or</p> <p>15 its first payment to Barclays Capital, part</p> <p>16 of the representation and warranty package</p> <p>17 would be that the originator would buy those</p> <p>18 back. And that was a market standard.</p> <p>19 And, you know, we're not talking</p> <p>20 about a huge amount of loans, there were</p> <p>21 loans also that possibly would have had</p> <p>22 documentation problems. There were loans</p> <p>23 that were delivered, we didn't get the note,</p> <p>24 we didn't get the mortgage, things like</p> <p>25 that. Operational errors would result in us</p>

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<p>1 JOHN T. CARROLL</p> <p>2 either asking for the loan to be repurchased</p> <p>3 or -- it wasn't necessarily first pay</p> <p>4 default always.</p> <p>5 Q. If you turn to page 909. You</p> <p>6 see that home equity loan is defined there.</p> <p>7 Do you know in 2003 when this</p> <p>8 presentation was prepared, was it Barclays'</p> <p>9 intention to focus on acquisition of home</p> <p>10 equity loans?</p> <p>11 MR. FRITSCH: Objection to form.</p> <p>12 A. Yes.</p> <p>13 Q. And was there a focus on certain</p> <p>14 types of home equity loans? I guess I'm</p> <p>15 asking, for example, subprime versus prime.</p> <p>16 A. Yeah, the focus, in the context</p> <p>17 of -- home equity loans, again, it's one of</p> <p>18 these industry definitions that's, I don't</p> <p>19 want to use the word loose, but occasionally</p> <p>20 misapplied.</p> <p>21 The business was set up to focus</p> <p>22 on what was called subprime loans, which</p> <p>23 were also called home equity loans. Your</p> <p>24 typical home equity loan is a second lien</p> <p>25 taken out on a property, where you're taking</p>	<p>1 JOHN T. CARROLL</p> <p>2 market called them home equities. But they</p> <p>3 were, what we were buying and what the</p> <p>4 business was set up for and what was going,</p> <p>5 was subprime first lien closed end</p> <p>6 mortgages.</p> <p>7 Q. And then just beneath that, the</p> <p>8 first indented bullet, it says, "Subprime</p> <p>9 borrowers are characterized by weak or</p> <p>10 unsubstantiated credit histories and a</p> <p>11 higher overall debt load which combine to</p> <p>12 decrease the borrower's FICO scores and</p> <p>13 increase the borrower's risk of default."</p> <p>14 Do you know who determined this</p> <p>15 definition of subprime?</p> <p>16 A. I do not.</p> <p>17 Q. Do you know whether Barclays</p> <p>18 only acquired collateral under the SABR</p> <p>19 shelf?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. Acquired?</p> <p>22 Q. Let me rephrase the question</p> <p>23 just to be clearer.</p> <p>24 Do you know if Barclays</p> <p>25 issued -- acted as an issuer in</p>
Page 151	Page 153
<p>1 JOHN T. CARROLL</p> <p>2 equity out of the property, and thus raising</p> <p>3 your LTV.</p> <p>4 Throughout the '90s, as those</p> <p>5 loans morphed into first lien property</p> <p>6 loans, the name home equity loan stuck.</p> <p>7 That started to get more differential as the</p> <p>8 home equity loan, or the second lien</p> <p>9 business became more prolific in both prime</p> <p>10 and nonprime.</p> <p>11 So I hope that helps clarify a</p> <p>12 little bit.</p> <p>13 Q. My question is going to be the</p> <p>14 definition. It refers to a first lien</p> <p>15 closed end residential mortgage to a</p> <p>16 subprime borrower. If you look at, on page</p> <p>17 909, that's the top sentence.</p> <p>18 A. I'm sorry, I'm on the wrong</p> <p>19 page. There we go.</p> <p>20 Yes.</p> <p>21 Q. So the focus --</p> <p>22 A. Definitionally, or</p> <p>23 industry-wide, this is correct. But</p> <p>24 definitionally it's incorrect, if that makes</p> <p>25 any sense. It's just we called them -- the</p>	<p>1 JOHN T. CARROLL</p> <p>2 securitizations other than under the SABR</p> <p>3 shelf?</p> <p>4 A. Yes.</p> <p>5 Q. It did?</p> <p>6 A. Yes.</p> <p>7 Q. Okay. And what other ways did</p> <p>8 it -- what other capacities did it act?</p> <p>9 A. There was a companion shelf, and</p> <p>10 I can't recall the name, that was part of</p> <p>11 the non-agency prime joint venture that I</p> <p>12 had with Tom Hamilton. And my recollection</p> <p>13 is that loans were purchased and securitized</p> <p>14 off of that shelf.</p> <p>15 And again, I don't remember</p> <p>16 the -- it might come to me, I don't recall</p> <p>17 the shelf name.</p> <p>18 Q. Is it fair to say that, to your</p> <p>19 knowledge, Barclays only issued subprime</p> <p>20 RMBS pursuant to the SABR shelf?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. I don't remember.</p> <p>23 Well, I can tell you, the SABR</p> <p>24 deals were characterized as subprime</p> <p>25 mortgage transactions. There were prime</p>

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<p>1 JOHN T. CARROLL</p> <p>2 quality loans in those deals, to get very</p> <p>3 detailed. And in the context of my previous</p> <p>4 answer with the other shelf that I spoke</p> <p>5 about, I don't know for certain, but I think</p> <p>6 there might have been one transaction done</p> <p>7 on the SABR shelf with those types of loans.</p> <p>8 I don't recall for sure.</p> <p>9 Q. In other words, there may have</p> <p>10 been one non-agency prime RMBS issued by</p> <p>11 SABR?</p> <p>12 A. Again, I don't recall, I'm --</p> <p>13 Q. I understand. I just want to</p> <p>14 make sure I understand what your answer is.</p> <p>15 A. Yeah.</p> <p>16 Q. Okay.</p> <p>17 Turn to page 912, there is a</p> <p>18 list of principal whole loan counterparties</p> <p>19 there.</p> <p>20 Do you see that?</p> <p>21 A. Yes.</p> <p>22 Q. Were you responsible for</p> <p>23 determining from which originators to</p> <p>24 acquire collateral for securitizations?</p> <p>25 A. Not solely, no.</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. I don't recall recommending. It</p> <p>4 was, again, you know, I know counterparties</p> <p>5 here. And like I said, most of the -- you</p> <p>6 know, my desk was acting both from a</p> <p>7 secondary marketing perspective and even in</p> <p>8 a whole loan perspective, when you think</p> <p>9 about it, so we were a market maker. So we</p> <p>10 were bidding product and the product was</p> <p>11 being securitized.</p> <p>12 You know, counterparties were</p> <p>13 brought to us by salespeople, counterparties</p> <p>14 were brought to us by -- in the context of</p> <p>15 these deals, largely by ASG coverage</p> <p>16 officers. Just for illustration.</p> <p>17 Q. So I know you described</p> <p>18 different ways in which, I guess, Barclays</p> <p>19 could be introduced to counterparties. Do</p> <p>20 you know if there was a process by which</p> <p>21 Barclays selected originators that it would</p> <p>22 actually use?</p> <p>23 A. Yeah, like I said, it was a</p> <p>24 process. Yes.</p> <p>25 Q. What was the process?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. What role did you play within</p> <p>3 that?</p> <p>4 A. I had relationships that I had</p> <p>5 brought with me to Barclays from Morgan</p> <p>6 Stanley. So counterparties that I had</p> <p>7 traded with in the past. That was</p> <p>8 predominantly my role, you know, the broader</p> <p>9 decision to focus on clients was mostly made</p> <p>10 within the asset securitization group,</p> <p>11 because we were trying to build a larger</p> <p>12 business, if you will.</p> <p>13 Q. Did you create this list that's</p> <p>14 on page 912?</p> <p>15 A. I don't recall.</p> <p>16 Q. Do you recall if you contributed</p> <p>17 to the information on the list?</p> <p>18 A. I most likely did, yes.</p> <p>19 Q. And you said that when you came</p> <p>20 from Morgan Stanley you had relationships</p> <p>21 with certain originators?</p> <p>22 A. Um-hum.</p> <p>23 Q. And you recommended that</p> <p>24 Barclays use those same originators in their</p> <p>25 securitizations?</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Again, we would be introduced to</p> <p>3 or would have previous relationships with</p> <p>4 counterparties. Within ASG, they would then</p> <p>5 work with GFRM and others to do due</p> <p>6 diligence on the counterparties. I don't</p> <p>7 know how that process went. I don't know</p> <p>8 what it entailed.</p> <p>9 And then once a counterparty was</p> <p>10 approved, my desk would then get involved in</p> <p>11 the bidding process.</p> <p>12 Q. Do you know who within ASG or</p> <p>13 GFRM would have been involved in the process</p> <p>14 of doing due diligence on the potential</p> <p>15 originators?</p> <p>16 A. No. And I'm unsure if ASG was</p> <p>17 part of the due diligence. I don't remember</p> <p>18 if they were or not. They were a part of</p> <p>19 the process -- in other words, the ASG</p> <p>20 officer would be a coverage officer similar</p> <p>21 to a salesperson, would recommend, and</p> <p>22 again, in consultation with me, you know,</p> <p>23 who we would want to bid loans from. And</p> <p>24 then GFRM, and there probably were other</p> <p>25 internal entities involved in the due</p>

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<p>1 JOHN T. CARROLL</p> <p>2 diligence.</p> <p>3 Q. And in making your</p> <p>4 recommendations as to which originators</p> <p>5 Barclays should bid loans from, what factors</p> <p>6 did you consider?</p> <p>7 A. For me it was, again, when we</p> <p>8 were starting the business, we wanted the</p> <p>9 highest probability of success in issuing</p> <p>10 securitizations. In other words, we didn't</p> <p>11 want to get hung up with rated bonds, we</p> <p>12 wanted issuers that were generally well</p> <p>13 regarded in the industry and that were</p> <p>14 fairly prolific in issuing both their own</p> <p>15 shelf deals as well as selling large blocks</p> <p>16 of whole loans.</p> <p>17 So as to not have, you know,</p> <p>18 deals with multiple originators at that</p> <p>19 time, initially.</p> <p>20 Q. So is it fair to say you wanted</p> <p>21 to work with some of the bigger players?</p> <p>22 A. Yes.</p> <p>23 Q. Do you know, was this list on</p> <p>24 page 912, was this a list of approved</p> <p>25 sellers?</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. COMMERSON: Would now be a</p> <p>3 good time for a lunch break?</p> <p>4 MR. FRITSCH: Sure.</p> <p>5 THE VIDEOGRAPHER: Going off the</p> <p>6 record at 12:25.</p> <p>7 (Lunchcon recess: 12:25 p.m.)</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. At this time, no. The business</p> <p>3 wasn't even approved. Like I said, this was</p> <p>4 a week into the process.</p> <p>5 Q. Were there certain originators</p> <p>6 that you recommended Barclays not do</p> <p>7 business with?</p> <p>8 A. Not that I recall.</p> <p>9 Q. During your time at Barclays,</p> <p>10 were there certain originators that Barclays</p> <p>11 would refuse to acquire collateral from?</p> <p>12 MR. FRITSCH: Objection to form.</p> <p>13 A. Not that I recall. We did have,</p> <p>14 you know, obviously in 2007 some of these</p> <p>15 counterparties went out of business, went</p> <p>16 bankrupt or had severe capital shortages,</p> <p>17 and they were removed. Again, not these</p> <p>18 counterparties specifically, but</p> <p>19 counterparties that we were doing business</p> <p>20 with. That GFRM effectively prohibited us</p> <p>21 from doing any future business with.</p> <p>22 But in the period before that, I</p> <p>23 don't recall any instance of any</p> <p>24 counterparty that was refused by GFRM for</p> <p>25 counterparty approval.</p>	<p>1 JOHN T. CARROLL</p> <p>2 AFTERNOON SESSION</p> <p>3 1:10 p.m.</p> <p>4 THE VIDEOGRAPHER: Return to the</p> <p>5 record at 1:10 p.m.</p> <p>6 JOHN T. CARROLL,</p> <p>7 resumed, having been previously duly sworn,</p> <p>8 was examined and testified further as</p> <p>9 follows:</p> <p>10 CONTINUED EXAMINATION</p> <p>11 BY MR. COMMERSON.</p> <p>12 Q. Mr. Carroll, I wanted to follow</p> <p>13 up on one issue we discussed prior to the</p> <p>14 lunch break. I had asked you if you</p> <p>15 recalled having any meetings regarding SABR</p> <p>16 business. Do you remember that?</p> <p>17 A. Yes.</p> <p>18 Q. And you had said that you had</p> <p>19 meetings regarding SABR business in which</p> <p>20 the SABR securitizations were discussed.</p> <p>21 A. Yes.</p> <p>22 Q. Who was present at those SABR</p> <p>23 meetings?</p> <p>24 A. Again, they weren't formally</p> <p>25 meetings to -- again, these are just</p>

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1 JOHN T. CARROLL
 2 conversations in the course of business.
 3 They would have been pretty much everybody
 4 and anybody that was involved on a
 5 day-to-day basis. Like I said, there was no
 6 stand-alone meetings put in the calendar.
 7 but I'm talking about, you know, it would
 8 have been Michael Wade, John Kreidler, Paul
 9 Menefee, Roopali Gupta. Anybody that was
 10 structuring the syndicate desk. And this
 11 was our, a large part of our day-to-day
 12 business.
 13 Q. This is in the regular course of
 14 business?
 15 A. Yes.
 16 Q. And you would have similar
 17 meetings with respect to any securitization
 18 that Barclays was handling?
 19 A. I wouldn't be involved in
 20 meetings like that for agented business.
 21 I'm more talking about conversations. This
 22 was discussed daily.
 23 Q. Did you understand when you had
 24 those meetings that -- with regard to SABR
 25 securitizations, that you were acting in

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1 JOHN T. CARROLL
 2 your role as an officer of SABR?
 3 MR. FRITSCH: Objection to form.
 4 A. No.
 5 Q. Did you ever have a meeting with
 6 the other officers of SABR, being Mr. Wade
 7 and Mr. Menefee, specifically to talk about
 8 any SABR securitization?
 9 A. Yes.
 10 Q. And was this a meeting which was
 11 just the three of you?
 12 A. Again, this was our day-to-day
 13 business for the whole loan book. We were
 14 always, from the December of 2004 until I
 15 was relieved of oversight for that business,
 16 we would talk about whole loans and
 17 securitizations and the business on a daily
 18 basis.
 19 Q. And did you ever have a meeting
 20 with Mr. Wade and Mr. Menefee that was
 21 called based upon your capacities as
 22 officers of SABR?
 23 MR. FRITSCH: Objection to form.
 24 A. Not that I recall.
 25 Q. Turning back to Exhibit 9207.

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1 JOHN T. CARROLL
 2 If you can turn to page, to Bates number 926
 3 of that exhibit.
 4 A. Okay, I see it.
 5 Q. Okay. Under the heading
 6 "Distribution Strategy," the first bullet
 7 say "Barclays' ability to distribute senior
 8 and subordinate bonds as well as NIM
 9 certificates and post-NIM equity will be a
 10 critical component of the success of the
 11 principal HLL business."
 12 Do you see that?
 13 A. Yes.
 14 Q. Can you explain to me, what are
 15 NIM certificates and post-NIM equity?
 16 A. Post-NIM equity -- the NIM
 17 certificates and the post-NIM equity
 18 combined are what you would call a residual.
 19 So it's the first loss -- it's basically the
 20 bottom part of the capital structure in an
 21 asset-backed securitization structure. And
 22 it's made up of --
 23 Q. Would it typically be the lowest
 24 rated part?
 25 A. It's unrated. Well, the

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1 JOHN T. CARROLL
 2 residual itself is unrated. A portion of
 3 the residual can be rated into a NIM, which
 4 is called a net interest margin security.
 5 And effectively what that is, is that's
 6 excess interest, so excess coupon being paid
 7 from the mortgage loans that's not needed to
 8 pay coupon or losses on the tranches above
 9 it.
 10 So the residual is basically
 11 made up of two things, it's made up of
 12 credit enhancement, which when you look at
 13 some of these documents you'll see CE&P.
 14 It's credit enhancement, and the P is prepay
 15 penalties, as well as excess interest.
 16 So the bottom part of the
 17 capital structure supporting the entire deal
 18 is this residual piece. It's traditionally
 19 either below a BBB- rated bond or a BB rated
 20 bond, depending upon the deal structure.
 21 You can take that residual and
 22 get a portion of it rated as a net interest
 23 margin security. So in other words, you're
 24 taking the excess spread, the excess
 25 interest spread, and you're getting that

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<p>1 JOHN T. CARROLL</p> <p>2 excess interest spread rated, and then that</p> <p>3 becomes a more saleable part of the capital</p> <p>4 structure.</p> <p>5 Q. So when it says that ability to</p> <p>6 distribute the NIM certificates and post-NIM</p> <p>7 equity will be critical to its success, can</p> <p>8 you just explain to me what that means?</p> <p>9 A. Yeah, again, we were, you know,</p> <p>10 we're in the business of packaging and</p> <p>11 distributing, basically. At least that's</p> <p>12 what my desk did. And the syndicate desk as</p> <p>13 well. So Barclays was not an investor, a</p> <p>14 long-term investor in the whole loans. We</p> <p>15 would buy the whole loans to create</p> <p>16 securities for investors, as well as to</p> <p>17 create residual interests for us that we</p> <p>18 would keep.</p> <p>19 We had limits that we had to</p> <p>20 stay under for both NIMs and post-NIM</p> <p>21 equity, that we needed to manage to. And in</p> <p>22 the context of, like I said, I believe I</p> <p>23 said it earlier, you know, position velocity</p> <p>24 is very important from a hedging</p> <p>25 perspective. Actually, I don't know if I</p>	<p>1 JOHN T. CARROLL</p> <p>2 So as we spoke earlier about</p> <p>3 follow-on agented deals, you know, typically</p> <p>4 if an originator sold a pool of loans to a</p> <p>5 broker-dealer and that broker-dealer was not</p> <p>6 successful in placing bonds, or did not</p> <p>7 protect the pricing of the bonds, or had a</p> <p>8 deal that, not necessarily failed, but just</p> <p>9 didn't go well, because of market timing,</p> <p>10 because of concentration of that particular</p> <p>11 asset, or that particular name in the</p> <p>12 market, because of what happened in 2007,</p> <p>13 2008 when the market shut down, the</p> <p>14 originator would think twice about selling</p> <p>15 to that particular counterparty.</p> <p>16 As well as on the agented side,</p> <p>17 the fact that we were buying loans as a</p> <p>18 principal and resecuritizing them and using,</p> <p>19 you know, like C-BASS is a bad example</p> <p>20 because they were an acquiror themselves,</p> <p>21 but in the case of like a New Century, we</p> <p>22 would brand the deal name with the New</p> <p>23 Century moniker so everybody knew it was</p> <p>24 basically the same type of deal as New</p> <p>25 Century would do off their own shelf.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 said it earlier.</p> <p>3 But we were moving -- in order</p> <p>4 to manage these limits both from how many</p> <p>5 whole loans we can own and how many</p> <p>6 residuals or NIMs and post-NIMs we can own,</p> <p>7 we needed to get deals in-house formed and</p> <p>8 distribute the bonds.</p> <p>9 Q. And then the second bullet says,</p> <p>10 "Demonstrating Barclays' distribution</p> <p>11 capabilities to originators will be a</p> <p>12 critical step in securing principal</p> <p>13 opportunities and new issue mandates."</p> <p>14 Why was demonstrating Barclays'</p> <p>15 distribution capabilities to originators</p> <p>16 critical?</p> <p>17 A. Main reason is when you're</p> <p>18 bidding whole loans for a follow-on</p> <p>19 securitization from an originator, that</p> <p>20 originator is going to want to sell loans</p> <p>21 not only to the counterparty with the best</p> <p>22 bid, but also to the counterparty that, if</p> <p>23 they are doing a follow-on securitization,</p> <p>24 has a highly -- has a high success rate in</p> <p>25 placing those types of bonds</p>	<p>1 JOHN T. CARROLL</p> <p>2 That's a way that you can prove to the</p> <p>3 originator that you're worthy or capable of</p> <p>4 distributing their particular bonds.</p> <p>5 Q. I just want to ask about</p> <p>6 something, you'd said that the fact that we</p> <p>7 were buying loans, you said "on the agented</p> <p>8 side, the fact that we were buying loans as</p> <p>9 a principal." Let me just make sure.</p> <p>10 When -- for an agented transaction, which we</p> <p>11 agreed upon what that meant earlier.</p> <p>12 A. Yes.</p> <p>13 Q. That would be when Barclays was</p> <p>14 acting as an underwriter, would Barclays</p> <p>15 typically purchase the principal?</p> <p>16 MR. FRITSCHE: Objection to form.</p> <p>17 A. No. No, an agented deal is a</p> <p>18 pure third-party deal with Barclays assuming</p> <p>19 minimal risk. In an agented deal, you know,</p> <p>20 there is a concept of there is different</p> <p>21 types of deals, right, there is firm</p> <p>22 underwriting, there is best efforts</p> <p>23 underwriting.</p> <p>24 Typically, these deals were, for</p> <p>25 the most part, firm underwritten. In other</p>

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1 JOHN T. CARROLL
2 words, if bonds did not clear, from most of
3 the originators you would hold on to them
4 versus giving them back to the originator.

5 Q. Whereas, can you distinguish
6 that from the best efforts type deal that
7 you just referenced?

8 A. A best efforts is -- usually
9 best efforts is only done in debentures,
10 it's not typically done in asset-backed.
11 In a best efforts underwriting, only the
12 bonds that clear are put through the
13 syndicate. The bonds that don't clear go
14 back to the originator. And this is
15 negotiated in an agented deal up front.

16 Q. So for an agented transaction,
17 where it's a firm deal, was that the
18 language you used?

19 A. Yeah. The firm commitment.
20 Q. Firm commitment. Is Barclays
21 undertaking the risk that it won't be able
22 to sell a portion of that deal by acting as
23 an agent?

24 A. Yes. It's part of the
25 underwriting.

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1 JOHN T. CARROLL
2 Q. Were you involved at all in
3 determining the bid process for agented
4 transactions by Barclays?

5 MR. FRITSCH: Objection to form.

6 A. There is no -- it's not a bid
7 process, just for clarification.

8 Q. Okay. That's fair. I believe
9 another witness, Mr. Dixon, may have
10 referred to it as a pitch process.

11 A. Yes.
12 Q. Okay. So my understanding is a
13 bid process would be for acting as an
14 issuer, or what would the bid process --

15 A. No, when you're bidding
16 something, you're offering a price for a
17 package of loans and taking principal risk.

18 Q. You're actually buying the
19 collateral in the bid process?

20 A. Correct. When you're pitching
21 an agented deal, I believe we talked about
22 this earlier, it's generally a coverage
23 officer, an origination officer basically
24 within ASG, for the most part, would be
25 pitching to an originator Barclays'

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1 JOHN T. CARROLL
2 distribution capabilities, Barclays'
3 secondary trading capabilities, Barclays',
4 you know, counterparty relationships, things
5 of that nature. I would be part of those
6 pitches, again, presenting what my desk did,
7 basically.

8 You are talking about how many
9 bonds we trade, you know, the types of
10 traders we have, you know, the type of
11 counterparties we talk to. You know, really
12 selling the capability of the bank to the
13 originator to be awarded the mandate. To
14 underwrite the deal in an agented capacity.

15 Q. Can you explain to me, how would
16 talking about -- what specifically would you
17 talk about your department doing and how
18 would that help close a deal for a pitch of
19 an agented transaction?

20 A. And again, it's one of many,
21 many things that are put into a, you know,
22 there is pitch books that they have. We
23 would talk about volume, we would talk about
24 market conditions, we would talk about
25 spread behavior of secondary traded assets.

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1 JOHN T. CARROLL
2 You know, effectively just a
3 sharing of information and a, you know, it's
4 kind of, you know, these pitch books are
5 just a big pat on the back for the desk.

6 You know, we trade more bonds
7 than anybody, we're number one, two or three
8 in this collateral, we're -- you know,
9 things like that. We're highly rated with
10 large counterparties. You know, really just
11 it's a sales pitch effectively of the firm
12 to the originator of the firm's
13 capabilities.

14 Q. Now, you mentioned that -- I
15 don't want to -- you can use your own
16 language, but you did mention a coverage
17 officer within ASG?

18 A. Um-hum.

19 Q. Is that a salesperson?

20 A. No. That would be --
21 salespeople typically are interacting
22 day-to-day with counterparties that are very
23 active in secondary market trading. So
24 pension funds, insurance companies, money
25 managers, high net worth individuals, things

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<p>1 JOHN T. CARROLL</p> <p>2 like that. So people that are buying and</p> <p>3 selling bonds constantly, both secondary and</p> <p>4 in the new issue market.</p> <p>5 The coverage officers within ASG</p> <p>6 or within any banking group are, you can</p> <p>7 call them more strategic. You know, they're</p> <p>8 talking to, in the context of this business,</p> <p>9 they're talking to originators about their</p> <p>10 entire -- the firm's capital structure, how</p> <p>11 they get access to financing, you know, it's</p> <p>12 a much more strategic banking relationship</p> <p>13 versus a salesperson.</p> <p>14 I mean, there are some selling</p> <p>15 skills involved. And the discipline of a</p> <p>16 coverage officer, you know, kind of -- that</p> <p>17 discipline is much more, again, much more of</p> <p>18 an investment banking type of a relationship</p> <p>19 versus a sales relationship.</p> <p>20 Q. Would the coverage officer be</p> <p>21 the main point person from Barclays for</p> <p>22 pitching an agented transaction?</p> <p>23 A. Yes.</p> <p>24 Q. Were coverage officers</p> <p>25 responsible for particular clients or</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. I don't recall.</p> <p>3 Q. How many coverage officers were</p> <p>4 there within Barclays?</p> <p>5 A. I don't recall.</p> <p>6 Q. And just so I know, is coverage</p> <p>7 officer, would that be their actual job</p> <p>8 title?</p> <p>9 A. I don't recall it at BarCap what</p> <p>10 their actual title was. But you would</p> <p>11 probably see origination or asset-backed</p> <p>12 banking or something like that in the title.</p> <p>13 Q. Can you give me the names of the</p> <p>14 people you recall serving in the capacity of</p> <p>15 coverage officer when you were employed by</p> <p>16 Barclays?</p> <p>17 A. Joe O'Doherty.</p> <p>18 Q. If you could spell that, please?</p> <p>19 A. Sure. Joe, J-o-e. O'Doherty is</p> <p>20 O-'D-o-h-e-r-t-y.</p> <p>21 Q. Okay.</p> <p>22 A. Who else? Paul Menefee acted in</p> <p>23 that capacity, although it wasn't his only</p> <p>24 role. And the same with Joe, I mean, these</p> <p>25 guys did do several other roles.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 particular types of clients?</p> <p>3 A. Yes.</p> <p>4 Q. For example, would there be a</p> <p>5 coverage officer who would be responsible</p> <p>6 for the GSEs?</p> <p>7 A. Not within ASG. The GSEs</p> <p>8 obviously were not private label issuers.</p> <p>9 So the GSEs at Barclays were covered by</p> <p>10 salespeople, because they were very active</p> <p>11 in trading, as well as purchasing new</p> <p>12 issues.</p> <p>13 Q. So if Barclays was going to</p> <p>14 do -- okay.</p> <p>15 In other words, these pitches</p> <p>16 were, of course, to the originators?</p> <p>17 A. Yes.</p> <p>18 Q. Or the issuers?</p> <p>19 A. Um-hum.</p> <p>20 Q. Would the coverage person be</p> <p>21 responsible for particular originators or</p> <p>22 issuers?</p> <p>23 A. Yes.</p> <p>24 Q. And do you know, how were those</p> <p>25 divided up?</p>	<p>1 JOHN T. CARROLL</p> <p>2 There was -- you want just the</p> <p>3 mortgage ones, or there were other coverage</p> <p>4 officers for other products.</p> <p>5 Q. Just focus on RMBS, please.</p> <p>6 A. Okay. Those are the only two I</p> <p>7 remember. They had staff beneath them, but</p> <p>8 I would say most of the relationships were</p> <p>9 managed by those two gentlemen.</p> <p>10 Q. How many pitch presentations for</p> <p>11 agented transactions do you recall</p> <p>12 attending?</p> <p>13 A. I don't know.</p> <p>14 Q. More than fifty?</p> <p>15 A. No.</p> <p>16 Q. Okay. Fewer than twenty?</p> <p>17 A. Probably in the neighborhood of</p> <p>18 twenty. Maybe less.</p> <p>19 Q. And would you just be asked to</p> <p>20 attend if there was something specific you</p> <p>21 thought you could contribute, or were you</p> <p>22 always asked to attend?</p> <p>23 A. And again, the pitches were --</p> <p>24 we would meet with clients frequently. I</p> <p>25 would meet with investor clients and</p>

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1 JOHN T. CARROLL
 2 origination clients frequently.
 3 You know, a lot of it was --
 4 even, you know, they would do outright
 5 pitches where they would go and you'd sit in
 6 a conference room with the principals or the
 7 senior people of the originator, and then
 8 there were others that were just done over
 9 the phone where it was like hey, can we talk
 10 to your trading desk today.
 11 And it's like, the desk, being
 12 me or one of my junior traders or line
 13 traders, would get on the phone and say, you
 14 know, are you guys thinking about doing a
 15 deal, we just traded 500 million of your
 16 bonds yesterday, we feel very good that we
 17 could get something done in this context,
 18 things like that.
 19 So formal pitch meetings, now
 20 that I'm thinking about it, probably less
 21 than -- for agented deals probably less than
 22 twenty. But, you know, these ad hoc types
 23 of conversations, every day were happening.
 24 Q. Do you remember having any
 25 discussions regarding the eight

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1 JOHN T. CARROLL
 2 securitizations at issue in this case, with
 3 respect to pitching them?
 4 A. I do not, no.
 5 Q. Do you recall having any
 6 discussions at all regarding these eight
 7 securitizations?
 8 A. On a couple of them, yes, I
 9 recall some discussions.
 10 Q. Okay. And what do you recall?
 11 A. In the context of the C-BASS
 12 deals, I believe it was CB1 and CB2, the way
 13 that those deals were done, my recollection
 14 is that we did some sort of a residual
 15 sharing agreement with C-BASS. I was
 16 involved in that.
 17 At that point Neil Aggarwal was
 18 the day-to-day point person for the whole
 19 loan business, as I had taken on all these
 20 additional responsibilities. But the other
 21 more complex things like a residual sharing
 22 agreement or things like that, I'd be
 23 involved in.
 24 Q. Just by residual sharing, does
 25 that mean that you and C-BASS would each

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1 JOHN T. CARROLL
 2 take on a portion of the residual?
 3 A. Together, yes.
 4 Q. If you could please let me
 5 finish my question before you answer, only
 6 because the transcript needs to have a clear
 7 question and answer.
 8 A. I understand.
 9 Q. With respect to C-BASS deals,
 10 aside from discussing the issue of the
 11 residual sharing agreement, do you recall
 12 discussions regarding any other aspects of
 13 those two deals?
 14 A. No.
 15 Q. Now, with respect to the other
 16 six securitizations, do you recall
 17 discussing them?
 18 A. After when we were prepping
 19 yesterday, I did go through a couple of
 20 documents related to some of the deals. I
 21 don't have a clear memory, but I do recall
 22 discussing, I believe, one or two of the
 23 deals we did purchase the residual on.
 24 So the deal was a, my
 25 recollection, based on, again, reviewing

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1 JOHN T. CARROLL
 2 some stuff yesterday, was that the deal
 3 was -- and I can't recall which ones they
 4 were, but a deal that was done, we were an
 5 underwriter for the rated bonds, so we
 6 didn't buy the whole loans, and we did buy
 7 the residual. So kind of a hybrid between
 8 an agented deal and a principal deal.
 9 So I recall, again, having
 10 discussions because that was outside the
 11 scope of what we had done previously. And
 12 again, just remember, not necessarily the
 13 entirety, but I remember, again, it was a
 14 different type of transaction and being
 15 involved because of that fact.
 16 Q. Was it unusual for Barclays to
 17 purchase a portion of the residual on a
 18 transaction in which it was acting as an
 19 underwriter?
 20 MR. FRITSCH: Objection to form.
 21 A. I wouldn't say it was unusual.
 22 It wasn't something we did frequently. We
 23 tried to accommodate counterparties in that
 24 way. But again, we were managing to a
 25 fairly rigid limit of what we could hold.

46 (Pages 178 to 181)

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<p>1 JOHN T. CARROLL</p> <p>2 Then again, my recollection was</p> <p>3 jogged, if you will, yesterday, with looking</p> <p>4 at some of these transactions in prep,</p> <p>5 whereby we did buy and sell some of the</p> <p>6 residuals. So we were acting more as a</p> <p>7 broker in that context, although we did take</p> <p>8 risk there.</p> <p>9 So again, it was not -- it</p> <p>10 wasn't the normal way that we conducted</p> <p>11 business, it was not an unusual business</p> <p>12 practice in the industry, but we didn't</p> <p>13 frequently do that simply because we wanted</p> <p>14 to protect our limit for whole loan</p> <p>15 purchases.</p> <p>16 Q. In other words, Barclays had a</p> <p>17 certain limit of how much it could purchase,</p> <p>18 and you wanted to focus on whole loan</p> <p>19 purchases rather than residuals and</p> <p>20 securitizations?</p> <p>21 A. Exactly.</p> <p>22 Q. Did any issuers require that it</p> <p>23 be a condition that Barclays purchase</p> <p>24 residual in order for Barclays to be</p> <p>25 considered for an underwriter role in the</p>	<p>1 JOHN T. CARROLL</p> <p>2 for the transaction by bidding the residual.</p> <p>3 So buying the residual, you would be awarded</p> <p>4 the agented deal.</p> <p>5 So it was just a different way</p> <p>6 for -- it was a different way for the</p> <p>7 originator to put the dealers in</p> <p>8 competition.</p> <p>9 Q. You mentioned 2006 when that</p> <p>10 phenomenon began taking place. Do you</p> <p>11 recall approximately when in 2006 that</p> <p>12 became more prevalent?</p> <p>13 A. No. Again, just kind of going</p> <p>14 through some documents yesterday and, you</p> <p>15 know, again, it's not that it was never done</p> <p>16 before that. It just, you know, it seemed</p> <p>17 like -- and part of it, too, was we were,</p> <p>18 you know, we had added additional</p> <p>19 counterparties and we had other people. We</p> <p>20 were breaking into other originators'</p> <p>21 businesses, if you will, that we hadn't done</p> <p>22 business with before. And it was a change</p> <p>23 from our original business plan.</p> <p>24 Q. The original business plan was</p> <p>25 not to purchase the residual?</p>
Page 183	Page 185
<p>1 JOHN T. CARROLL</p> <p>2 transaction?</p> <p>3 A. Not to my recollection, no.</p> <p>4 Q. Do you recall that ever coming</p> <p>5 up in pitches in which Barclays was seeking</p> <p>6 to attain an underwriter position for a</p> <p>7 securitization?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. I don't recall.</p> <p>10 Q. Did issuers ever ask Barclays to</p> <p>11 purchase a residual in order to be</p> <p>12 considered for an agented transaction?</p> <p>13 MR. FRITSCH: Objection to form.</p> <p>14 A. My recollection of the residuals</p> <p>15 that were purchased, the marketplace was,</p> <p>16 again, it was a marketplace that was</p> <p>17 constantly changing, like every other</p> <p>18 marketplace. And the phenomenon of dealers</p> <p>19 bidding residuals in more of a hybrid format</p> <p>20 from a deal perspective, where you were</p> <p>21 agenting the top part of the capital</p> <p>22 structure, was a new phenomenon that started</p> <p>23 happening in, I guess, 2006, to the best of</p> <p>24 my recollection.</p> <p>25 And you effectively were bidding</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Not in that context. We were</p> <p>3 purchasing whole loans and forming our own</p> <p>4 residuals, you know, at the point where we</p> <p>5 were expanding the business. And were</p> <p>6 talking to more counterparties, there were</p> <p>7 certain counterparties that typically would</p> <p>8 do business that way, to the best of my</p> <p>9 knowledge. And actually, you know, in</p> <p>10 saying that, that phenomenon may have been</p> <p>11 going on prior to 2006, but we were not</p> <p>12 involved with some of those counterparties</p> <p>13 at that point.</p> <p>14 Q. What were the counterparties</p> <p>15 that you recall that wanted Barclays to</p> <p>16 purchase a residual in order to act as an</p> <p>17 underwriter?</p> <p>18 A. Well, again, they were going to</p> <p>19 numerous -- we were in competition with</p> <p>20 other firms, so it wasn't a Barclays</p> <p>21 specific thing. The ones that I recall</p> <p>22 being asked to do that on my trading desk,</p> <p>23 and I don't think this is a complete list,</p> <p>24 but Fremont, and the Amerquest shelves, of</p> <p>25 which there were three, I believe, shelves</p>

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1 JOHN T. CARROLL
 2 But those were the only two entities that
 3 we -- that I recall being asked to do that
 4 with.
 5 Q. With respect to securitizations
 6 in which Barclays was the issuer, so SABR
 7 securitizations, for instance, was it
 8 Barclays' practice to retain the residual?
 9 A. Yes.
 10 Q. And why did Barclays retain the
 11 residual for those transactions?
 12 A. Retaining the residual was a
 13 necessary part of the securitization. They
 14 were highly illiquid. There wasn't a market
 15 for those assets. They were also very high
 16 yielding. So, you know, it effectively
 17 became part of the revenue generation of the
 18 transaction.
 19 Q. If they were high yielding, why
 20 is it that there was an illiquid market for
 21 it, if you know?
 22 A. Very complex security. Unrated.
 23 So, you know, typically the counterparties
 24 that would be trading non-agencies or other
 25 types of rated mortgage loans wouldn't want

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1 JOHN T. CARROLL
 2 to participate.
 3 Q. Now, did Barclays, after the
 4 securitization closed, did Barclays attempt
 5 to sell off that residual?
 6 A. In some cases we sold them.
 7 Q. Would Barclays typically try to
 8 sell it and sometimes it couldn't, sometimes
 9 it could?
 10 MR. FRITSCH: Objection to form.
 11 A. We wouldn't typically try --
 12 everything was for sale. But we wouldn't
 13 actively market them on a day-to-day basis.
 14 Q. And so if you know, what factors
 15 would affect whether or not Barclays would
 16 sell a residual for a securitization?
 17 A. They typically were not sold --
 18 well, some of them were sold at the
 19 securitization. Effectively, if the opinion
 20 of value of the asset was higher than our
 21 opinion of value by a counterparty, we would
 22 sell the asset. And actually, the other
 23 factor would be how much limit we had.
 24 Q. I just want to make sure I
 25 understand this last answer. You said if

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1 JOHN T. CARROLL
 2 the opinion of the value of the asset was
 3 higher, or opinion of the value by a
 4 counterparty?
 5 A. Yeah, as an investor, if we had
 6 the thing marked at \$50 million on the books
 7 and somebody wanted to pay us 50 million and
 8 1 dollar, we would probably sell it.
 9 Q. So essentially whether you
 10 thought you could turn a profit on it?
 11 MR. FRITSCH: Objection to form.
 12 A. Yes.
 13 Q. So just turning back to this
 14 document, again, looking at page 926 of
 15 Exhibit 9207. If you look at the fourth
 16 bullet from the bottom, it says, "As with
 17 originators and servicers, it is essential
 18 to develop partners on the buy side that
 19 will participate on a repeat basis in
 20 Barclays' shelf deals. This requires," and
 21 the first sub-bullet there says, "actively
 22 pitching our due diligence process and our
 23 economic participation in the deals is
 24 critical to the success of a distribution
 25 effort."

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1 JOHN T. CARROLL
 2 Can you explain to me what that
 3 means?
 4 A. Sure. From an investor
 5 perspective, the people buying the bonds in
 6 the securitization, we were a new entrant
 7 into the marketplace with no track record,
 8 with some fairly, you know, aggressive goals
 9 as far as getting the business up and
 10 running. So we wanted to be successful in
 11 the transactions that we were doing, as I
 12 said earlier, we wanted a high probability
 13 of success in distributing the assets.
 14 So economic participation in the
 15 deals is, okay, we're an investor at the
 16 bottom part of this capital structure, we're
 17 retaining the residuals almost on every
 18 transaction. So we have, you know, for lack
 19 of a better cliché, skin in the game, if you
 20 will.
 21 And then pitching the due
 22 diligence process, you know, effectively ASG
 23 oversaw all the due diligence. They would
 24 go out and just talk to -- investors were
 25 always asking dealers what type of due

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<p>1 JOHN T. CARROLL 2 diligence do you do. 3 Q. Why was it important for 4 investors to know what type of due diligence 5 Barclays did? 6 A. It was one of their many 7 questions that they asked. I'd be 8 speculating as to what the importance to the 9 investor was. 10 Q. When you were purchasing whole 11 loans, were you concerned about the due 12 diligence done by the originator? 13 MR. FRITSCH: Objection to form. 14 A. Originators wouldn't perform due 15 diligence on their own loans. 16 Q. What about the seller of the 17 whole loans? 18 A. The seller of the whole loans 19 was the original underwriter. So there was 20 no due diligence performed by them. 21 Q. In -- 22 A. Well, due diligence is the wrong 23 term. They're underwriting a loan. 24 Q. I think the distinction you're 25 making may be between front line</p>	<p>1 JOHN T. CARROLL 2 MR. FRITSCH: Objection to form. 3 A. I had input into -- the 4 collateral bid was prepared by my desk and 5 usually reflected by myself or one of my 6 traders. The presentations, there was a 7 formal what was called a bid letter that was 8 prepared in the asset securitization group. 9 With, I'm sorry, with, to the best of my 10 knowledge, internal and external counsel 11 looking at them. I believe they were pretty 12 much boilerplate. 13 My input would be the price, the 14 settlement, the quantitative aspects of it. 15 And then any stipulations that would arise, 16 you know, tolerance of delivery pool, in 17 other words, if you buy 100 million, you 18 want to buy 100 million loans, you don't 19 want to get 50 million loans, things like 20 that. 21 So again, just to -- 22 Q. Would the bid presentation 23 typically have any information about -- I'm 24 sorry, the bid letter, is that the term you 25 used?</p>
Page 191	Page 193
<p>1 JOHN T. CARROLL 2 underwriting versus diligence? 3 A. Right. But if you were the 4 originator of the loan and I'm the purchaser 5 of the loan, there is -- I mean, to me, due 6 diligence is a review of something, a 7 company, a loan file, made by a purchaser. 8 Q. Right. So there would be due 9 diligence on your end as the purchaser of 10 the mortgage loan? 11 A. Barclays Capital would do due 12 diligence of the mortgage loans when we 13 purchased them. 14 Q. We're going to cover due 15 diligence more later. But were you involved 16 in overseeing the due diligence process with 17 respect to acquiring mortgage loans? 18 A. I was not. 19 Q. Did you have any role within 20 that? 21 A. No. 22 Q. Now, we just talked a bit about 23 pitch presentations for agented 24 transactions. Were you involved in 25 preparing bid presentations for collateral?</p>	<p>1 JOHN T. CARROLL 2 A. Yes. 3 Q. Would that typically have any 4 information about the underlying collateral? 5 A. Yeah, high level. Typically 6 would reference the coupon, the size of the 7 pool, number of loans. And then it may, may 8 as an attachment have what we would call a 9 collateral stratification, which again, is 10 just weighted average criteria. Or it may 11 reference a specific loan tape that we were 12 sent. 13 Q. Would the stratification you 14 referenced typically include things like 15 LTV? 16 A. Yes. 17 Q. And some of the other 18 characteristics we assessed earlier? 19 A. Yes. 20 Q. Were you involved in pricing 21 collateral? 22 A. Yes. 23 Q. And can you just explain to me 24 what your involvement in that was? 25 A. Sure. I can go through the</p>

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Page 194	Page 196
<p>1 JOHN T. CARROLL</p> <p>2 process end to end, if that helps. Very</p> <p>3 quickly.</p> <p>4 The loan tape could come in.</p> <p>5 Typically an originator would show a loan</p> <p>6 tape, a loan file, excuse me, to anywhere</p> <p>7 from two to ten bidders. We would run the</p> <p>8 loan tape through our models in ASG, which I</p> <p>9 believe also included, I forget what it was</p> <p>10 called. There might have been a third -- it</p> <p>11 was internal/external models that we used to</p> <p>12 determine an estimate of pool performance</p> <p>13 based on the characteristics.</p> <p>14 That estimate of losses that was</p> <p>15 run in the ASG group would be provided to my</p> <p>16 trading desk. We would then use that or ASG</p> <p>17 would use that to determine a proxy capital</p> <p>18 structure. So we talked about capital</p> <p>19 structure arbitrage before, we would always</p> <p>20 be somewhat conservative to where we thought</p> <p>21 we could actually get the deal rated, to try</p> <p>22 and generate some capital structure</p> <p>23 arbitrage. And again, by basis points.</p> <p>24 We're not talking about, you know, huge</p> <p>25 numbers.</p>	<p>1 JOHN T. CARROLL</p> <p>2 which included due diligence expenses, legal</p> <p>3 expenses. The shelf registration fees would</p> <p>4 be amortized over a number of deals. The</p> <p>5 expenses would be backed out. And that</p> <p>6 would ultimately create a, what we would</p> <p>7 call a spot price. So it would be a price</p> <p>8 if you were delivering the loans to us</p> <p>9 today.</p> <p>10 What we would then do is look at</p> <p>11 the settlement date, and typically the</p> <p>12 settlement dates were 30 to 45 and sometimes</p> <p>13 60 days in the future. We would apply what</p> <p>14 we call, it's a drop, effectively what's the</p> <p>15 value, what's the time value of those 60</p> <p>16 days based on a risk-free rate. And we</p> <p>17 would apply that drop. It was anywhere from</p> <p>18 a quarter point to three-quarters of a point</p> <p>19 just depending upon the coupon. As well as</p> <p>20 a cost to hedge the loan pool.</p> <p>21 We would immunize the loan pool</p> <p>22 from interest rate risk through Eurodollar</p> <p>23 futures. And then we would also apply drops</p> <p>24 to spreads on bonds that we would be selling</p> <p>25 on a forward basis. So, you know, again,</p>
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<p>1 JOHN T. CARROLL</p> <p>2 And the proxy capital structure</p> <p>3 would be provided to my trading desk and we</p> <p>4 would look at each individual bond in the</p> <p>5 proxy capital structure, and we would put an</p> <p>6 indicative discount margin or spread on that</p> <p>7 particular bond. We would then provide a</p> <p>8 yield for the residual asset, as well as we</p> <p>9 would be provided by ASG an estimate of the</p> <p>10 size of that residual that could be rated as</p> <p>11 an interest margin security.</p> <p>12 All of that would go into a</p> <p>13 pricing engine, which was called Intex, that</p> <p>14 was run by ASG. And they would also -- so</p> <p>15 it would create one point or one price, if</p> <p>16 you will. And then we would stress certain</p> <p>17 inputs, such as prepayment curves, loss</p> <p>18 curves, loss rates, ultimate timing of</p> <p>19 losses, ultimate percentage of losses. And</p> <p>20 build a matrix around that one price, to</p> <p>21 look at the sensitivity of the entire pool.</p> <p>22 And then the sensitivity of the original</p> <p>23 asset.</p> <p>24 At that point we would be</p> <p>25 provided from ASG an estimate of expenses,</p>	<p>1 JOHN T. CARROLL</p> <p>2 it's just -- it's building, you're building</p> <p>3 a bid process here.</p> <p>4 And then that would be reflected</p> <p>5 from me, either, like I said, directly to</p> <p>6 the counterparty on the phone, it could be</p> <p>7 directly -- or indirectly through a</p> <p>8 salesperson that would be covering the</p> <p>9 counterparty. Because some of these</p> <p>10 counterparties did have salespeople in</p> <p>11 addition to the coverage officers. Or some</p> <p>12 of them had a very formal bid process where</p> <p>13 they wanted to see the bid letter rather</p> <p>14 than just the price. And that, again, would</p> <p>15 be prepared by the ASG group.</p> <p>16 MR. COMMERSON: This will be the</p> <p>17 next exhibit in order. I believe this</p> <p>18 will be 9208.</p> <p>19 (Deposition Exhibit 9208 for</p> <p>20 identification, email dated January 9,</p> <p>21 2006, with attachments, production</p> <p>22 numbers FHFA-BARC 941750 through</p> <p>23 FHFA-BARC 941760.)</p> <p>24 BY MR. COMMERSON:</p> <p>25 Q. Have you seen this email before,</p>

50 (Pages 194 to 197)

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1 **JOHN T. CARROLL**
 2 **Mr. Carroll?**
 3 A. Based on it was sent to me, yes.
 4 I don't recall the email, but...
 5 Q. Do you see that in the top
 6 email, it's referring to an invitation to
 7 bid on the 2 billion pool originated by
 8 Option One. Do you see that in the lower
 9 email?
 10 A. Yes.
 11 Q. In the top email, Mr. Wade's
 12 emailing you and Mr. Menefee, and he's
 13 saying, "One of you guys are going to call
 14 these guys," and I assume he means Option
 15 One, "after their discussion with us that we
 16 will never win agented business from them."
 17 Do you recall having a
 18 discussion with Option One along those
 19 lines?
 20 A. I do not.
 21 Q. Do you know why Option One said
 22 that Barclays would never win agented
 23 business with them?
 24 A. I don't recall.
 25 Q. Do you know whether Option One's

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1 **JOHN T. CARROLL**
 2 reason for saying that was connected to
 3 Barclays purchase of loans from Option One?
 4 MR. FRITSCH: Objection to form.
 5 A. I don't recall.
 6 Q. Do you know whether this has any
 7 connection to the quality of Option One
 8 loans?
 9 A. I don't know.
 10 Q. Do you know whether there was a
 11 high kickout rate for Option One loans?
 12 MR. FRITSCH: Objection to form.
 13 A. I don't recall.
 14 Q. Just being clear, regardless of
 15 if you remember this specific email, do you
 16 remember generally if there was a high
 17 kickout rate for Option One loans?
 18 A. I don't recall.
 19 Q. Do you know if there was an
 20 agreement that if Barclays would purchase a
 21 certain volume of loans from Option One then
 22 Option One would have Barclays underwrite
 23 its agented deals?
 24 MR. FRITSCH: Objection to form.
 25 A. I don't know.

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1 **JOHN T. CARROLL**
 2 Q. Do you know if Barclays had any
 3 such agreement with any seller?
 4 A. I don't recall any such
 5 agreement.
 6 Q. I believe you mentioned earlier
 7 that you would have discussions with
 8 investors. Is that correct?
 9 A. Yes.
 10 Q. In what context would you
 11 communicate with investors?
 12 A. Daily, on everything that had to
 13 do with secondary trading of the assets that
 14 I oversaw, as well as our shelf deals,
 15 general market color.
 16 Q. Would you speak to investors
 17 about agented transactions?
 18 A. Not typically. Agented
 19 transactions that Barclays was doing?
 20 Q. Correct. Just to be clear,
 21 transactions in which Barclays' role was as
 22 the underwriter.
 23 A. Right, so where we weren't
 24 purchasing whole loans.
 25 Again, the syndicate desk was

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1 **JOHN T. CARROLL**
 2 the point desk for -- or the point place.
 3 point people, if you will, for agented
 4 transactions.
 5 They, in conjunction with
 6 whoever the coverage officer, origination
 7 officer, you know, would be doing most of
 8 the conversation -- having most of the
 9 conversations with the sales force and
 10 direct with investors. My desk would be
 11 called, typically, by investors for market
 12 color, as well as thoughts on the
 13 transaction.
 14 But again, it wasn't really any
 15 different than, you know, Bank of America
 16 announcing an underwritten transaction for a
 17 particular originator on a particular day.
 18 You know, investors would call
 19 every dealer. You know, the volume of calls
 20 was probably higher on a relative basis to
 21 the dealer that was underwriting, but it
 22 wasn't any, you know, there was deals being
 23 announced, three or four deals a day.
 24 Q. Just to make sure, you mentioned
 25 in your response just now "coverage officer"

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1 JOHN T. CARROLL
2 and "origination officer." Are those two
3 different things?
4 A. Same thing.
5 Q. So another word for coverage
6 officer is origination?
7 A. We can use ASG banker.
8 Q. I know you mentioned earlier
9 that you said you did attend some pitch
10 presentations for agented business.
11 A. Um-hum.
12 Q. In your role on the whole loan
13 side, did you ever speak with originators
14 about using Barclays for agented business?
15 MR. FRITSCH: Objection to form.
16 Q. Do you understand what I'm
17 asking?
18 A. No.
19 Q. On the whole loan side, who were
20 you typically purchasing loans from?
21 A. The names of the originators?
22 Q. Is it originators you are
23 typically purchasing --
24 A. Yes.
25 Q. Okay. And some of these

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1 JOHN T. CARROLL
2 originators were also issuers of securities;
3 is that correct?
4 A. Yes.
5 Q. Are you aware if any of these
6 issuers -- I'm sorry.
7 Are you aware if any of these
8 originators that you purchased whole loans
9 from ever used Barclays for agented
10 transactions?
11 A. Yes.
12 Q. Did you ever discuss with an
13 originator the possibility that they could
14 use Barclays for agented transactions?
15 A. Yes.
16 Q. Did this happen frequently?
17 A. It was -- again, in these
18 pitches we were pitching or selling
19 Barclays' entire suite of businesses. So I
20 don't recall specific instances, but it
21 would be -- in having a conversation with an
22 originator, we would tell them we buy whole
23 loans, we can do agented deals, we can do,
24 you know, in later cases we could do
25 transactions that were hybrid transactions

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1 JOHN T. CARROLL
2 where we were buying residuals. You know,
3 we were really responding to the
4 counterpart's needs throughout the bank with
5 these businesses.
6 So again, I don't remember
7 specific instances, but I am sure that in
8 talking to whole loan sellers or just
9 pitching what we did to these
10 counterparties, we talked about both
11 options.
12 MR. COMMERSON: Why don't we go
13 ahead and change the tape.
14 THE VIDEOGRAPHER: Going off the
15 record at 1:57, and this will mark the
16 end of Tape No. 2.
17 (Discussion off the record.)
18 THE VIDEOGRAPHER: Returning to
19 the record at 2 p.m., and this will
20 mark the beginning of Tape No. 3.
21 MR. COMMERSON: Please mark this
22 as the next in order.
23 (Deposition Exhibit 9209 for
24 identification, email dated September
25 11, 2006, production numbers FHFA-BARC

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1 JOHN T. CARROLL
2 459864.)
3 BY MR. COMMERSON:
4 Q. Who is Roy Cantu?
5 A. Roy Cantu is an asset-backed
6 trader who worked for me.
7 Q. I assume it's fair to say that
8 it was a business goal of Barclays to sell
9 all tranches relating to securitizations
10 that it underwrote?
11 MR. FRITSCH: Objection to form.
12 A. Well, we kept the residual. And
13 we kept rated NIMs, and occasionally we
14 would keep subordinates. But again, we were
15 in the packaging and distribution of bonds
16 to maintain limit to trade other products.
17 Q. I'm speaking specifically about
18 agented transactions now.
19 A. On an agented transaction?
20 Q. Yes.
21 A. We would never -- I don't recall
22 any circumstances where we ended up owning
23 bonds on an agented deal.
24 Q. And your goal would be to
25 sell --

52 (Pages 202 to 205)

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1 JOHN T. CARROLL
 2 A. On an agented transaction?
 3 Q. Everything; correct?
 4 A. Yeah. You know what, I take
 5 that back. The syndicate desk would have
 6 owned bonds off of an agented deal, to my
 7 recollection. So it may have happened, it
 8 may have happened, I just don't recall it
 9 happening frequently.
 10 Q. Why would the syndicate desk own
 11 loans from an agented --
 12 A. My guess.
 13 Q. Let me finish the question.
 14 Why would the syndicate desk own
 15 loans from an agented transaction?
 16 MR. FRITSCH: Objection to form.
 17 A. It wouldn't be loans, it would
 18 be securities.
 19 Q. Okay. Why would it own
 20 securities from an agented transaction?
 21 A. As we talked about before, they
 22 would typically do a firm underwrite, or a
 23 firm commitment, which meant that all the
 24 bonds were expected to be sold. So if there
 25 were bonds that either were undersubscribed,

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1 JOHN T. CARROLL
 2 in other words, there wasn't interest in the
 3 entire class, or there were bonds where on
 4 occasion an investor would need more time to
 5 do their credit work on a bond or get an
 6 approval, the syndicate desk had a small
 7 allocation of balance sheet whereby they
 8 could hold the securities.
 9 Q. Okay. Just to go back to my
 10 original question. It would be Barclays'
 11 business goal to sell all the tranches of
 12 the securitization; is that correct?
 13 MR. FRITSCH: Objection to form.
 14 A. On an agented deal?
 15 Q. Correct.
 16 A. Generally, yes.
 17 Q. Now, I understand that the
 18 syndicate desk may end up holding certain
 19 securities that it could not sell on an
 20 agented transaction.
 21 A. Correct.
 22 Q. Do you know, did Barclays ever
 23 purchase securities within an agented
 24 transaction intentionally?
 25 MR. FRITSCH: Objection to form.

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1 JOHN T. CARROLL
 2 A. We purchased residuals on deals
 3 that were agented for the rated part of the
 4 capital structure. Other than that, to my
 5 knowledge, I don't recall the syndicate desk
 6 intentionally purchasing securities off of
 7 an agented deal. Again, the syndicate desk
 8 was a separate entity, it didn't report to
 9 me. Nor did I see their day-to-day
 10 positions.
 11 Q. This email from Roy Cantu, what
 12 is this email about? What is he saying?
 13 A. He's referencing two -- no, he's
 14 referencing one, two -- it looks like he's
 15 referencing three or four securities that
 16 are in his position on the secondary desk.
 17 And I'm just referring to the context of
 18 this. That he wants to sell.
 19 Q. Would you frequently receive
 20 emails along these lines notifying you that
 21 certain portions of a securitization
 22 couldn't be sold?
 23 MR. FRITSCH: Objection to form.
 24 A. That's not what this is
 25 notifying me.

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1 JOHN T. CARROLL
 2 Q. What is it notifying you of?
 3 A. These are assets that were from
 4 a previous securitization that in the course
 5 of Roy Cantu's day-to-day business mandate,
 6 he's now trying to sell.
 7 Q. Correct me if I'm wrong, does it
 8 not say, "These bonds have never been sold
 9 ever, let's exhume them and move them out?"
 10 A. Yes.
 11 Q. So he's saying he wants to sell
 12 them?
 13 A. Yes.
 14 Q. And up to that date, he has been
 15 unable to sell them?
 16 A. They haven't been sold. I don't
 17 know if he's been unable to, or I don't know
 18 if this is the first time he's trying to
 19 sell them.
 20 Q. When he's saying, "We really,
 21 really want to move these." Is that
 22 correct?
 23 A. That's what the email says, yes.
 24 Q. So do you think this is the
 25 first time that Barclays has made any effort

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<p>1 JOHN T. CARROLL</p> <p>2 to, quote, move these securities, is when</p> <p>3 he's sending this email?</p> <p>4 MR. FRITSCH: Objection to form.</p> <p>5 A. I don't -- I don't recall.</p> <p>6 (Deposition Exhibit 9210 for</p> <p>7 identification, email dated October</p> <p>8 19, 2006, production numbers FHFA-BARC</p> <p>9 459884.)</p> <p>10 BY MR. COMMERSON:</p> <p>11 Q. This is an email dated -- this</p> <p>12 is Exhibit 9210. This is an email dated</p> <p>13 October 19, 2006, from Mr. Cantu to you.</p> <p>14 subject is "Just a taste of what we get</p> <p>15 every day."</p> <p>16 And there is a message below</p> <p>17 there. Do you know who this message is</p> <p>18 referring to?</p> <p>19 A. The one that starts "I know you</p> <p>20 guys are really busy but I really need to</p> <p>21 get back to Merrill?"</p> <p>22 Q. Yes.</p> <p>23 A. I would assume it's some entity</p> <p>24 within Merrill or Merrill or somebody.</p> <p>25 That's what I would infer from reading this.</p>	<p>1 JOHN T. CARROLL</p> <p>2 previously sold.</p> <p>3 Q. In other words, that an investor</p> <p>4 wants Barclays to buy back a certificate?</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 A. I don't know what the investor</p> <p>7 was asking.</p> <p>8 Q. Was it common for investors to</p> <p>9 ask Barclays to buy back a certificate that</p> <p>10 they purchased?</p> <p>11 A. Yes.</p> <p>12 Q. What were common reasons for</p> <p>13 that?</p> <p>14 A. Secondary trading of bonds. We</p> <p>15 traded 3 billion plus of this product a</p> <p>16 week. It was product that we issued,</p> <p>17 product that our SABR shelf issued, product</p> <p>18 that every other broker-dealer issued. We</p> <p>19 were, like I said, we were probably one of</p> <p>20 the largest traders of secondary securities</p> <p>21 in the marketplace in 2006.</p> <p>22 Q. What were reasons that investors</p> <p>23 stated that they typically want to buy back,</p> <p>24 or wanted -- let me rephrase the question.</p> <p>25 Did investors typically give</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. I mean, do you know -- which</p> <p>3 part of this email did Roy actually write,</p> <p>4 or did he write the whole thing?</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 A. I have no idea.</p> <p>7 Q. And then, you know, there's some</p> <p>8 brackets beneath, I guess, the first</p> <p>9 message. And then it says, "This is in</p> <p>10 reference to FHLT 06-C M11 Ba2, they want us</p> <p>11 to buy it back."</p> <p>12 Do you know who the "they" is in</p> <p>13 that sentence?</p> <p>14 A. I do not.</p> <p>15 Q. Do you recall receiving this</p> <p>16 email?</p> <p>17 A. No.</p> <p>18 Q. What did it mean "buy it back,"</p> <p>19 do you understand what that means?</p> <p>20 A. In the context of the email? I</p> <p>21 know what buy it back means.</p> <p>22 Q. In the context of the email, do</p> <p>23 you understand what it means?</p> <p>24 A. I would assume that it's a</p> <p>25 request to purchase a bond that was</p>	<p>1 JOHN T. CARROLL</p> <p>2 reasons why they wanted Barclays to buy back</p> <p>3 a certificate?</p> <p>4 A. No.</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 Q. Are you aware of an investor</p> <p>7 asking Barclays to buy back a certificate</p> <p>8 because of an issue with the quality of the</p> <p>9 underlying collateral?</p> <p>10 MR. FRITSCH: Objection to form.</p> <p>11 A. Not that I recall.</p> <p>12 MR. COMMERSON: This will be</p> <p>13 Exhibit, I believe, 9211.</p> <p>14 (Deposition Exhibit 9211 for</p> <p>15 identification, email dated November</p> <p>16 27, 2006, with attachment, production</p> <p>17 numbers FHFA-BARC 213697 through</p> <p>18 FHFA-BARC 213701.)</p> <p>19 BY MR. COMMERSON:</p> <p>20 Q. Who is Cara --</p> <p>21 MR. FRITSCH: Are you still</p> <p>22 reviewing the email?</p> <p>23 THE WITNESS: Can you give me</p> <p>24 just a couple of minutes?</p> <p>25 MR. COMMERSON: Sure.</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. Actually, the attachment here,</p> <p>3 this is the attachment to the email, this</p> <p>4 file?</p> <p>5 Q. That's right. I'm just going to</p> <p>6 ask you mainly questions about the email</p> <p>7 itself.</p> <p>8 A. Okay.</p> <p>9 Okay.</p> <p>10 Q. Who is Cara, last name is</p> <p>11 D-e-m-e-t-r-i-a-d-e-s?</p> <p>12 A. I don't remember.</p> <p>13 Q. Can you tell me generally,</p> <p>14 what's the issue in this email that she's</p> <p>15 raising?</p> <p>16 A. Sure. This was something that</p> <p>17 pops up on every single trading desk with</p> <p>18 regard to month end mark-to-market.</p> <p>19 So one of the services that a</p> <p>20 secondary desk provides to investors is to</p> <p>21 provide a monthly valuation of certain</p> <p>22 securities. As you can imagine, with the</p> <p>23 size of the asset-backed and mortgage-backed</p> <p>24 market, it's probably the most, or was the</p> <p>25 largest market both from a notional</p>	<p>1 JOHN T. CARROLL</p> <p>2 weren't mandated to do it, and it really</p> <p>3 took a lot of time to do it correctly. So</p> <p>4 we would be on occasion late. I don't</p> <p>5 remember when this email chain started,</p> <p>6 probably earlier in the month. And then</p> <p>7 other bonds, what we started to do, or --</p> <p>8 actually it was later in the month.</p> <p>9 Some of the stuff was being done</p> <p>10 daily also. So it wasn't only a month end</p> <p>11 process.</p> <p>12 So the mark-to-market process as</p> <p>13 a whole was incredibly cumbersome for</p> <p>14 investor clients. So what we started doing</p> <p>15 is, or tried to do is implement a policy</p> <p>16 where we did not trade the particular</p> <p>17 security if it fell outside of our mandate.</p> <p>18 We talked about trading mandates before.</p> <p>19 For example, I didn't allow my</p> <p>20 desk for a long time to trade outright</p> <p>21 second lien securities. The things that we</p> <p>22 just weren't good at valuing or weren't good</p> <p>23 at distributing.</p> <p>24 I don't know -- I can certainly</p> <p>25 cross-reference which bonds are these. But</p>
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<p>1 JOHN T. CARROLL</p> <p>2 perspective as well as a long item</p> <p>3 perspective. Month end is incredibly</p> <p>4 cumbersome to a trading desk.</p> <p>5 So the way this starts out, and</p> <p>6 after reading it I can kind of recall, what</p> <p>7 would happen is CVG is client valuation</p> <p>8 group, compliance reasons, and I don't know</p> <p>9 all the reasons, but mandate that there is a</p> <p>10 central repository for this mark-to-market</p> <p>11 process.</p> <p>12 And what that does is it</p> <p>13 ostensibly cleans it up a little bit in that</p> <p>14 when you issue, say, a billion dollars</p> <p>15 tranche of securities, you might have 200</p> <p>16 counterparties that have bought it, so you</p> <p>17 don't want to get 200 requests for the same</p> <p>18 security. So client valuation group, both</p> <p>19 for compliance reasons and also for other</p> <p>20 reasons that I'm not aware of, or couldn't</p> <p>21 iterate, would get involved.</p> <p>22 So we would get a, this file</p> <p>23 from CVG, and my trading desk would be</p> <p>24 responsible for providing prices on it. And</p> <p>25 it was one of these things that, again, we</p>	<p>1 JOHN T. CARROLL</p> <p>2 in going through this email, it's just</p> <p>3 typical, someone in operations, which is</p> <p>4 part of CVG, was probably getting beaten up</p> <p>5 by a client for marks on these three bonds.</p> <p>6 And eventually it just kept getting raised</p> <p>7 and raised and raised. And that's basically</p> <p>8 it.</p> <p>9 Q. And when Damian Baker says at</p> <p>10 the top of page 3698, "Can someone please</p> <p>11 explain to me why these breaches of company</p> <p>12 policy are occurring," do you know what</p> <p>13 breaches he's referring to?</p> <p>14 A. No, that's why I asked him in</p> <p>15 the following. Again, it was, you know,</p> <p>16 being in operations at a large broker-dealer</p> <p>17 having to do thousands of line items of</p> <p>18 mark-to-market, I'm sure gets very</p> <p>19 frustrating, especially when you have three</p> <p>20 that are a counterparty that absolutely</p> <p>21 wants them.</p> <p>22 So while I probably sympathized</p> <p>23 with him, I probably, in hindsight, also</p> <p>24 didn't appreciate if he, you know, it's</p> <p>25 typical passive aggressive I'm going to send</p>

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<p>1 JOHN T. CARROLL</p> <p>2 this thing to as many people as I can,</p> <p>3 although I was the most senior guy on this.</p> <p>4 So I don't know what breach he was referring</p> <p>5 to. Then he's bringing up something else.</p> <p>6 Again, I think this</p> <p>7 second-to-last paragraph on the top kind of</p> <p>8 sums the whole thing up. "With regards to</p> <p>9 the three bonds at the bottom of the chain,</p> <p>10 CVG have confirmations from the sales desk</p> <p>11 that these were sold by BarCap. If trading</p> <p>12 do not agree that this is the case," I'm</p> <p>13 reading it verbatim here. "agree that this</p> <p>14 is the case, we will remove these from the</p> <p>15 valuation and refer back to sales why this</p> <p>16 was confirmed."</p> <p>17 So I can't speculate, or I don't</p> <p>18 really know what he's referring to from a</p> <p>19 breach of company policy.</p> <p>20 MR. COMMERSON: This will be the</p> <p>21 next exhibit in order, I think 9212.</p> <p>22 (Deposition Exhibit 9212 for</p> <p>23 identification, email dated September</p> <p>24 26, 2005, production numbers FHFA-BARC</p> <p>25 648711.)</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. I don't know.</p> <p>4 Q. Do you recall any circumstances</p> <p>5 in which Ameritrust told Barclays that they</p> <p>6 were not allowed to do any more due</p> <p>7 diligence on a deal?</p> <p>8 A. No.</p> <p>9 Q. Have you seen this document</p> <p>10 before?</p> <p>11 A. Yes.</p> <p>12 Q. When did you see it?</p> <p>13 A. Yesterday.</p> <p>14 Q. So the second -- well, I guess</p> <p>15 the second full sentence, which is actually</p> <p>16 a question, says, "Is there a like bidding</p> <p>17 process on the Fremont residual for an</p> <p>18 upcoming third-party deal?"</p> <p>19 Do you know, was this referring</p> <p>20 to a securitization for which Barclays was</p> <p>21 acting as an underwriter?</p> <p>22 A. I don't know.</p> <p>23 Q. Do you know what "AMSI is dead"</p> <p>24 means?</p> <p>25 A. No.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 BY MR. COMMERSON:</p> <p>3 Q. Who is Caroline Jennings?</p> <p>4 A. Caroline Jennings was a</p> <p>5 salesperson at Barclays Capital.</p> <p>6 Q. And do you know why you're cc'd</p> <p>7 on this email?</p> <p>8 MR. FRITSCH: Bcc'd.</p> <p>9 MR. COMMERSON: Correct, sorry.</p> <p>10 Bcc'd.</p> <p>11 Q. Do you know why you're bcc'd on</p> <p>12 this email?</p> <p>13 A. I don't know.</p> <p>14 Q. Does AMSI, A-M-S-I, does that</p> <p>15 refer to Ameritrust?</p> <p>16 A. Yes.</p> <p>17 Q. Do you know to whom this email</p> <p>18 is being sent?</p> <p>19 A. No, I don't.</p> <p>20 Q. Do you recall if you were part</p> <p>21 of the conversation?</p> <p>22 A. I don't recall.</p> <p>23 Q. Do you know whether Barclays was</p> <p>24 directed to do no more diligence on the</p> <p>25 Ameritrust deal?</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Do you recall if at any point</p> <p>3 Barclays stopped acting as an underwriter</p> <p>4 for Ameritrust deals?</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 A. Barclays, I mean obviously the</p> <p>7 market, the entire market shut down, right.</p> <p>8 So I don't recall, no, I don't recall any</p> <p>9 specific instance of Ameritrust or anyone</p> <p>10 being singled out for not underwriting deals</p> <p>11 until counterparties started collapsing.</p> <p>12 Q. Okay. And then the reply here</p> <p>13 says, "Yes, AMSI is dead. Fremont has not</p> <p>14 offered residuals, so nothing to do there</p> <p>15 right now. Need to sell SABR residuals."</p> <p>16 Are SABR residuals referring to</p> <p>17 deals sponsored by SABR?</p> <p>18 MR. FRITSCH: Objection to form.</p> <p>19 A. I don't know. You can make the</p> <p>20 assumption, I can't say for certain.</p> <p>21 Q. And I think you testified</p> <p>22 earlier that Barclays might try to sell the</p> <p>23 residuals and it would just sort of depend</p> <p>24 on the market whether they could or not. Is</p> <p>25 that correct?</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. Yes.</p> <p>3 Q. So this might have been the</p> <p>4 occasion when they were trying to sell the</p> <p>5 residuals from the SABR deal?</p> <p>6 MR. FRITSCH: Objection to form.</p> <p>7 A. I can't say for certain.</p> <p>8 Q. And I believe you testified</p> <p>9 earlier that there were at least some</p> <p>10 occasions when Barclays purchased residuals</p> <p>11 in agented transactions. Is that correct?</p> <p>12 A. Yes.</p> <p>13 Q. And what was Barclays' practice</p> <p>14 with respect to residuals for agented</p> <p>15 transactions? Would it try to sell those?</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 Q. Just to be clear, would it try</p> <p>18 to sell residuals from the agented</p> <p>19 transaction after acquiring them?</p> <p>20 MR. FRITSCH: Same objection.</p> <p>21 A. I don't recall. Again, the</p> <p>22 residuals were always for sale. I can't say</p> <p>23 that we always actively marketed them</p> <p>24 because, again, it was a highly illiquid</p> <p>25 marketplace. And when you did sell a</p>	<p>1 JOHN T. CARROLL</p> <p>2 30, 2005, production numbers FHFA-BARC</p> <p>3 756415.)</p> <p>4 BY MR. COMMERSOON:</p> <p>5 Q. Take a moment to review this and</p> <p>6 just let me know if you've seen this</p> <p>7 document before.</p> <p>8 A. Okay.</p> <p>9 Q. What does the first email mean</p> <p>10 when it says, this is from you to a number</p> <p>11 of folks, including John Kreidler, "We will</p> <p>12 not have Ellington as a standby bidder."</p> <p>13 What does that mean?</p> <p>14 A. We had done a few other, at this</p> <p>15 time, and actually this is earlier than I</p> <p>16 speculated earlier, right, so this is end of</p> <p>17 '05, so I can stand corrected there. So</p> <p>18 this obviously was going on before '06.</p> <p>19 After reading the email, my</p> <p>20 memory is refreshed that some of the</p> <p>21 residuals that we had bid in those, what I</p> <p>22 would call hybrid transaction, where we were</p> <p>23 buying a residual and then underwriting but</p> <p>24 not taking whole loans in, that might not</p> <p>25 have been the case, I may have just traded</p>
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<p>1 JOHN T. CARROLL</p> <p>2 residual, it was a very, very long process.</p> <p>3 So I don't recall, again, I was</p> <p>4 involved in these transactions where we were</p> <p>5 bidding the residuals, I just don't recall</p> <p>6 what the strategy for those assets was over</p> <p>7 and above -- were anything different than</p> <p>8 what we were doing with SABR.</p> <p>9 Q. Do you know what this last</p> <p>10 sentence is referring to when it says,</p> <p>11 "How's the D02 doing?"</p> <p>12 A. I don't know.</p> <p>13 Q. And just finally, we've seen a</p> <p>14 number of documents like this in production.</p> <p>15 I understand Caroline Jennings was in sales.</p> <p>16 Would the salespeople typically sort of send</p> <p>17 emails to a lot of folks at once and this</p> <p>18 might be why you were bee'd, do you have any</p> <p>19 idea?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. I don't know.</p> <p>22 MR. COMMERSOON: I think this</p> <p>23 will be 9213.</p> <p>24 (Deposition Exhibit 9213 for</p> <p>25 identification, email dated November</p>	<p>1 JOHN T. CARROLL</p> <p>2 those residuals outright. So I don't know.</p> <p>3 Q. Can you just explain, when you</p> <p>4 say traded them outright. You have to own</p> <p>5 them at some point to trade them, no?</p> <p>6 A. Correct. No, we talked about a</p> <p>7 pure agented deal, right, and we talked</p> <p>8 about a deal where just the whole concept, a</p> <p>9 deal where we're buying whole loans, which</p> <p>10 would be a SABR principal deal. We can call</p> <p>11 it other things.</p> <p>12 Q. And those are two distinct</p> <p>13 concepts?</p> <p>14 A. Then there was this hybrid</p> <p>15 concept where we were bidding on the</p> <p>16 residual and the high bidder on the residual</p> <p>17 typically would be awarded a lead or a</p> <p>18 co-manager role in the top part of the</p> <p>19 capital structure.</p> <p>20 So the agented part of the deal,</p> <p>21 or the top part of the capital structure,</p> <p>22 the rated securities would be an agented</p> <p>23 deal. I wouldn't have to buy whole loans. I</p> <p>24 would purchase the residual when the</p> <p>25 securitization was complete.</p>

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1 JOHN T. CARROLL
2 That's what this is referring
3 to. In this email, I'm referring to
4 crossing, I use the word crossing, but as a
5 synonym for trading, if you will.
6 Three Ameriquest residuals in
7 the past using Ellington as our takeout. In
8 those cases, I'm not sure if they were -- I
9 know they weren't purely agented, right,
10 because I bought the residual. I didn't buy
11 whole loans, so I know it wasn't a principal
12 deal.
13 I'm not sure after reading this,
14 if, in fact, it was a situation where we bid
15 the residual and then underwrote or had a
16 co-underwriting slot on the top. I may have
17 purchased residuals outright. Which was
18 another part of our business mandate.
19 Q. I'm just trying to understand.
20 So what role would Ellington have as a
21 standby bidder, what does "standby bidder"
22 mean?
23 A. Sure. Ellington was one of the,
24 I mean, I'll use more active, but more
25 active in an illiquid market is irrelevant.

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1 JOHN T. CARROLL
2 Ellington was a buyer of residuals.
3 So, again, I'm unsure if the
4 ones that I traded into Ellington from
5 Ameriquest were in the context of us doing a
6 securitization and me buying residual or me
7 buying the residual outright. But at this
8 point, we were probably seen as a likely,
9 you know, the most likely counterparty
10 dealer to be able to buy residuals out of
11 Ameriquest. And Ellington was coming to us.
12 We would basically use
13 Ellington -- use their bid for the residual.
14 Or possibly I would offer them the residual
15 at a certain level and then I would go and
16 try and buy it.
17 Q. So you would know in that case
18 that if you purchased the residual as part
19 of an agented transaction, that you would
20 have Ellington says to buy it from you?
21 A. In the three previous ones, my
22 recollection is I had Ellington lined up
23 prior to the deal printing. It looks to me
24 in this case I had to move, I think I refer
25 it, I had to move with a tighter timeline.

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1 JOHN T. CARROLL
2 So I didn't have Ellington -- I
3 didn't have Ellington's levels at that time.
4 So I was taking -- I was going to take more
5 risk from a principal perspective in owning
6 the asset without having a bid from a third
7 party at that point.
8 Q. And that second sentence of this
9 bottom email from you says, "By committing
10 to tender a bid on the entire class X and P,
11 we will be awarded at least a co-lead role
12 on the 2 billion securitization and possibly
13 a sole lead/sole books role."
14 Do you see that?
15 A. Yes.
16 Q. So the entire class X and P, is
17 that referring to the residual?
18 A. Yeah. Just for clarity, the X
19 is the excess spread, and the P is the
20 prepayment penalties. That are then
21 combined with the credit enhancement for the
22 residual.
23 Q. And then in the last sentence of
24 that paragraph, you mention that, or you
25 discussed this earlier, but you say, "We

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1 JOHN T. CARROLL
2 have crossed three Ameriquest residuals in
3 the past several months using Ellington as a
4 takeout in nonrisk transactions, and in each
5 case we performed due diligence on the pools
6 consistent with the requirements imposed on
7 our SABR shelf deals."
8 That second part of that
9 sentence about performing due diligence in
10 those cases, was that based on your personal
11 knowledge?
12 MR. FRITSCH: Objection to form.
13 A. Personal knowledge that we
14 performed due diligence on the pools?
15 Q. Yeah. I'm just asking, is that
16 something someone else told you, or how did
17 you know that they performed due diligence
18 on those pools?
19 A. We would perform, as a matter of
20 practice, we performed due diligence on
21 those pools if we were buying a residual.
22 Q. And were you involved in the due
23 diligence process yourself?
24 A. I was not.
25 MR. COMMERSON: This will be

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<p>1 JOHN T. CARROLL</p> <p>2 Exhibit 9214. This is another email</p> <p>3 from Caroline Jennings in which you</p> <p>4 are bee'd. It's dated December 13,</p> <p>5 2005.</p> <p>6 (Deposition Exhibit 9214 for</p> <p>7 identification, email dated December</p> <p>8 13, 2005, production numbers FHFA-BARC</p> <p>9 459821.)</p> <p>10 BY MR. COMMERSON:</p> <p>11 Q. So the subject of this document</p> <p>12 is "2005-W5 residual offer is 99.4 million</p> <p>13 12/18 settlement."</p> <p>14 What does "12/18 settlement"</p> <p>15 mean?</p> <p>16 A. I would assume it's December</p> <p>17 18th.</p> <p>18 Q. Right.</p> <p>19 A. Settlement date.</p> <p>20 Q. Okay. What does the settlement</p> <p>21 date mean in this context?</p> <p>22 A. The date the security is</p> <p>23 required to be delivered.</p> <p>24 Q. And I guess I'll ask first, have</p> <p>25 you seen this document before?</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. I don't know.</p> <p>3 MR. COMMERSON: Let's take a</p> <p>4 break.</p> <p>5 THE VIDEOGRAPHER: Going off the</p> <p>6 record at 2:36.</p> <p>7 (A recess was taken.)</p> <p>8 THE VIDEOGRAPHER: Returning to</p> <p>9 the record at 2:54.</p> <p>10 BY MR. COMMERSON:</p> <p>11 Q. Mr. Carroll, I want to ask you</p> <p>12 some questions about due diligence. I know</p> <p>13 that's something that's come up in a few of</p> <p>14 the other discussions earlier today, so I</p> <p>15 apologize if I've asked this before.</p> <p>16 Are you familiar with Barclays'</p> <p>17 due diligence process with respect to whole</p> <p>18 loan acquisitions?</p> <p>19 A. Yes.</p> <p>20 Q. Okay. And can you describe the</p> <p>21 due diligence process for me?</p> <p>22 A. As I understand it, I'm familiar</p> <p>23 with it mostly in a qualitative sense. As I</p> <p>24 said, it was conducted by -- an oversight</p> <p>25 was provided by the asset securitization</p>
Page 231	Page 233
<p>1 JOHN T. CARROLL</p> <p>2 A. I don't recall.</p> <p>3 Q. And can you tell me what this</p> <p>4 conversation in this document pertains to?</p> <p>5 A. From reading it, it's pertaining</p> <p>6 to the ARSI 2005-W5 resid offer.</p> <p>7 Q. And do you know who is</p> <p>8 communicating in this email?</p> <p>9 A. I do not.</p> <p>10 Q. And do you know, when it's</p> <p>11 referring to ARSI's 2005 residual offer, do</p> <p>12 you know what that's referring to?</p> <p>13 A. Not specifically, no.</p> <p>14 Q. Does this email indicate that</p> <p>15 Barclays purchased the residual from ARSI?</p> <p>16 A. I don't know.</p> <p>17 Q. And do you know what the reply</p> <p>18 means when they say "Is that anywhere close</p> <p>19 to where you bought it?"</p> <p>20 A. I don't know.</p> <p>21 Q. And then do you see where they</p> <p>22 say, "Yikes, can I sell you my portfolio</p> <p>23 there?"</p> <p>24 A. I see that, yes.</p> <p>25 Q. And what does that mean?</p>	<p>1 JOHN T. CARROLL</p> <p>2 group.</p> <p>3 However, in these pitches we did</p> <p>4 talk about, again, very qualitatively on my</p> <p>5 side, a very high level of what went on.</p> <p>6 To the best of my knowledge, in</p> <p>7 whole loan purchases we would do a 100</p> <p>8 percent appraisal review. So an appraisal</p> <p>9 is an opinion of value based on a house or a</p> <p>10 property's characteristics done by a</p> <p>11 registered appraiser.</p> <p>12 We used a company called Hanson</p> <p>13 Quality, I believe, and it was a qualitative</p> <p>14 review. And again, I'm speaking from the</p> <p>15 best of my knowledge on stuff that went on</p> <p>16 seven to ten years ago. Five to ten years</p> <p>17 ago.</p> <p>18 It was a score, it was called a</p> <p>19 Hanson score. And I believe it was either 1</p> <p>20 through 5 or 0 to 4. I don't recall what</p> <p>21 the -- I believe it was 0 to 4, with 4 being</p> <p>22 the top of the range, and 0 being the low</p> <p>23 end of the range.</p> <p>24 So 100 percent of the loans went</p> <p>25 through this Hanson filter. And again, it</p>

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1 JOHN T. CARROLL
 2 was qualitative with this score. And the
 3 appraisal review, if I recall correctly,
 4 looked at, I don't know, tens of attributes.
 5 I don't know if it was 40, I don't know if
 6 it was 80, of the particular appraisal,
 7 including the appraiser.
 8 And most broker-dealers were
 9 using Hanson, and a lot of originators were
 10 using Hanson. So Hanson, I mean, their
 11 pitch was that they used to use -- that they
 12 had a database of almost every appraiser in
 13 the country. So the actual appraiser that
 14 did the appraisal was scored as well.
 15 That score was used by, to my
 16 knowledge, was used by the due diligence
 17 people within ASG to derive an adverse
 18 selection of appraisals that would then get
 19 what's called a broker price opinion.
 20 Certain percentage of the loans,
 21 again, I think they would, you know, look at
 22 all of the -- and I don't recall if it was 0
 23 to 4 or 1 to 5, again, they would look at
 24 all, again, I'm paraphrasing, this is
 25 examples, they would look at all the 0s and

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1 JOHN T. CARROLL
 2 Is, they would look at a handful of the 2s,
 3 and generally not do the BPOs on the higher
 4 stuff. Because again, this was one of those
 5 things where according to Hanson's pitch
 6 book, if you will, or pitch, you know, the
 7 higher scores were not as likely to have a
 8 large deviation in value.
 9 On -- the other part of due
 10 diligence was credit reunderwriting. And I
 11 don't know exactly what was done, but a
 12 sample was selected through going through
 13 the loan tape, I would assume, by people in
 14 ASG. And a re-underwrite would be done of
 15 the loan file by a third party,
 16 reunderwriting company that was contracted
 17 by ASG.
 18 And from both of those loan
 19 level due diligence processes, there would
 20 be loans excluded from the pool, there would
 21 be, you know, loans that were discovered
 22 that didn't have -- actually on top of that
 23 due diligence process there was also a full
 24 legal and it was called, to my knowledge, a
 25 legal and compliance due diligence.

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1 JOHN T. CARROLL
 2 So it made sure the note was
 3 okay, the mortgage was okay, it made sure
 4 that Barclays as a purchaser could get
 5 perfected in the asset, meaning, you know,
 6 take ownership of the asset and things like
 7 that. That's pretty much the extent of my
 8 due diligence knowledge.
 9 Q. And I know you said that ASG
 10 was, oversaw the due diligence process. Who
 11 would you typically communicate regarding
 12 due diligence in your role?
 13 A. In what way?
 14 Q. If you, for instance, had a
 15 question about due diligence that had been
 16 performed on a particular transaction that
 17 you were working on.
 18 A. Most of the time Paul Menefee.
 19 Occasionally one of his more junior people,
 20 Ray Vohra would be another one. V-o-h-r-a.
 21 Most of the time Paul. I was more a
 22 recipient of the data.
 23 So, you know, typically at the
 24 culmination of the due diligence, you know,
 25 all of the discussion with loan kickouts,

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1 JOHN T. CARROLL
 2 all of the discussion with due diligence
 3 findings was between ASG and the originator.
 4 If anything got to my level that
 5 was specific, I don't recall. But a lot of
 6 it was just, you know, at the end of the due
 7 diligence we would have either a discussion
 8 or, you know, there might have been emails
 9 as far as what the percentage of loans
 10 excluded from the pool were. What the
 11 reason was and things like that.
 12 Q. I understand that the due
 13 diligence process was overseen by ASG. Did
 14 Barclays have a formal due diligence team
 15 that you're aware of?
 16 MR. FRITSCH: Objection to form.
 17 A. No, not that I'm aware of.
 18 Q. Did you ever hear --
 19 A. Well, I mean, I'm sorry. Paul
 20 Menefee's job, that was his job. He was a
 21 -- he was the resident expert as to
 22 gathering this information and hiring
 23 third-party vendors to look at the assets.
 24 Among other roles.
 25 Q. Have you heard of the term "due

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<p>1 JOHN T. CARROLL 2 diligence manager," is that a term that was 3 used within Barclays? 4 A. I've heard the term. I don't 5 recall whether I heard it. 6 Q. Just aside from Mr. Menefee and 7 Ray Vohra, are there any particular 8 employees at Barclays you can recall had 9 responsibility for due diligence? 10 A. At the loan level? 11 Q. Yes. 12 A. My recollection, again, there 13 were others involved in sharing, within ASG, 14 that worked for Paul that were involved in 15 sharing information. So Roopali Gupta, who 16 was a structurer, as well as there were 17 several people called collateral analysts 18 that were basically the people that would 19 take the loan files or the Excel 20 spreadsheets that had all these loans and 21 parse them up and things like that. 22 So there were numerous people 23 internally, to my knowledge, that were 24 involved in information flows. But all of 25 the findings and all of the ultimate</p>	<p>1 JOHN T. CARROLL 2 A. Correct. Yeah, there was a 3 dedicated due diligence team within GFRM 4 that would go out and do what we would call 5 due diligence at the corporate level for 6 these counterparties. Basically for any 7 counterparty that Barclays was doing 8 business with. 9 Q. And I apologize, I know you said 10 there's a dedicated team. Can you tell me 11 who was part of that team? 12 A. No. It was part of Patricia 13 Moore's group. You know, I know Justin Wray 14 did site visits on counterparties. I know 15 Patricia did some, and a woman named Candice 16 Nonas, N-o-n-a-s, also did counterparty 17 visits. But I'm sure there were others. 18 Q. Just to be clear, this would be 19 due diligence focused on the originators; 20 correct? 21 A. Yes. 22 Q. This is something you alluded 23 to, but I want to make sure I have a clear 24 question and answer. Are you familiar with 25 the due diligence process with respect to</p>
Page 239	Page 241
<p>1 JOHN T. CARROLL 2 decision-making with regard to the due 3 diligence results was Paul Menefee. 4 Q. Now, I noticed you clarified my 5 question earlier to clarify that I was 6 talking about due diligence with respect to 7 loan acquisition. Correct? 8 A. Yes. 9 Q. Was there a different due 10 diligence process with respect to 11 securitizations? 12 MR. FRITSCH: Objection to form. 13 A. I'm not certain what was done on 14 the agented deals. So I can't speak to 15 that. And my clarification was more talking 16 about loan acquisition versus counterparty 17 due diligence, as we talked about earlier. 18 You know, the corporate due diligence that 19 was done on the counterparties. 20 Q. Oh. So you were clarifying with 21 respect to due diligence -- 22 A. A due diligence team. 23 Q. Let me finish. 24 Due diligence with respect to 25 like the originator itself?</p>	<p>1 JOHN T. CARROLL 2 agented transactions involving Barclays? 3 A. I am not. 4 Q. Do you know whether it is the 5 same or different from the due diligence 6 process with respect to loan acquisitions? 7 A. I don't recall. 8 Q. Are you familiar with Barclays' 9 due diligence process with respect to what 10 you referred to earlier as a hybrid agented 11 transaction, whereby Barclays is acting as 12 an underwriter and is also purchasing a 13 portion of the residual? 14 A. Yes. 15 Q. You are familiar with the due 16 diligence process with respect to -- 17 A. Well, with what was -- the 18 process as I described it earlier is the 19 extent of my familiarity. 20 Q. So you would be familiar with 21 the process to the extent it is the same as 22 the due diligence process with respect to 23 loan acquisitions? 24 A. Correct. 25 Q. And do you know one way or the</p>

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1 **JOHN T. CARROLL**
 2 **other whether it differs in any way from the**
 3 **process with respect to loan acquisitions?**
 4 A. I recall the process of -- the
 5 due diligence process in the context of us
 6 purchasing or bidding a residual, or buying
 7 a residual, was largely the same as the loan
 8 acquisition due diligence that was being
 9 done.
 10 Q. And with respect to buying the
 11 residual on an agented transaction, is it
 12 your understanding that the ASG group, and
 13 specifically Mr. Menefee and Mr. Vohra,
 14 would be responsible for overseeing that
 15 process?
 16 MR. FRITSCH: Objection to form.
 17 A. Yes.
 18 Q. I'll just ask, do you know who
 19 within Barclays would be responsible for
 20 performing due diligence on agented
 21 transactions?
 22 A. No.
 23 MR. COMMERSON: This will be the
 24 next exhibit in order, 9215.
 25 (Deposition Exhibit 9215 for

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1 **JOHN T. CARROLL**
 2 identification, email dated September
 3 29, 2006, with attachments, production
 4 numbers FHFA-BARC 521712 through
 5 FHFA-BARC 521742.)
 6 BY MR. COMMERSON:
 7 Q. If you can turn to page 1720.
 8 There is a list of lead managed transactions
 9 and co-managed transactions.
 10 A. Okay.
 11 Q. Can you tell me what the
 12 difference is between a lead managed
 13 transaction and a co-managed transaction?
 14 A. Yes. A lead managed transaction
 15 is where Barclays would be named -- well,
 16 named as the lead. But also Barclays would
 17 be running the books of the transaction.
 18 So we would have responsibility
 19 for acquiring all the orders, consolidating
 20 all the orders. Barclays would bill and
 21 deliver the deal, settle the deal, if you
 22 will. And the deal would move through our
 23 process.
 24 A co-manager typically is
 25 further down in the pecking order from the

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1 **JOHN T. CARROLL**
 2 perspective of it doesn't have access to the
 3 books, it's just really bringing in orders.
 4 It's a lesser position in a securitization.
 5 Q. And do you have any
 6 understanding as to whether the due
 7 diligence performed by Barclays would differ
 8 if it was a lead managed transaction versus
 9 a co-managed transaction?
 10 MR. FRITSCH: Objection to form.
 11 A. I have no knowledge of -- yeah,
 12 I have no knowledge of that.
 13 Q. Are you familiar with league
 14 tables?
 15 A. Yes.
 16 Q. Are those tables that rate
 17 ranked base -- ranked banks based on volume?
 18 A. To my understanding, yes.
 19 Q. Were the league tables something
 20 that you followed while you were employed by
 21 Barclays?
 22 MR. FRITSCH: Objection to form.
 23 A. Not particularly.
 24 Q. Was it important to you where
 25 Barclays ranked relative to other banks?

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1 **JOHN T. CARROLL**
 2 MR. FRITSCH: Same objection.
 3 A. Not that I recall.
 4 Q. Did you have any involvement in
 5 surveillance of loans post-securitization?
 6 A. No.
 7 Q. I know you mentioned the name of
 8 the appraisal firm that Barclays used for
 9 due diligence. Do you have any awareness of
 10 the third-party firms they used for the
 11 underwriting portion of due diligence?
 12 A. I remember Clayton. And Bohan.
 13 And there may have been one or two others.
 14 Those are the two that pop into my head.
 15 Q. Were you involved in any way in
 16 reviewing the quality of the work done by
 17 any of the third-party firms that Barclays
 18 used for due diligence?
 19 A. No.
 20 MR. COMMERSON: This will be the
 21 next exhibit in order, 9216.
 22 (Deposition Exhibit 9216 for
 23 identification, email dated August 25,
 24 2007, production numbers FHFA-BARC
 25 582246 through FHFA-BARC 582248.)

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1 JOHN T. CARROLL
 2 BY MR. COMMERSON:
 3 Q. Just take a moment to read this
 4 and let me know if you've seen it before.
 5 Have you seen this document
 6 before, Mr. Carroll?
 7 A. I don't recall seeing it, but it
 8 was sent to me. So...
 9 Q. The subject matter is "Can you
 10 please price." Do you have an understanding
 11 as to for what purpose these deals were
 12 being priced in this email exchange?
 13 A. Yes.
 14 Q. What was the purpose?
 15 A. The gentleman who's involved
 16 here, Tim Keenan, was the head of the repo,
 17 what we call the repo desk. So it's
 18 basically the desk that's lending on
 19 securities at Barclays. And he's asking for
 20 prices on specific assets that are most
 21 likely on repo with Barclays.
 22 Q. Can you explain to me "lending
 23 on securities at Barclays"?
 24 A. Sure. Concept of leverage in
 25 the marketplace, hedge funds, you know

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1 JOHN T. CARROLL
 2 other types of counterparties, buy side
 3 counterparties, would pledge their
 4 securities for overnight loans.
 5 So they have a security worth
 6 100 cents on the dollar, there's a haircut,
 7 it's called, so it's a discount to the
 8 hundred cents on the dollar. You would
 9 pledge that to Barclays. Barclays would give
 10 you, say, the haircut was 2 percent, they
 11 would give you 98 cents on the dollar.
 12 There is short duration repo,
 13 long duration repo. You know, it's a
 14 service that's provided for not only
 15 securitized products, but treasury bonds,
 16 agency bonds, all that kind of stuff. It's
 17 a standard mortgage practice.
 18 Q. Why was Mr. Keenan asking for
 19 more color on the loans underlying the
 20 deals?
 21 MR. FRITSCH: Where is that?
 22 A. I don't see where he's asking
 23 specifically about loans.
 24 Q. "I was supposed to have" --
 25 well, okay. Maybe you can explain what this

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1 JOHN T. CARROLL
 2 means. The first paragraph in the bottom
 3 email on page 2246.
 4 A. Um-hum.
 5 Q. It's from Keenan to a number of
 6 folks, including you. "I was supposed to
 7 have a call yesterday with you guys and
 8 Eric."
 9 Do you know who Eric is?
 10 A. Don't know for certain. It's
 11 likely Eric Bommensath, who is Tim Keenan's
 12 boss.
 13 Q. And it says, "to give him color
 14 on the assets in the portfolio that I sent
 15 for update yesterday afternoon."
 16 A. Okay.
 17 Q. Do you understand what the
 18 purpose of that call was to get color, why
 19 was it necessary to get color on the assets
 20 in the portfolio?
 21 MR. FRITSCH: Objection to form.
 22 A. Based on reading this, he's
 23 looking for market color, or just
 24 substantive qualitative opinions on these
 25 assets, versus just the raw dollar prices

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1 JOHN T. CARROLL
 2 that we would put on them.
 3 Q. Does P/F, does that mean
 4 portfolio?
 5 A. I'm sorry, where is that?
 6 Q. It's on the second page.
 7 A. At the top here?
 8 Q. Yes.
 9 A. I'm trying to figure out if this
 10 is even English.
 11 I don't know. It would make
 12 sense, but I don't know for sure.
 13 Q. Okay. And do you know what he
 14 meant by duration of the assets in the
 15 portfolio in that same sentence?
 16 A. Yeah, duration's a -- duration
 17 of the assets, he's talking about it's a
 18 measure of the weighted average time of
 19 return of a dollar of principal. It's a
 20 measure of riskiness of an asset. I'm
 21 sorry, it's a measure of the asset's
 22 sensitivity to interest rate movements. Not
 23 riskiness.
 24 Q. Do you have an understanding as
 25 to what Mr. Keenan meant when he says, "So

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<p>1 JOHN T. CARROLL</p> <p>2 subprime that is decent quality?? Almost</p> <p>3 seems contradictory??"</p> <p>4 A. I don't know what he meant.</p> <p>5 Q. You do respond, and you say,</p> <p>6 "U.K. subprime has significantly more</p> <p>7 documentation, lower loan to values, and</p> <p>8 lower base case expected losses."</p> <p>9 A. Um-hum.</p> <p>10 Q. What did you mean by that?</p> <p>11 A. Okay, actually reading that, I</p> <p>12 can give you -- yeah. U.K., meaning</p> <p>13 Britain, obviously, or U.K., United Kingdom,</p> <p>14 subprime, the definition of subprime in the</p> <p>15 U.K. is dramatically different than the</p> <p>16 definition of subprime in the U.S. At this</p> <p>17 point in time, August 25th of 2007, for lack</p> <p>18 of a better metaphor, the world was on fire,</p> <p>19 and the value of these assets was going down</p> <p>20 significantly.</p> <p>21 So looking at Stuart Calnan, who</p> <p>22 worked for me in London, saying, you know,</p> <p>23 decent quality, the majority of the sterling</p> <p>24 and European assets that were U.K. subprime</p> <p>25 were not as impaired or never became as</p>	<p>1 JOHN T. CARROLL</p> <p>2 there were external sources or things like</p> <p>3 that.</p> <p>4 Q. Understood.</p> <p>5 Did you ever go on any onsite</p> <p>6 reviews of originators?</p> <p>7 A. Not that I recall.</p> <p>8 Q. I guess I should just ask, did</p> <p>9 you ever go on any onsite reviews of</p> <p>10 originators in your capacity of doing whole</p> <p>11 loan trading?</p> <p>12 MR. FRITSCH: Objection to form.</p> <p>13 A. An onsite visit that was</p> <p>14 specific to conducting due diligence or? I</p> <p>15 visited their offices numerous times, but</p> <p>16 never in the context of a GFRM due diligence</p> <p>17 trip or a loan due diligence trip. I had</p> <p>18 been in offices when people were in there</p> <p>19 doing due diligence, but I was not part of</p> <p>20 the due diligence process.</p> <p>21 Q. And did you ever provide</p> <p>22 information about originators to either GFRM</p> <p>23 or anyone else at Barclays performing due</p> <p>24 diligence on an originator?</p> <p>25 MR. FRITSCH: Objection to form.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 impaired as the U.S. subprime assets.</p> <p>3 So it looks to me, from reading</p> <p>4 this, that -- and actually I know this for a</p> <p>5 fact, that Tim wasn't able to make the</p> <p>6 distinction between the two.</p> <p>7 People would hear subprime at</p> <p>8 the time, and like I said, the U.S. subprime</p> <p>9 market was practically closed, and assets</p> <p>10 were being written down substantially,</p> <p>11 versus the U.K. market that was, again, was</p> <p>12 not operating well, but it was still open</p> <p>13 and those assets actually had much better</p> <p>14 recovery than the U.S.</p> <p>15 Q. Okay.</p> <p>16 A. And I mention that here. You</p> <p>17 know, it was a different asset class.</p> <p>18 Q. Earlier we had discussed the due</p> <p>19 diligence process with respect to review of</p> <p>20 originators. Correct?</p> <p>21 A. Not necessarily the process. I</p> <p>22 don't know the process. I know what</p> <p>23 happened -- I know it happened and where it</p> <p>24 was housed. I don't know anything about the</p> <p>25 process, whether it was purely internal or</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Not that I recall. And I likely</p> <p>3 would not have been involved because of</p> <p>4 public/private issues with originators. A</p> <p>5 good portion of these were publicly traded</p> <p>6 companies.</p> <p>7 Q. I just wanted to follow up on</p> <p>8 something you asked you earlier. I asked</p> <p>9 you earlier if you recalled any discussions</p> <p>10 regarding the securitization, the eight</p> <p>11 securitizations involved in this case with</p> <p>12 anyone at Barclays.</p> <p>13 Do you recall discussing any of</p> <p>14 those eight securitizations with any</p> <p>15 investors?</p> <p>16 A. Not specifically, no.</p> <p>17 Q. This is an exhibit that was</p> <p>18 previously marked at the deposition of</p> <p>19 Ms. Gupta. It's Exhibit No. 8410.</p> <p>20 (Deposition Exhibit 8410 for</p> <p>21 identification, email dated July 11,</p> <p>22 2006, production numbers FHFA-BARC</p> <p>23 158512 through FHFA-BARC 158513.)</p> <p>24 BY MR. COMMERSON:</p> <p>25 Q. It looks like it's a series of</p>

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<p>1 JOHN T. CARROLL</p> <p>2 emails involving Paul Menefee, and it</p> <p>3 eventually gets forwarded to you.</p> <p>4 Do you recall concerns being</p> <p>5 raised about Fremont?</p> <p>6 A. I don't recall.</p> <p>7 Q. Do you recall any investors</p> <p>8 expressing concerns about the FHLT 2005/D</p> <p>9 deal?</p> <p>10 A. Not specifically, no.</p> <p>11 Q. More generally, do you recall</p> <p>12 anything aside from what's in this email?</p> <p>13 MR. FRITSCH: Objection to form.</p> <p>14 A. No.</p> <p>15 Q. Do you recall concerns being</p> <p>16 raised about the practices of any</p> <p>17 originators during your time at Barclays?</p> <p>18 MR. FRITSCH: Objection to form.</p> <p>19 A. Not specifically.</p> <p>20 Q. More generally, do you recall</p> <p>21 any concerns being expressed about any</p> <p>22 originators?</p> <p>23 A. Yeah, you know, towards the --</p> <p>24 as the marketplace was starting to unravel,</p> <p>25 if you will.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. I don't know.</p> <p>3 Q. This email chain refers to, if</p> <p>4 you look at, it's the fourth bullet point</p> <p>5 from the end of the email, it says, "John</p> <p>6 Carroll, ABS trading, is undertaking a</p> <p>7 review of our collateral and will shortly</p> <p>8 provide a review of the value under three</p> <p>9 potential exit scenarios."</p> <p>10 A. I see that.</p> <p>11 Q. Do you recall what your</p> <p>12 involvement was with respect to ResMAE?</p> <p>13 A. Not specifically. But with</p> <p>14 regard to a situation like this, my desk was</p> <p>15 the whole loan trading desk, and we would be</p> <p>16 asked, and that's what we were -- we would</p> <p>17 be asked in this case to provide valuation</p> <p>18 of the collateral.</p> <p>19 Q. Did you have a role in approving</p> <p>20 warehouse financing for originators?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. Not that I recall. I was on the</p> <p>23 exposures committee for a little while. I</p> <p>24 don't recall if we were approving warehouse</p> <p>25 lines.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 Q. Just to be clear.</p> <p>3 A. 2007, early -- late 2006, early</p> <p>4 2007.</p> <p>5 Q. Okay.</p> <p>6 A. First pay defaults were</p> <p>7 climbing. Loans that were missing their</p> <p>8 first payment were climbing. Originators</p> <p>9 were having a hard time getting access to</p> <p>10 warehouse lines, the securitization market</p> <p>11 was slowing down. You know, I recall</p> <p>12 general concern about the entire market. I</p> <p>13 have no specific recollection about</p> <p>14 individual calls or individual discussions</p> <p>15 that were about specific originators.</p> <p>16 MR. COMMERSON: This will be the</p> <p>17 next exhibit in order, 9217.</p> <p>18 (Deposition Exhibit 9217 for</p> <p>19 identification, email dated January</p> <p>20 23, 2007, production numbers FHFA-BARC</p> <p>21 580829 through FHFA-BARC 580830.)</p> <p>22 BY MR. COMMERSON:</p> <p>23 Q. Why did Barclays want to finance</p> <p>24 ResMAE's origination practice?</p> <p>25 MR. FRITSCH: Objection to form.</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Could you just explain what</p> <p>3 warehouse financing means?</p> <p>4 A. Sure. It's a facility set up at</p> <p>5 Barclays that takes in whole loans as</p> <p>6 collateral, in a similar format to the repo</p> <p>7 that we talked about earlier, except for</p> <p>8 it's for loans instead of bonds. At a</p> <p>9 haircut where, you know, this typical term</p> <p>10 of 30-day, 60-day, 90-day warehouse</p> <p>11 facilities.</p> <p>12 So again, it's a way for an</p> <p>13 originator to fund their loans without</p> <p>14 having to use their own capital, providing</p> <p>15 an embedded leverage in the business.</p> <p>16 Q. Was providing warehouse</p> <p>17 financing to ResMAE conditioned upon ResMAE</p> <p>18 originating loans that Barclays would</p> <p>19 securitize?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. Not that I'm aware of.</p> <p>22 Q. I know you mentioned haircuts</p> <p>23 several times. What does it mean that</p> <p>24 haircuts would vary according to collateral</p> <p>25 type?</p>

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<p>1 JOHN T. CARROLL 2 MR. FRITSCH: You are referring 3 to? 4 A. Can you just point it out? 5 Q. The middle of the first page. 6 If you scroll down under "Overview," there 7 is a heading "Facility Highlights." 8 A. Okay. 9 Q. The second bullet says, 10 "Advances are subject to haircuts that vary 11 according to collateral type." 12 A. From reading this I would 13 assume, and again, there is a little bit 14 more clarification in the next sentence. To 15 the best of my knowledge it wasn't 16 collateral type, it was more what they were 17 explaining in the second sentence here. In 18 other words, the haircut was 2 percent for 19 performing collateral, to 15 percent for 20 nonperforming and real estate owned 21 collateral. 22 So the first sentence, again, 23 just based on reading this, would lead you 24 to believe that different types of loans 25 were attracting different haircuts. But the</p>	<p>1 JOHN T. CARROLL 2 presentation. Were you involved in the 3 presentation to Grant? 4 A. I don't recall. 5 Q. Did you have periodic meetings 6 with Mr. Kvalheim regarding the mortgage 7 business? 8 MR. FRITSCH: Objection to form. 9 A. Yes. 10 Q. Were they on a sort of a set 11 schedule or was it just -- did it vary? 12 A. Both. 13 Q. How often did you meet with 14 Mr. Kvalheim? 15 A. I saw him almost every day. He 16 was in the office -- he was in the New York 17 office. We spoke frequently. 18 Q. Do you recall if with respect to 19 this email Mr. Kvalheim had requested a 20 specific presentation? 21 A. I don't remember. 22 Q. Under number 2, "Threats," it 23 says, "Agented clients being bought by big 24 banks." 25 Do you see that?</p>
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<p>1 JOHN T. CARROLL 2 second sentence, I just believe they're 3 using collateral type incorrectly. 4 Q. Do you know what it means, if 5 you look at the final sentence on the first 6 page, what does it mean that GFRM put ResMAE 7 on a watch list 3? 8 A. I don't know. 9 MR. COMMERSON: This will be the 10 next exhibit in order, 9218. 11 (Deposition Exhibit 9218 for 12 identification, email dated June 6, 13 2006, production numbers FHFA-BARC 14 559710.) 15 A. Okay. 16 Q. So the first email from MM Wade, 17 is that Michael Wade personal account? 18 A. Yes. 19 Q. It says, "This is what I'm 20 thinking of an outline to present to Grant 21 in the next few weeks." 22 Does Grant refer to Grant 23 Kvalheim, the Barclays Capital co-president? 24 A. I would think so. 25 Q. It presents an outline for the</p>	<p>1 JOHN T. CARROLL 2 A. Yes. 3 Q. Was that a threat because the 4 banks would then perform their own 5 underwriting? 6 MR. FRITSCH: Objection to form. 7 A. Yeah, I think that's what -- 8 again, I didn't write the outline. But that 9 was a concern. That Mike Wade had. 10 Q. And then the next sentence says, 11 "BarCap has no control over origination." 12 I assume BarCap refers to 13 Barclays Capital? 14 A. Yes. 15 Q. Why was there a concern at that 16 point Barclays Capital was not able to 17 originate its own mortgage loans? 18 A. My recollection, and again, this 19 is Mike Wade's outline, but my recollection 20 around this time period was we started to 21 see clients, it wasn't only agency clients, 22 it was clients also that would sign whole 23 loans. 24 So clients of the firm were 25 being bought by big banks, I think is a more</p>

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<p>1 JOHN T. CARROLL</p> <p>2 accurate statement, at that point in time.</p> <p>3 Mike was concerned that there</p> <p>4 wouldn't be third-party originators for us</p> <p>5 to either do agented deals or buy from.</p> <p>6 Q. Do you know what the threat was</p> <p>7 relating to balance sheet capacity?</p> <p>8 A. Balance sheet is scarce and</p> <p>9 expensive.</p> <p>10 Q. And then it refers to mortgage</p> <p>11 market slowdown. When did you first observe</p> <p>12 a slowdown in the mortgage market, if you</p> <p>13 can recall?</p> <p>14 A. I don't recall. And I don't</p> <p>15 know that he's talking about a slowdown</p> <p>16 actually happening at that point. I think</p> <p>17 it's just -- I'm speculating again. But</p> <p>18 again, you know, my recollection is the</p> <p>19 market didn't slow down, it just ran into a</p> <p>20 brick wall. You know, origination might</p> <p>21 have tailed off. But again, it was, you</p> <p>22 know, the market came to a full stop in</p> <p>23 early 2007 versus kind of a slowdown.</p> <p>24 Q. Under number 5, "In-House</p> <p>25 Origination Capability," the last bullet</p>	<p>1 JOHN T. CARROLL</p> <p>2 earlier, league tables was not something</p> <p>3 that I paid attention to, it was more of a</p> <p>4 banker thing. So I can't recall why I would</p> <p>5 put that in there.</p> <p>6 Q. What about volume expectations?</p> <p>7 A. Again, that was part of -- when</p> <p>8 we would do these presentations, we would</p> <p>9 put in what we expect -- how we expected the</p> <p>10 business to expand or contract, and how the</p> <p>11 revenues would look going forward.</p> <p>12 MR. COMMERSON: This will be</p> <p>13 Exhibit 9219.</p> <p>14 (Deposition Exhibit 9219 for</p> <p>15 identification, email dated November</p> <p>16 21, 2006, with attachment, production</p> <p>17 numbers FHFA-BARC 787537 through</p> <p>18 FHFA-BARC 787552.)</p> <p>19 BY MR. COMMERSON:</p> <p>20 Q. It's a cover email followed by</p> <p>21 an attachment entitled "U.S. Mortgage</p> <p>22 Origination Strategy." You can just skim</p> <p>23 that document and let me know if you've seen</p> <p>24 it before.</p> <p>25 A. Yes.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 point says, "Additional risks and</p> <p>3 mitigants." And it says, "Additional due</p> <p>4 diligence?"</p> <p>5 Do you remember what the</p> <p>6 discussion or issue was with respect to due</p> <p>7 diligence?</p> <p>8 A. I do not.</p> <p>9 Q. And it says, "How can Quail</p> <p>10 help."</p> <p>11 Do you know who Quail is?</p> <p>12 A. No.</p> <p>13 Q. And then you respond, "Outline</p> <p>14 looks complete. I would like to work in the</p> <p>15 page in section 1 setting goals and a</p> <p>16 timeline for the business around league</p> <p>17 table standings, volume expectations and</p> <p>18 revenue projections."</p> <p>19 Do you recall adding in that</p> <p>20 information?</p> <p>21 A. I do not.</p> <p>22 Q. Why did you believe that</p> <p>23 information relating to league table</p> <p>24 standings would be relevant?</p> <p>25 A. I don't remember. And as I said</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Did you have any role in putting</p> <p>3 it together?</p> <p>4 A. No.</p> <p>5 Q. Do you know who drafted the</p> <p>6 document?</p> <p>7 A. I do not.</p> <p>8 Q. And I guess I can just ask, in</p> <p>9 what context do you recall the document?</p> <p>10 A. I reviewed it yesterday in</p> <p>11 preparation. As well as I recall getting it</p> <p>12 sent to me, I don't remember from who. But</p> <p>13 that's about it.</p> <p>14 I do recall being surprised that</p> <p>15 this was being done, though.</p> <p>16 Q. I'm sorry, that this was being?</p> <p>17 A. I was surprised that this</p> <p>18 document was put together without my</p> <p>19 knowledge, at the time.</p> <p>20 Q. And why were you surprised by</p> <p>21 that?</p> <p>22 A. Because mortgages were mostly</p> <p>23 under me. This was done in London for</p> <p>24 someone else in the firm who also was</p> <p>25 looking after the agency side of the</p>

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<p>1 JOHN T. CARROLL</p> <p>2 business. This document, to the best of my</p> <p>3 recollection, deals with nonprime and</p> <p>4 non-agency and stuff like that. I don't</p> <p>5 know that I was -- my recollection is I</p> <p>6 was -- I believe I was sent this from Tom,</p> <p>7 but it was after I had found out about its</p> <p>8 existence, is my recollection.</p> <p>9 Q. And this presentation is</p> <p>10 discussing the possibility of acquiring --</p> <p>11 strike that.</p> <p>12 This presentation is discussing</p> <p>13 the possibility of Barclays acquiring an</p> <p>14 originator. Is that correct?</p> <p>15 MR. FRITSCH: Objection to form.</p> <p>16 A. I can -- I don't recall if it</p> <p>17 was in there.</p> <p>18 I'm sorry, okay.</p> <p>19 Q. If you turn to --</p> <p>20 A. Page 9. I see that it</p> <p>21 discussing that. Again, I was not involved</p> <p>22 in preparing the document.</p> <p>23 Q. The prior exhibit we looked at,</p> <p>24 you know, in the outline, did discuss</p> <p>25 in-house origination capability.</p>	<p>1 JOHN T. CARROLL</p> <p>2 earlier that Barclays did, in fact, acquire</p> <p>3 an originator eventually; correct?</p> <p>4 A. Yes.</p> <p>5 Q. Was that originator Equicorp</p> <p>6 First?</p> <p>7 A. Equifirst Corp.</p> <p>8 Q. Equifirst Corp., thank you.</p> <p>9 If you can turn to page 7540 of</p> <p>10 the document.</p> <p>11 A. Okay.</p> <p>12 Q. Do you see this first paragraph</p> <p>13 when it's talking about the U.S. MBS market,</p> <p>14 is that talking about Barclays specifically</p> <p>15 or is it talking about the U.S. MBS market</p> <p>16 overall?</p> <p>17 MR. FRITSCH: Objection to form.</p> <p>18 A. I don't know. Like I said, this</p> <p>19 was done in London. I don't know where any</p> <p>20 of the data came from.</p> <p>21 Q. Do you see that the second</p> <p>22 bullet point says, "In that time, BarCap has</p> <p>23 grown MBS-related volumes -- sorry, related</p> <p>24 revenues from about 50 million in 2002 to</p> <p>25 100 million in 2005"?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. Right.</p> <p>3 Q. Do you recall the idea of</p> <p>4 Barclays either acquiring an originator or</p> <p>5 developing its own in-house origination</p> <p>6 capability having been discussed prior to</p> <p>7 this document?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. Yes.</p> <p>10 Q. And what had those discussions</p> <p>11 consisted of, to your knowledge?</p> <p>12 A. I don't remember.</p> <p>13 Q. Did you support the idea of</p> <p>14 Barclays acquiring an originator?</p> <p>15 MR. FRITSCH: Objection to form.</p> <p>16 A. I don't recall.</p> <p>17 Q. Were you involved in discussions</p> <p>18 about which originators Barclays could</p> <p>19 consider acquiring?</p> <p>20 A. Not that I recall.</p> <p>21 Q. Do you recall making any</p> <p>22 recommendations as to which originators</p> <p>23 Barclays might consider acquiring?</p> <p>24 A. I do not.</p> <p>25 Q. And I believe you testified</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. I see that, yes.</p> <p>3 Q. Now, you commenced employment</p> <p>4 with Barclays in 2003; is that correct?</p> <p>5 A. Yes.</p> <p>6 Q. Did you see a significant</p> <p>7 increase in the volume of RMBS activity that</p> <p>8 Barclays was doing between 2003 and 2005?</p> <p>9 MR. FRITSCH: Objection to form.</p> <p>10 A. Yes, there was an increase</p> <p>11 between 2003 and 2005, of volume.</p> <p>12 Q. And then if you see the second</p> <p>13 bullet point from the bottom, it says, "As a</p> <p>14 result of this vertical integration, the</p> <p>15 available market from which BarCap can</p> <p>16 source term ABS and whole loan volumes is</p> <p>17 declining rapidly. 40 percent decline</p> <p>18 forecast in 2006."</p> <p>19 Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. Can you just explain, what does</p> <p>22 "vertical integration" mean?</p> <p>23 MR. FRITSCH: Objection to form.</p> <p>24 A. In the context of the document,</p> <p>25 I don't know. I don't know where the</p>

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<p>1 JOHN T. CARROLL</p> <p>2 numbers came from.</p> <p>3 Q. Did you understand that certain</p> <p>4 entities were moving to incorporate various</p> <p>5 aspects of the securitization in-house,</p> <p>6 securitization process in-house?</p> <p>7 MR. FRITSCH: Objection to form.</p> <p>8 A. What aspects? Can you be more</p> <p>9 specific, what aspects of securitization?</p> <p>10 Q. Well, I mean, if you look at</p> <p>11 this document, they do talk about "vertical</p> <p>12 integration has already occurred, albeit</p> <p>13 more from large-scale originators developing</p> <p>14 capital markets capability, e.g.,</p> <p>15 Countrywide, Washington Mutual."</p> <p>16 MR. FRITSCH: Where is that?</p> <p>17 A. I'm sorry, where is that?</p> <p>18 Q. That's the fourth sub-bullet</p> <p>19 point under the third heading from the top,</p> <p>20 or the third heading from the bottom.</p> <p>21 A. On 7540?</p> <p>22 Q. Yes. The sentence beginning "Is</p> <p>23 more accessible than prime: Vertical</p> <p>24 integration."</p> <p>25 A. I'm sorry, I don't see it.</p>	<p>1 JOHN T. CARROLL</p> <p>2 integration?</p> <p>3 MR. FRITSCH: Objection to form.</p> <p>4 A. Yes, I recall discussions</p> <p>5 happening. I mean, that was part of the</p> <p>6 outline. Then again, with regard to this</p> <p>7 document, I had no input to the document,</p> <p>8 so.</p> <p>9 Q. Well, more generally, I mean,</p> <p>10 what were the discussions about?</p> <p>11 A. Continued access to -- or</p> <p>12 continued ability to do whole loan product</p> <p>13 as well as agented deals with third-party</p> <p>14 originators.</p> <p>15 Q. And then on page 7540, it says,</p> <p>16 the final bullet says, "A review of BarCap's</p> <p>17 sources of subprime volume in 2006 shows</p> <p>18 between 20 to 50 percent (5 to 10 billion)</p> <p>19 is at risk from being acquired from</p> <p>20 competitors in the short term. Volume needs</p> <p>21 to be secured to defend revenues."</p> <p>22 Do you have an understanding as</p> <p>23 to what that means?</p> <p>24 A. I have no idea.</p> <p>25 Q. Do you have an understanding as</p>
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<p>1 JOHN T. CARROLL</p> <p>2 THE WITNESS: Thank you.</p> <p>3 Q. Does that help you at all with</p> <p>4 respect to what the vertical integration</p> <p>5 means in the context of this document?</p> <p>6 A. Yes.</p> <p>7 Q. And what does it mean?</p> <p>8 A. It appears that the documents</p> <p>9 were using vertical integration to describe</p> <p>10 large scale originators, namely Countrywide</p> <p>11 and Washington Mutual, developing capital</p> <p>12 markets capability, in other words</p> <p>13 securitization capability, in-house. Which</p> <p>14 would eliminate their selling whole loans to</p> <p>15 other broker-dealers, as well as using other</p> <p>16 broker-dealers for agency deals.</p> <p>17 Q. So at the time of this</p> <p>18 presentation -- well, I should be clear.</p> <p>19 The presentation itself is not dated but it</p> <p>20 was sent to you, or it was sent by you in</p> <p>21 November 2006.</p> <p>22 Do you recall in 2006 there</p> <p>23 being a concern about Barclays losing</p> <p>24 business on both the whole loan side and on</p> <p>25 the agented transaction side due to vertical</p>	<p>1 JOHN T. CARROLL</p> <p>2 to what it means when it says "volume need</p> <p>3 to be secured to defend revenues"?</p> <p>4 A. No.</p> <p>5 Q. Mr. Carroll, as you recall,</p> <p>6 earlier in the deposition I showed you a</p> <p>7 series of registration statements and</p> <p>8 amendments to registration statements that</p> <p>9 you had signed for two of the eight</p> <p>10 securitizations at issue. Apart from</p> <p>11 signing those documents, were you involved</p> <p>12 in -- do you recall being directly involved</p> <p>13 in any of the securitizations at issue in</p> <p>14 this case?</p> <p>15 MR. FRITSCH: Objection to form.</p> <p>16 A. Yes.</p> <p>17 Q. And how were you involved?</p> <p>18 A. I don't recall specific</p> <p>19 involvement. Through my deposition prep</p> <p>20 yesterday, and reading some documents that</p> <p>21 were related to the bid process for the</p> <p>22 residual in a couple of them, helped jog my</p> <p>23 memory there. Other than that, I have no</p> <p>24 recollection.</p> <p>25 Q. I may have asked this before,</p>

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<p>1 JOHN T. CARROLL 2 but I just want to make sure I have. Do you 3 recall discussing any of the eight 4 securitizations with any investors? 5 MR. FRITSCH: Objection; asked 6 and answered. 7 A. I don't recall, but in my prep 8 yesterday there were emails, I believe, that 9 alluded to discussions I may have had with 10 investors on the deals where we were 11 purchasing residuals. 12 Q. Apart from the residual issues, 13 do you recall any other discussions? 14 A. I don't recall. 15 MR. COMMERSON: This will be the 16 next exhibit in order, 9220. 17 (Deposition Exhibit 9220 for 18 identification, document headed 19 "Barclays Capital Inc., Written 20 Supervisory Manual," production 21 numbers FHFA-BARC 1020231 through 22 FHFA-BARC 1020244) 23 BY MR. COMMERSON: 24 Q. If you can let me know if you've 25 seen this document before.</p>	<p>1 JOHN T. CARROLL 2 numbers. Page 2 of the document. 3 Q. It just says there, it says 4 "Attached is a list," if you look at the 5 bold. 6 A. Right. 7 Q. It says "Attached is a list of 8 the supervisors and their designated backup 9 for ABS. See appendix A." And appendix A 10 only you are listed. 11 A. Right. 12 Q. So my question is, are you the 13 only supervisor for ABS and whole loans? 14 MR. FRITSCH: Objection to form. 15 A. On the trading side of the 16 business I was. 17 Q. You'll have to help me remember, 18 I know that there were two sides to the 19 business. What were we calling the other 20 side of the business? 21 A. Asset securitization. ASG. 22 Q. And if you remember, who would 23 have been the supervisor in the asset 24 securitization side of the business? 25 A. Michael Wade.</p>
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<p>1 JOHN T. CARROLL 2 A. Yes, I've seen it before. 3 Q. Do you see on page 233 under 4 "Scope of This Manual," it says, "This 5 manual identifies the firm's policies and 6 procedures regarding the responsibilities 7 and obligations of ABS and whole loan 8 supervisors and sets forth procedures 9 designed to guide ABS supervisors in the 10 discharge of their supervisory duties." 11 Do you see that sentence? 12 A. Yes. 13 Q. Is that your understanding of 14 the purpose of this manual? 15 A. Yes, based on reading it now. 16 Q. If you turn to the very end of 17 the document, the last page. You are listed 18 in appendix A as the only person listed 19 there. 20 Do you know, were you the only 21 ABS and whole loan supervisor? If it's 22 helpful, you can turn to page 234. 23 A. I was the only -- I'm sorry, 24 page? 25 MR. FRITSCH: 234, the bottom</p>	<p>1 JOHN T. CARROLL 2 Q. Anyone else? 3 A. Everybody worked in that group 4 worked for Mike. You know, there were 5 sub-supervisors and business heads within 6 that. 7 Q. Did you have any involvement in 8 drafting this manual? 9 A. No. 10 Q. Did you develop any trading 11 programs with respect to the ABS and whole 12 loan supervisory group? 13 MR. FRITSCH: Objection to form. 14 A. I'm sorry, what was that? 15 Q. In your role as an ABS and whole 16 loan supervisor, did you design any trading 17 programs for employees within that group? 18 A. Can you define trading programs? 19 Q. If you look at page 234. 20 A. Okay. 21 Q. And at the fourth bullet down, 22 it says, "Implementation of continuing 23 compliance training programs for both 24 supervisors and non-supervisory employees." 25 Do you recall creating or</p>

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<p>1 JOHN T. CARROLL 2 implementing any training programs? 3 A. I do not. 4 Q. If you turn to page 236. Under 5 "Transaction Reports," it says, at the very 6 bottom of the page, it says, "The ABS 7 supervisor shall review the following on a 8 daily or monthly as applicable basis." P&L 9 report. What does P&L stand for? 10 A. Profit and loss. 11 Q. Capital usage report, do you 12 know what that is? 13 A. Yes. 14 Q. What's that? 15 A. It's a usage report that showed 16 the balance sheet being used for the various 17 trading positions. And it also included 18 measurements of WRAs, which was risk 19 weighted assets, but they called it WRAs at 20 Barclays. As well as other metrics around 21 the various capital charges that the balance 22 sheet would use, given the positions that we 23 had. 24 Q. What were risk management 25 reports?</p>	<p>1 JOHN T. CARROLL 2 So the fail report just noted in 3 the course of our day-to-day trading, like I 4 said, we were trading thousands of bonds 5 weekly, there was always a couple that 6 didn't settle for data entry issues and 7 things like that. 8 Q. And would they usually settle a 9 few days later? 10 A. Yeah. I mean, most of them 11 would be called a good fail. And a good 12 fail is something that somebody put a 1 13 instead of an I in a computer or something 14 like that. 15 Q. Did you ever encounter any 16 unusual trading activity, as the ABS 17 supervisor? 18 MR. FRITSCH: Objection to form. 19 Q. If you look on that same page, 20 it refers to unusual transactions. 21 A. On 236, so under "Review of 22 Trading"? 23 Q. Yes? 24 MR. FRITSCH: You are referring 25 to unusual seller arrangements?</p>
Page 279	Page 281
<p>1 JOHN T. CARROLL 2 A. Risk management reports were 3 position-by-position reporting by products 4 type. So we would have fairly extensive 5 reports down to the security level for all 6 the secondary positions within the desk that 7 I looked after. And all relevant risk 8 metrics, so duration, dollar value of the 9 basis point, risk sensitivities. 10 Understanding it was basically a 11 dashboard that allowed me to understand, or 12 any supervisor supervising traders, 13 understand what the risk was, in some cases 14 on a real-time basis. 15 Q. Was this a risk to Barclays? 16 A. Yes. 17 Q. And finally, what's the fail 18 report? 19 A. Fail report, when a security 20 doesn't get delivered on a settlement date, 21 it's called a fail. Fails create situations 22 where obviously if you don't deliver the 23 security, you're not getting the cash in or 24 vice versa, if the security isn't delivered 25 to you, you don't want the cash going out.</p>	<p>1 JOHN T. CARROLL 2 Q. It says in the second sentence 3 under "Review of Trading," "In reviewing ABS 4 trades, a supervisor, or his or her 5 delegate, shall look for unusual trading 6 activity, unusual patterns of transactions 7 or other indications of wrongdoing, and it 8 lists some examples of wrongdoing." 9 A. Um-hum. I see that. 10 Q. Did you ever encounter any 11 unusual trading activity while you were at 12 Barclays? 13 A. As it relates to these bullets? 14 Yeah, occasionally. 15 Q. For instance, did you ever 16 suspect insider trading? 17 MR. FRITSCH: Objection to form. 18 A. No. 19 Q. Did you delegate any of your 20 responsibilities as an ABS and whole loan 21 supervisor to anyone else? 22 MR. FRITSCH: Objection to form. 23 A. Not that I recall. 24 Q. Do you understand the concept of 25 the Chinese wall?</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. Yes.</p> <p>3 Q. What was the Chinese wall?</p> <p>4 A. Chinese wall is a name for the</p> <p>5 barrier that is put in place between public</p> <p>6 and private departments of investment banks.</p> <p>7 Q. Are you familiar with the</p> <p>8 concept of a minimum holding period?</p> <p>9 A. Not completely, no.</p> <p>10 As it relates to...</p> <p>11 Q. And then if you turn to page</p> <p>12 243. There is a section there headed</p> <p>13 "Complaints," and it says, "Supervisors must</p> <p>14 maintain a complaint file of all complaints</p> <p>15 received."</p> <p>16 Did you maintain a complaint</p> <p>17 file?</p> <p>18 A. I don't recall.</p> <p>19 Q. Do you recall receiving any</p> <p>20 complaints that you would have put in the</p> <p>21 complaint file during your tenure with</p> <p>22 Barclays?</p> <p>23 MR. FRITSCH: Objection to form.</p> <p>24 A. I do not.</p> <p>25 Q. There is a reference to the</p>	<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. Compliance was essentially</p> <p>4 responsible for looking after the day-to-day</p> <p>5 activities of all of the firm's businesses.</p> <p>6 And looking at certain risks within the firm</p> <p>7 that were non-trading based.</p> <p>8 So reputational risks, adherence</p> <p>9 to firm policy, adherence to these manuals,</p> <p>10 adherence to -- essentially all compliance</p> <p>11 policies and procedures that were, as I</p> <p>12 said, really related to the nonquantitative</p> <p>13 risk of the organization.</p> <p>14 Q. Did you ever have any</p> <p>15 communications with anyone from Fannie Mae</p> <p>16 or Freddie Mac as investors?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. And can you tell me how</p> <p>19 you recall interacting with them, in what</p> <p>20 context?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. Spoke to them frequently. In</p> <p>23 the context or in the same context as we</p> <p>24 spoke to every other investor. Fannie and</p> <p>25 Freddie were very active in consumer ABS.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 compliance department on page 238. Do you</p> <p>3 know, is the compliance department, is that</p> <p>4 GFRM?</p> <p>5 MR. FRITSCH: GFRM, you mean?</p> <p>6 A. No, GFRM is not the compliance</p> <p>7 department.</p> <p>8 Q. Is the compliance a separate</p> <p>9 department?</p> <p>10 A. Yes.</p> <p>11 Q. Do you know who heads the</p> <p>12 compliance department within Barclays?</p> <p>13 A. Currently?</p> <p>14 Q. Let's start with when you were</p> <p>15 employed by Barclays.</p> <p>16 A. Erin Mansfield. I'm sorry, I</p> <p>17 believe she was the head of U.S. compliance.</p> <p>18 I don't recall who the head of global</p> <p>19 compliance was.</p> <p>20 Q. Did she leave that position</p> <p>21 while you were employed with Barclays?</p> <p>22 A. No, she was still there.</p> <p>23 Q. And generally, what is your</p> <p>24 understanding of compliance's -- the</p> <p>25 compliance department's responsibilities?</p>	<p>1 JOHN T. CARROLL</p> <p>2 which I looked after, as well as being very</p> <p>3 active in subprime ABS.</p> <p>4 Q. I want to focus on the RMBS</p> <p>5 communications.</p> <p>6 A. Um-hum.</p> <p>7 Q. Do you ever recall communicating</p> <p>8 with them with respect to prime RMBS?</p> <p>9 A. Yes.</p> <p>10 Q. Let's focus on subprime RMBS.</p> <p>11 Who did you communicate with at Fannie Mae</p> <p>12 with respect to subprime RMBS?</p> <p>13 A. I don't remember their names.</p> <p>14 There were two gentlemen. The names escape</p> <p>15 me at Fannie.</p> <p>16 Q. How many occasions do you recall</p> <p>17 speaking with them?</p> <p>18 A. Much less than with Freddie.</p> <p>19 Our conversations with Freddie were daily.</p> <p>20 almost. Actually, Fannie, Mani Malbari</p> <p>21 could be one, M-a-l-b-a-r-i. Mansoor</p> <p>22 Malbari it could have been.</p> <p>23 Q. What was her name?</p> <p>24 A. Mansoor. M-a-n-s-o-o-r,</p> <p>25 Malbari I don't know if that's correct,</p>

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1 JOHN T. CARROLL
 2 the name just popped in my head. I don't
 3 remember the other gentleman.
 4 We were not selling as many
 5 securities to Fannie Mae off of my desk as
 6 we were to Freddie Mac, in subprime RMBS.
 7 Q. With respect to Freddie Mac, who
 8 did you communicate with, with respect to
 9 subprime RMBS?
 10 A. Several people. The two most
 11 frequent were Michael Aniero and Andrew
 12 Gillmer.
 13 Q. Can you spell the last name for
 14 Michael?
 15 A. Sure, A-n-i-e-r-o.
 16 Q. And can you spell Andrew's last
 17 name?
 18 A. Yes. G-i, I believe it's
 19 I-l-m-e-r. Maybe one L, I'm not sure.
 20 Q. Do you recall speaking with
 21 anyone else?
 22 A. Yes, I don't recall their names.
 23 Q. And approximately how frequently
 24 would you speak with someone from either
 25 Freddie Mac or Fannie Mae with respect to

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1 JOHN T. CARROLL
 2 subprime RMBS?
 3 A. I would speak to Michael Aniero
 4 several times a week. I would speak to
 5 Fannie Mae infrequently, a couple of times a
 6 month maybe.
 7 Q. What would you generally talk
 8 with them about?
 9 A. The same as other investors,
 10 market conditions. They were
 11 predominantly -- they were an AAA investor,
 12 so they were buying only at the top part of
 13 the capital structure. We would talk to
 14 them about deal pipeline, what other deals
 15 were going on in the marketplace. And this
 16 was mostly Freddie Mac.
 17 Like I said, Fannie Mae was
 18 not -- we were not very active in this space
 19 with Fannie Mae until, I guess, mid-'06.
 20 Which at that point my conversations with
 21 them certainly would have increased in
 22 frequency.
 23 We used to do forward sales of
 24 AAA securities to Freddie Mac that were
 25 sometimes out as far as six or sometimes in

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1 JOHN T. CARROLL
 2 my recollection, seven or eight months. So,
 3 typically, the conversations were with
 4 Michael Aniero, he was their day-to-day
 5 trader, if you will, or portfolio manager,
 6 you know, for this product. And, you know,
 7 constantly looking for securities off of
 8 these deals.
 9 So, you know, pretty much every
 10 day -- you know, if we bought a pool, we
 11 would call Michael, if we were bidding on a
 12 pool we would probably call Michael. You
 13 know, as well as just other normal market
 14 conversation.
 15 Q. Would you talk to the GSEs about
 16 agented transactions?
 17 A. Myself?
 18 Q. Yes.
 19 A. Agented transactions in general
 20 or agented transactions that Barclays was
 21 doing?
 22 Q. That's a fair point. I meant to
 23 ask whether you would talk to the GSEs about
 24 agented transactions in which Barclays was
 25 acting as the underwriter?

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1 JOHN T. CARROLL
 2 A. Not necessarily. I probably
 3 would have conversations. But again, those
 4 transactions were handled solely by the
 5 syndicate desk through the salesperson.
 6 So in the context of Freddie,
 7 and again, the Freddie Mac relationship,
 8 they were the biggest buyer of subprime from
 9 us, from BarCap. Craig Leonard would
 10 probably be speaking to the salesperson that
 11 covered Michael or to Michael directly in
 12 the context of an agented deal that had a
 13 bond that was carved out for the GSEs.
 14 My discussions with Michael, and
 15 I probably would have had them with Fannie,
 16 too, on occasion, would have been more
 17 generic, not specific to the deal.
 18 Q. Do you ever recall discussing
 19 with the GSEs Barclays' capabilities as a
 20 securities underwriter?
 21 MR. FRITSCH: Objection to form.
 22 A. You know, in the context of,
 23 yeah, normal investing, yeah -- I don't
 24 recall specifically. But the Freddie Mac
 25 relationship was one that I had had at

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<p>1 JOHN T. CARROLL</p> <p>2 Morgan Stanley. I had known Michael for</p> <p>3 four, five years before I got to Barclays.</p> <p>4 I don't recall specific discussions, but</p> <p>5 yeah, of course, we would talk to them about</p> <p>6 our capabilities.</p> <p>7 MR. COMMERSON: Take a break to</p> <p>8 change the tape.</p> <p>9 THE VIDEOGRAPHER: Going off the</p> <p>10 record at 4:16, and this will mark the</p> <p>11 end of Tape No. 3.</p> <p>12 (A recess was taken.)</p> <p>13 THE VIDEOGRAPHER: Returning to</p> <p>14 the record at 4:31 p.m., and this will</p> <p>15 mark the beginning of Tape No. 4.</p> <p>16 BY MR. COMMERSON:</p> <p>17 Q. I believe before we went on</p> <p>18 break we were talking about any</p> <p>19 communications you had with the GSEs</p> <p>20 pertaining to agented transactions in which</p> <p>21 Barclays was acting as an underwriter.</p> <p>22 Did you provide anyone --</p> <p>23 withdraw that question.</p> <p>24 Did you provide anyone at the</p> <p>25 GSEs with marketing materials pertaining to</p>	<p>1 JOHN T. CARROLL</p> <p>2 that.</p> <p>3 A. Yes, like I said earlier, we</p> <p>4 were, you know, in constant communication</p> <p>5 with, mostly with Freddie, more so later</p> <p>6 with Fannie. You know, I mean, the amount</p> <p>7 of securities that were being bought by the</p> <p>8 two of them in these deals was massive. It</p> <p>9 was as much as 80 percent of the deals.</p> <p>10 And, in general, if you were</p> <p>11 doing a transaction, whether it was a shelf</p> <p>12 deal from SABR or an underwritten</p> <p>13 transaction, the deals probably would not</p> <p>14 have gotten done in the size that they were</p> <p>15 doing without the GSE participation.</p> <p>16 Q. I had shown you an exhibit</p> <p>17 earlier, Exhibit 9215. Unless it's</p> <p>18 necessary, you don't need to look at it in</p> <p>19 detail anymore, but this was called the</p> <p>20 "Barclays Capital Mortgage Platform," dated</p> <p>21 October 2006.</p> <p>22 A. I can find it.</p> <p>23 Q. Feel free to look at it.</p> <p>24 My question is whether this was</p> <p>25 a presentation that was provided to</p>
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<p>1 JOHN T. CARROLL</p> <p>2 agented transactions?</p> <p>3 A. Not that I recall.</p> <p>4 Q. Can you recall giving the GSEs</p> <p>5 information about any specific</p> <p>6 securitizations in which Barclays was acting</p> <p>7 as an underwriter?</p> <p>8 A. Acting only as an underwriter?</p> <p>9 So agented transactions?</p> <p>10 I don't recall.</p> <p>11 Q. Just to be more specific, do you</p> <p>12 recall discussing with the GSEs any of the</p> <p>13 eight securitizations at issue in this case?</p> <p>14 A. No, not specifically.</p> <p>15 Q. Do you recall discussing with</p> <p>16 the GSEs information about the collateral</p> <p>17 underlying an agented transaction?</p> <p>18 A. I don't recall that.</p> <p>19 Q. I believe I asked you earlier</p> <p>20 whether you recalled discussing Barclays'</p> <p>21 capabilities as an underwriter in agented</p> <p>22 transactions with the GSEs.</p> <p>23 A. Um-hum.</p> <p>24 Q. And you had testified that at</p> <p>25 least generally you recalled discussing</p>	<p>1 JOHN T. CARROLL</p> <p>2 investors.</p> <p>3 A. I don't remember.</p> <p>4 Q. Okay.</p> <p>5 A. I don't recall preparing this</p> <p>6 document. I don't think I did. Actually I</p> <p>7 can say fairly certainly I didn't. But I</p> <p>8 don't recall what it was -- if it was sent</p> <p>9 to investors. I believe my email was an</p> <p>10 internal, I sent it internally. Right?</p> <p>11 Yes, um-hum.</p> <p>12 Q. When you discussed with the GSEs</p> <p>13 Barclays' capabilities as a securitization</p> <p>14 underwriter, did you ever discuss its</p> <p>15 capabilities with regard to due diligence?</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 A. I don't recall.</p> <p>18 Q. I believe you testified earlier</p> <p>19 about the general concern about originators</p> <p>20 that arose in late 2006, early 2007.</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. I believe that was the timeline.</p> <p>23 yes.</p> <p>24 Q. And I believe you said you</p> <p>25 couldn't recall specific originators, but</p>

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<p>1 JOHN T. CARROLL</p> <p>2 there was a general concern about</p> <p>3 originators. Is that correct?</p> <p>4 A. About the industry.</p> <p>5 Q. And that's because, I believe</p> <p>6 you said, a lot of originators at that point</p> <p>7 started shutting down?</p> <p>8 A. Early 2007. You know, the</p> <p>9 earlier email we had discussed about ResMAE,</p> <p>10 I guess that was January.</p> <p>11 Q. Do you know why originators were</p> <p>12 shutting down?</p> <p>13 A. Various reasons. Predominantly,</p> <p>14 I mean, the ones that are the largest ones,</p> <p>15 the largest reasons, in my opinion, was</p> <p>16 increase in early pay defaults, or EPDs.</p> <p>17 Lack of access to the securitization</p> <p>18 markets.</p> <p>19 You know, the warehouse lines</p> <p>20 that we discussed earlier, as well as</p> <p>21 securitization of these loans, was -- that's</p> <p>22 a bad metaphor, but the lifeblood of these</p> <p>23 organizations. You know, they weren't</p> <p>24 equipped to carry large portfolios of loans</p> <p>25 regardless of the loans' performance.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. The concerns around, and</p> <p>3 actually, I mean, I don't really recall</p> <p>4 specific concerns about -- with regard to</p> <p>5 your previous question, but even about</p> <p>6 borrower fraud.</p> <p>7 Those questions would come up in</p> <p>8 the context of broader discussions when we</p> <p>9 were doing pitch meetings with investors, or</p> <p>10 if we were in meetings that we set up, like</p> <p>11 at these conferences you'd set up meetings</p> <p>12 with investors and originators. And those</p> <p>13 questions would come up.</p> <p>14 I can't speculate as to whether</p> <p>15 or not they came up because there was a</p> <p>16 specific concern about the practice</p> <p>17 happening or it was more, you know, just</p> <p>18 checking a box that yes, that these were</p> <p>19 investors asked the originators these</p> <p>20 questions.</p> <p>21 So in other words, there were --</p> <p>22 those questions, I've been in meetings where</p> <p>23 those questions were asked, but it wasn't in</p> <p>24 the context of them being raised as specific</p> <p>25 problems in the industry.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 So it was a combination of</p> <p>3 events that put significant financial</p> <p>4 stresses on these companies.</p> <p>5 Q. Do you know if there were any</p> <p>6 concerns about originators having originated</p> <p>7 loans that were not in compliance with</p> <p>8 guidelines?</p> <p>9 MR. FRITSCH: Objection to form.</p> <p>10 A. Concerns, in general, or</p> <p>11 concerns by us or concerns by?</p> <p>12 Q. Let's start with in general.</p> <p>13 Were there general concerns in the</p> <p>14 marketplace you were aware of about</p> <p>15 originators originating loans that were not</p> <p>16 in compliance with guidelines?</p> <p>17 MR. FRITSCH: Objection to form.</p> <p>18 A. In that specific time period or?</p> <p>19 Q. Well, at any time period. Do</p> <p>20 you recall that being a concern?</p> <p>21 A. No, I don't recall that.</p> <p>22 Q. And do you recall if there were</p> <p>23 any concerns that there had been borrower</p> <p>24 fraud?</p> <p>25 MR. FRITSCH: Objection to form.</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Okay. I want to ask about that.</p> <p>3 So in the context of Barclays</p> <p>4 pitching for work as an underwriter for an</p> <p>5 agented transaction. Just to make sure I'm</p> <p>6 on the same page.</p> <p>7 A. Okay.</p> <p>8 Q. That's the context.</p> <p>9 Do you recall there being</p> <p>10 questions at any of those pitch meetings</p> <p>11 from investors regarding efforts to combat</p> <p>12 borrower fraud?</p> <p>13 MR. FRITSCH: Objection to form.</p> <p>14 A. Well, a pitch meeting, just to</p> <p>15 clarify, a pitch meeting for Barclays to win</p> <p>16 a mandate from an originator, an investor</p> <p>17 wouldn't be involved in that meeting?</p> <p>18 In the meetings where we were</p> <p>19 doing, they are called one-on-ones, so you</p> <p>20 go to these conferences, two major</p> <p>21 conferences a year. The bankers, NASG would</p> <p>22 set up what we would call one-on-ones with</p> <p>23 investors. So, you know, you'd sponsor</p> <p>24 hundreds of meetings over a three or</p> <p>25 four-day period.</p>

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1 JOHN T. CARROLL
 2 I do recall being in some of
 3 those meetings, and again, they weren't
 4 pitch meetings, they were just investor
 5 meetings with originators. And there
 6 were -- there's probably a dozen common
 7 questions that were asked around volumes,
 8 around how do you combat borrower fraud,
 9 around, you know, what are your exception
 10 policies to underwriting guidelines, things
 11 like that.
 12 Q. So when Barclays was acting as
 13 an underwriter, did you understand that
 14 Barclays' role was at least in part to
 15 market the securitization to investors?
 16 MR. FRITSCH: Objection to form.
 17 A. Yes.
 18 Q. Okay. So to make sure we're
 19 talking about the same thing, because I
 20 understand that pitch has a specific meaning
 21 within the industry, so maybe I shouldn't
 22 use the word pitch.
 23 Were you ever present for
 24 meetings when Barclays, as the underwriter
 25 for an agented transaction, was marketing a

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1 JOHN T. CARROLL
 2 deal to investors?
 3 MR. FRITSCH: Objection to form.
 4 A. I'm sorry, can I have that read
 5 back?
 6 Q. Sure. Were you ever present for
 7 meetings between investors and Barclays when
 8 Barclays was marketing a deal as an
 9 underwriter?
 10 MR. FRITSCH: Same objection.
 11 A. Not that I recall.
 12 Q. And so the meetings with
 13 investors that you were talking about, were
 14 those meetings in which Barclays was acting
 15 as the seller of the securities?
 16 A. No.
 17 MR. FRITSCH: Objection to form.
 18 Q. I'm sorry, the sponsor of the
 19 securities?
 20 A. No. The meetings -- in the
 21 context of an agented deal, when the deal
 22 was being marketed, the deals are generally
 23 marketed electronically. So there's
 24 typically not investor meetings. Barclays'
 25 syndicate desk or anybody wouldn't go out to

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1 JOHN T. CARROLL
 2 visit an investor in the context of a deal
 3 being marketed.
 4 You know, and as I testified
 5 earlier, you know, I had been on the phone
 6 with investors that were involved in a
 7 third-party agented deal at the time it was
 8 being marketed answering questions in
 9 general about the marketplace.
 10 But other than that, you know,
 11 again, you're not -- you know, there's
 12 meetings that go on pre-deal, called
 13 pre-deal road shows. Basically you take the
 14 originator out and parade them around the
 15 country to investors. I recall attending a
 16 handful of those, but they're not specific
 17 to a deal.
 18 Q. So if they're not specific to a
 19 deal, would Barclays go on these road shows
 20 with originators for which it did a
 21 substantial number of agented transactions?
 22 A. Yes. And it's actually it's a
 23 non-deal road show it's called. So it's not
 24 related to a specific securitization that
 25 may or may not be coming in the future. And

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1 JOHN T. CARROLL
 2 they're typically -- they're done
 3 constantly, or were done constantly. You
 4 know, it's a large part of the asset-backed
 5 banker or coverage officer's role, is to
 6 keep the originators in front of investors
 7 in that regard.
 8 Q. And when you say they were being
 9 done constantly, were they being done
 10 constantly in 2004 to 2007?
 11 A. Yeah, it's not like for
 12 illustration, it's not like the ABC mortgage
 13 was on the road 52 weeks a year. But there
 14 was generally one a month with a mortgage
 15 company.
 16 Q. And you said you attended at
 17 least a few of those; is that right?
 18 A. Yes, occasionally I'd go on one.
 19 Q. Was the topic of due diligence
 20 ever discussed at those road shows?
 21 A. Not that I recall.
 22 Q. Let me just clarify my question.
 23 Was the topic of due diligence
 24 with respect to mortgage loans ever
 25 discussed at those meetings?

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<p>1 JOHN T. CARROLL</p> <p>2 MR. FRITSCH: Objection to form.</p> <p>3 A. And just to be clear, we are</p> <p>4 talking about agented transactions, correct,</p> <p>5 so third-party non?</p> <p>6 Q. Right.</p> <p>7 A. Just underwriting only?</p> <p>8 Not that I recall.</p> <p>9 Q. And did you attend any road</p> <p>10 shows in which Barclays was present as an</p> <p>11 issuer of securities as opposed to an</p> <p>12 underwriter?</p> <p>13 A. Yes.</p> <p>14 Q. And in those meetings, do you</p> <p>15 recall the issue of due diligence being</p> <p>16 discussed?</p> <p>17 A. Yes.</p> <p>18 Q. Was that a question that</p> <p>19 investors frequently ask about?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. Yes.</p> <p>22 Q. Let me rephrase the question, it</p> <p>23 was a bad question.</p> <p>24 Was due diligence an issue or a</p> <p>25 topic that investors frequently asked about?</p>	<p>1 JOHN T. CARROLL</p> <p>2 securitization?</p> <p>3 MR. FRITSCH: Objection to form.</p> <p>4 A. Yeah, both really. Think about</p> <p>5 it, Barclays or any other dealer acting as</p> <p>6 issuer is the same in theory as the</p> <p>7 originator, right. So they are talking -- I</p> <p>8 mean, there is another layer there, but</p> <p>9 it's, you know, the conversations would be</p> <p>10 fairly similar, you know, with the investors</p> <p>11 generally asking the same things.</p> <p>12 Q. Okay. So just at those</p> <p>13 meetings, I've asked about borrower fraud,</p> <p>14 let me just go through a list and you can</p> <p>15 say yes or no whether these other topics</p> <p>16 were discussed.</p> <p>17 Was the topic of broker fraud</p> <p>18 ever discussed?</p> <p>19 A. I've heard that question being</p> <p>20 asked, yes.</p> <p>21 Q. What about concerns about the</p> <p>22 accuracy of LTV ratios?</p> <p>23 MR. FRITSCH: Objection to form.</p> <p>24 A. Yeah, that question has come up.</p> <p>25 Q. What about --</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. Due diligence was a topic that</p> <p>3 investors frequently would ask about in the</p> <p>4 meetings that we were having with investors</p> <p>5 based upon our shelf deals, yes.</p> <p>6 Q. Is this -- was it at these</p> <p>7 meetings where, for instance, the issue of</p> <p>8 borrower fraud came up?</p> <p>9 MR. FRITSCH: Objection to form.</p> <p>10 A. I don't recall. I recall the</p> <p>11 meetings -- I recall the borrower fraud</p> <p>12 questions being posed directly to investors</p> <p>13 in the context of these one-on-one meetings</p> <p>14 at conferences. I recall being asked in</p> <p>15 meetings that we had with investors</p> <p>16 ourselves that question coming up.</p> <p>17 How frequently or, you know,</p> <p>18 again, it was mostly a, you know, it seemed</p> <p>19 like a, you know, there was always a list of</p> <p>20 set questions that you knew investors were</p> <p>21 going to ask.</p> <p>22 Q. Okay. So this list of set</p> <p>23 questions that you are talking about would</p> <p>24 be in meetings in which investors were</p> <p>25 meeting with Barclays as the issuer of a</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Or the question has been asked</p> <p>3 in meetings.</p> <p>4 Q. What about the accuracy of FICO</p> <p>5 information?</p> <p>6 A. I don't necessarily recall</p> <p>7 accuracy. I recall questions about how the</p> <p>8 FICO that was presented was calculated. And</p> <p>9 again, and sometimes you'll see it in</p> <p>10 underwriting guidelines that typically</p> <p>11 they'll pull three FICO scores and which one</p> <p>12 was provided on the tape, was it the lower</p> <p>13 of the three, was it the middle of the</p> <p>14 three, something like that. That was a much</p> <p>15 more prevalent question than accuracy of</p> <p>16 FICO scores.</p> <p>17 Q. What about owner occupancy rates</p> <p>18 as stated in the offering materials, did</p> <p>19 that come up at investor meetings?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. I don't recall that</p> <p>22 specifically.</p> <p>23 Q. I asked you earlier whether you</p> <p>24 knew who was responsible at Barclays for</p> <p>25 loan level due diligence conducted by third</p>

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<p>1 JOHN T. CARROLL</p> <p>2 parties on agented transactions. And I</p> <p>3 believe you said you didn't know.</p> <p>4 A. That's correct.</p> <p>5 Q. I just wanted to ask if these</p> <p>6 names refresh your recollection as to people</p> <p>7 who may have been involved.</p> <p>8 Mike Wade?</p> <p>9 A. No. Mike Wade oversaw the</p> <p>10 group, day-to-day -- would not have</p> <p>11 day-to-day responsibility for that.</p> <p>12 Q. What about Joe O'Doherty?</p> <p>13 A. O'Doherty.</p> <p>14 Q. O'Doherty.</p> <p>15 A. It's possible. I don't know. I</p> <p>16 know Joe. He was the coverage officer for</p> <p>17 most of the agented deals, or the senior</p> <p>18 coverage officer for most of the agented</p> <p>19 deals. I'm not -- I can't say for certain</p> <p>20 he was the point man there.</p> <p>21 Q. Were there coverage officers, it</p> <p>22 sounds like there was a team of coverage</p> <p>23 officers who primarily worked on agented</p> <p>24 deals?</p> <p>25 MR. FRITSCH: Objection to form.</p>	<p>1 JOHN T. CARROLL</p> <p>2 junior people. And it wasn't completely --</p> <p>3 it wasn't a bright line between -- a line</p> <p>4 between the agented deals and the principal</p> <p>5 deals. There were circumstances where Joe</p> <p>6 O'Doherty and his team would work on a</p> <p>7 transaction that was more of those hybrid</p> <p>8 transactions.</p> <p>9 Like Joe was the coverage</p> <p>10 officer for Ameritrust. And sometimes they</p> <p>11 would share coverage duties, like in the</p> <p>12 context of like a Fremont. So Joe would be</p> <p>13 responsible for the agented side of the</p> <p>14 business for that, and Paul would be</p> <p>15 responsible for, when we were buying a</p> <p>16 residual or we were doing a principal deal.</p> <p>17 Q. Do you know, if Glenn Greeley</p> <p>18 was involved in due diligence on agented</p> <p>19 transactions?</p> <p>20 A. Glenn was part of Joe's group</p> <p>21 for the most part. Again, I don't recall</p> <p>22 who specifically was responsible for the due</p> <p>23 diligence on the agented transactions. I</p> <p>24 didn't get involved.</p> <p>25 Q. And what about David Maynard?</p>
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<p>1 JOHN T. CARROLL</p> <p>2 A. Generally, yes.</p> <p>3 Q. So in addition to Mr. O'Doherty,</p> <p>4 who else was in that role?</p> <p>5 A. You asked me earlier, I couldn't</p> <p>6 remember a lot of the names. Some of them</p> <p>7 are coming back.</p> <p>8 Q. Again, I want to be specific to</p> <p>9 agented transactions with this question.</p> <p>10 A. Yeah, there were two teams,</p> <p>11 effectively. There was Paul Menefee's group</p> <p>12 and Joe O'Doherty's group. They were</p> <p>13 effectively peers. Joe, his role was more</p> <p>14 on the agented banking side, Paul's role was</p> <p>15 more on the principal side.</p> <p>16 Q. Okay. So who if you can recall</p> <p>17 worked with Joe?</p> <p>18 A. A gentleman named Harry Ahlin,</p> <p>19 spelled A-h-l-i-n. A gentleman named Kwaw,</p> <p>20 K-w-a-w. Degraf Johnson, I believe,</p> <p>21 D-c-g-r-a-f, excuse me, Johnson. There was</p> <p>22 one or two other junior people that worked</p> <p>23 with him, their names escape me.</p> <p>24 And then on Paul's side, it was</p> <p>25 generally Paul and Ray Vohra with other</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. Remember the name, but don't</p> <p>3 recall who was responsible for that due</p> <p>4 diligence.</p> <p>5 Q. And finally, Mitchell Garrett?</p> <p>6 A. Same as Maynard. They were very</p> <p>7 junior those two.</p> <p>8 Q. Mr. Carroll, were you involved</p> <p>9 in reviewing Freddie Mac investor</p> <p>10 requirements?</p> <p>11 A. I recall seeing Freddie Mac</p> <p>12 investor requirements. That's about it. I</p> <p>13 mean, they would have most likely have been</p> <p>14 reviewed in the ASG group.</p> <p>15 Q. So ensuring compliance with</p> <p>16 Freddie Mac investor requirements you</p> <p>17 believe would have been the responsibility</p> <p>18 of the ASG group?</p> <p>19 MR. FRITSCH: Objection to form.</p> <p>20 A. It would not have been my desk.</p> <p>21 I would -- again, it wouldn't have been my</p> <p>22 desk.</p> <p>23 Q. Do you know who at Barclays was</p> <p>24 responsible for verifying that Freddie's</p> <p>25 investment requirements were satisfied?</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. I do not.</p> <p>3 Q. Do you know who at Barclays</p> <p>4 communicated with Freddie regarding its</p> <p>5 investment policies?</p> <p>6 A. Not specifically, no.</p> <p>7 Q. Do you have any general idea?</p> <p>8 A. Yes.</p> <p>9 Q. Who is that?</p> <p>10 A. Paul Menefee. And Hiram</p> <p>11 Matthews. Hiram was the sales coverage for</p> <p>12 Freddie Mac.</p> <p>13 Q. Do you know who was the sales</p> <p>14 coverage for Fannie Mae?</p> <p>15 A. Hiram Matthews was until some</p> <p>16 time, I believe, in late 2004, early 2005.</p> <p>17 And then David Clifford took over that</p> <p>18 responsibility.</p> <p>19 Q. Did you communicate with rating</p> <p>20 agencies in any capacity?</p> <p>21 MR. FRITSCH: Objection to form.</p> <p>22 A. Yes.</p> <p>23 Q. And in what capacity did you</p> <p>24 communicate with rating agencies?</p> <p>25 A. Initially when we were starting</p>	<p>1 JOHN T. CARROLL</p> <p>2 at the rating agencies regarding downgrades</p> <p>3 of RMBS deals?</p> <p>4 A. I did not, no.</p> <p>5 Q. Are you aware who at Barclays</p> <p>6 did, if anyone?</p> <p>7 A. Yes.</p> <p>8 Q. Who is that?</p> <p>9 A. I know that, I recall Ray Vohra</p> <p>10 speaking to the rating agencies.</p> <p>11 Q. Can you spell that name, please?</p> <p>12 A. V-o-h-r-a. First name Ray.</p> <p>13 Q. Sorry.</p> <p>14 A. And I believe Paul Menefee. And</p> <p>15 there were others. I believe Neil Aggarwal</p> <p>16 might have also on my desk. In preparing</p> <p>17 for today, there was an email yesterday</p> <p>18 that Neil had sent out that had a bunch of</p> <p>19 downgrades on it. But thinking about it,</p> <p>20 that was all public information that came</p> <p>21 out in Bloomberg, so I'm not positive. But</p> <p>22 in five years plus at BarCap I probably made</p> <p>23 an outgoing phone call to rating agencies</p> <p>24 once.</p> <p>25 Q. Are you involved in collateral</p>
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<p>1 JOHN T. CARROLL</p> <p>2 the business, visited the three major rating</p> <p>3 agencies, Moody's, S&P and Fitch.</p> <p>4 Q. This is when you were starting</p> <p>5 the mortgage business at Barclays?</p> <p>6 A. Yes, in 2003. 2003, 2004. And</p> <p>7 basically just presenting to the rating</p> <p>8 agencies what the business model or business</p> <p>9 plan was.</p> <p>10 And then I recall having a</p> <p>11 meeting with them much later, probably 2007</p> <p>12 or 2006, I don't recall the context of the</p> <p>13 meeting. But I recall being at the rating,</p> <p>14 I believe it was S&P.</p> <p>15 But in between that, I generally</p> <p>16 had no day-to-day contact with the rating</p> <p>17 agencies.</p> <p>18 Q. Was there a period of time when</p> <p>19 a lot of deals were being downgraded by the</p> <p>20 rating agencies?</p> <p>21 A. Yes.</p> <p>22 Q. And do you recall approximately</p> <p>23 when that period was?</p> <p>24 A. I believe it was early 2007.</p> <p>25 Q. Did you communicate with anyone</p>	<p>1 JOHN T. CARROLL</p> <p>2 analysis? Let me rephrase that.</p> <p>3 Have you ever been involved in</p> <p>4 collateral analysis at Barclays?</p> <p>5 A. No.</p> <p>6 Q. Did you work directly with any</p> <p>7 collateral analysts at Barclays?</p> <p>8 A. Not directly, no. Well, yeah.</p> <p>9 I mean, a collateral analyst would take that</p> <p>10 initial loan file and create a loan strat</p> <p>11 and bring it over to our desk. We would ask</p> <p>12 the collateral analyst for different</p> <p>13 iterations of that loan strat. But, so I</p> <p>14 guess, you know, that's directly, right.</p> <p>15 Q. Have you ever reviewed any</p> <p>16 pooling and service agreements?</p> <p>17 A. Not that I recall.</p> <p>18 Q. What about any term sheets for a</p> <p>19 given securitization?</p> <p>20 A. Yes.</p> <p>21 Q. Can you tell me generally what</p> <p>22 context you would review the term sheets in?</p> <p>23 A. The term sheets would come to us</p> <p>24 as they were being prepared. We'd take a</p> <p>25 cursory look at the term sheet</p>

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1 JOHN T. CARROLL
 2 And then in the context of my
 3 other activities, we would receive term
 4 sheets from other dealers on transactions
 5 that -- generally on transactions that were
 6 more esoteric in the marketplace and less
 7 liquid. So we would look at those term
 8 sheets as well.
 9 Q. And do you understand whether
 10 you were expected to make any changes or
 11 suggestions regarding the term sheets when
 12 you received them?
 13 MR. FRITSCH: Objection to form.
 14 A. That was not my responsibility.
 15 Q. What, if any, responsibility did
 16 you have with respect to term sheets?
 17 A. None that I recall.
 18 Q. Were you responsible for
 19 monitoring RMBS performance?
 20 MR. FRITSCH: Objection to form.
 21 A. In what context? Performing the
 22 actual monitoring?
 23 Q. No, performance of the loans in
 24 the deal.
 25 A. No.

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1 JOHN T. CARROLL
 2 Q. Who, if anyone, was responsible
 3 for that at Barclays?
 4 MR. FRITSCH: Objection to form.
 5 A. Someone within ASG.
 6 Q. Were you responsible for
 7 handling putbacks?
 8 A. No.
 9 Q. You mentioned earlier that at a
 10 certain point the housing market hit a brick
 11 wall.
 12 A. The market first. The housing
 13 market was kind of secondary to that. The
 14 securities marketing, excuse me.
 15 Q. At some point would you agree
 16 that the housing market deteriorated?
 17 A. Yes.
 18 Q. Did Barclays do any sort of
 19 retrospective review of the causes of that
 20 deterioration?
 21 A. Not that I'm aware of.
 22 Q. Do you know if there was ever a
 23 committee formed to review -- do a
 24 retrospective review?
 25 MR. FRITSCH: Objection to form.

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1 JOHN T. CARROLL
 2 A. I'm not aware. No, not that I
 3 know of.
 4 Q. Are you aware if any reports
 5 were prepared regarding the causes of that
 6 deterioration?
 7 MR. FRITSCH: Objection: asked
 8 and answered.
 9 A. Not that I'm aware of.
 10 Q. And putting aside reports, are
 11 you aware of any specific analysis done at
 12 Barclays regarding the causes of the
 13 deterioration of the housing market?
 14 MR. FRITSCH: Same objection.
 15 A. Not that I'm aware.
 16 Q. Were you a member of any
 17 committees during your tenure at Barclays?
 18 A. Yes.
 19 Q. What committees were you a
 20 member of?
 21 A. To the best of my recollection,
 22 the exposures committee. And I believe one
 23 other credit commitment committee within
 24 John Kreidler's world. I don't recall
 25 anything else.

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1 JOHN T. CARROLL
 2 Q. Were you a member of the whole
 3 loan business review committee?
 4 A. I was present at all the
 5 meetings. I don't know if that was actually
 6 a named committee. But I was -- I was
 7 presenting in those meetings.
 8 Q. What was the purpose of the
 9 whole loan business review committee?
 10 MR. FRITSCH: Objection to form.
 11 A. My recollection -- to the best
 12 of my recollection, it was created sometime
 13 in 2005, or maybe 2004, as a maybe monthly
 14 or quarterly review of the activity of our
 15 whole loan business.
 16 Q. Do you recall how often it met?
 17 A. Like I said, I thought it was
 18 either monthly or quarterly.
 19 Q. Okay. Were you a member of the
 20 group credit committee?
 21 A. No.
 22 Q. Do you understand what the
 23 purpose of the group credit committee was?
 24 A. Yes.
 25 Q. What was the purpose?

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<p>1 JOHN T. CARROLL</p> <p>2 A. The group credit committee was,</p> <p>3 my understanding was it was an oversight</p> <p>4 committee for all credit products and</p> <p>5 counterparty credit risk for Barclays.</p> <p>6 Q. How often did it meet?</p> <p>7 A. I don't know.</p> <p>8 Q. Were you on the risk group</p> <p>9 review committee?</p> <p>10 A. Not that I recall.</p> <p>11 Q. Who determined which agented</p> <p>12 deals Barclays would pitch for?</p> <p>13 A. I don't know.</p> <p>14 Q. Are you familiar with the traded</p> <p>15 positions risk review committee?</p> <p>16 A. Yes.</p> <p>17 Q. What is that?</p> <p>18 A. My recollection was it was a</p> <p>19 weekly and possibly monthly meeting of all</p> <p>20 of the senior traders in the firm, rates and</p> <p>21 credit, talking about positions and market</p> <p>22 conditions.</p> <p>23 Q. We discussed the exposures</p> <p>24 committee earlier. You also mentioned that</p> <p>25 you recall being on a credit commitment</p>	<p>1 JOHN T. CARROLL</p> <p>2 were there any discussions of risk with</p> <p>3 respect to that role?</p> <p>4 MR. FRITSCH: Objection to form.</p> <p>5 A. Not that I recall.</p> <p>6 Q. Were risks discussed with</p> <p>7 respect to any specific originators?</p> <p>8 A. In the context of agented</p> <p>9 securitizations?</p> <p>10 Q. In any context.</p> <p>11 MR. FRITSCH: Objection to form.</p> <p>12 A. Yes.</p> <p>13 Q. What do you recall being</p> <p>14 discussed?</p> <p>15 A. Nothing specific. But risk --</p> <p>16 counterparty risk was something that was</p> <p>17 talked about whenever a new counterparty was</p> <p>18 chosen to do business with on the principal</p> <p>19 side, on the whole loan side. And there was</p> <p>20 ongoing reviews to the best of my knowledge</p> <p>21 that were done by GFRM of these originators</p> <p>22 So counterparty risk was</p> <p>23 something that the firm -- one of the many</p> <p>24 things that the firm took very seriously</p> <p>25 from a non-quantifiable risk perspective.</p>
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<p>1 JOHN T. CARROLL</p> <p>2 committee.</p> <p>3 A. Yes.</p> <p>4 Q. What was the purpose of the</p> <p>5 credit commitment committee?</p> <p>6 A. My recollection was within</p> <p>7 global credit trading, at some point</p> <p>8 Kreidler created this ad hoc committee of</p> <p>9 some of the senior traders to look at</p> <p>10 different risks across the trading side of</p> <p>11 the house. So it wasn't as formal as, say,</p> <p>12 the exposures committee or any of those</p> <p>13 other things.</p> <p>14 Q. Did you recall reaching any</p> <p>15 conclusions with respect to RMBS?</p> <p>16 MR. FRITSCH: Objection to form.</p> <p>17 A. With regard to, in what?</p> <p>18 Q. With regard to risks of RMBS.</p> <p>19 MR. FRITSCH: Same objection.</p> <p>20 A. In what capacity?</p> <p>21 Q. Let's talk specifically about</p> <p>22 any risks from Barclay's role as an</p> <p>23 underwriter in agented transactions.</p> <p>24 A. Okay.</p> <p>25 Q. Were any discussions of risks --</p>	<p>1 JOHN T. CARROLL</p> <p>2 And again, I don't remember</p> <p>3 specific discussions, but it was something</p> <p>4 that was consistently looked at.</p> <p>5 Q. How did Barclays make money on</p> <p>6 agented transactions?</p> <p>7 MR. FRITSCH: Objection to form.</p> <p>8 A. Agented transactions are fee</p> <p>9 based. So you're paid for the bonds that</p> <p>10 you're distributing by the originator.</p> <p>11 Q. How are Barclays' fees</p> <p>12 determined with respect to an agented</p> <p>13 transaction?</p> <p>14 A. I don't know.</p> <p>15 Q. Do you know who at Barclays</p> <p>16 would be responsible for negotiating fees</p> <p>17 with respect to agented transactions?</p> <p>18 A. It would be someone in Mike</p> <p>19 Wade's group.</p> <p>20 MR. COMMERSON: This will be the</p> <p>21 next exhibit in order, this is Exhibit</p> <p>22 9221.</p> <p>23 (Deposition Exhibit 9221 for</p> <p>24 identification, email dated March 14,</p> <p>25 2007, with attachment, production</p>

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<p>1 JOHN T. CARROLL 2 numbers FHFA-BARC 562860 through 3 FHFA-BARC 562870.) 4 BY MR. COMMERSON: 5 Q. This is an email with two 6 attachments. If you could take a look and 7 let me know if you've seen this before. 8 Have you seen this document 9 before? 10 A. Yes. 11 Q. When did you see the document? 12 A. Early 2007. Probably March 14, 13 2007, based on the email. 14 Q. And do you recall getting an 15 analysis of the subprime market from Trust 16 Company of the West? 17 A. I received the analysis from 18 somebody internally. But it was put 19 together by TCW, yes. 20 Q. Do you know whether this is 21 something TCW put together regularly for 22 Barclays? 23 MR. FRITSCH: Objection to form. 24 A. I have no idea. And I believe 25 this was sent to -- this thing was all over</p>	<p>1 JOHN T. CARROLL 2 A. I believe I testified earlier I 3 don't know. 4 Q. This is a little more specific. 5 A. Right. 6 Q. You don't know if any report was 7 created? 8 A. I'm not aware of -- I don't 9 recall any report being created. 10 Q. Mr. Carroll, did you receive 11 performance reviews at Barclays? 12 A. Yes. 13 Q. How often? 14 A. To the best of my knowledge, 15 twice annually. 16 MR. COMMERSON: I'm going to 17 mark. I'm going to put these three 18 documents together as a single 19 exhibit, next in order. It's a 2005 20 compensation profile for Mr. Carroll, 21 a 2006 compensation profile for 22 Mr. Carroll, and then a document that 23 I believe was just produced last night 24 that just has your total compensation 25 for the year 2007.</p>
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<p>1 JOHN T. CARROLL 2 the industry in March of 2007. It wasn't 3 specific to Barclays. 4 Q. When you say in the cover email, 5 "Why didn't we see this direct?" Why are 6 you asking that, what does that mean? 7 A. That means Hiram Matthews is the 8 sales coverage for TCW. And TCW was a very 9 large investor in both ABS CDOs, 10 collateralized debt obligations, as well as 11 other mortgage-backed securities. And I 12 recall at the time being a little bit 13 distressed that one of our largest clients 14 did not give this to us through his sales 15 coverage. So it was more me tweaking Hiram 16 than anything else. 17 Q. Do you know if Barclays in turn 18 sent this subprime analysis to any of its 19 investors? 20 A. I don't know. 21 Q. Do you know, did Barclays ever 22 create its own report regarding the reasons 23 for the distress of the subprime mortgage 24 sector? 25 MR. FRITSCH: Objection to form.</p>	<p>1 JOHN T. CARROLL 2 (Deposition Exhibit 9222 for 3 identification, document headed "2005 4 Compensation Profile," with 5 attachments, production numbers 6 FHFA-BARC 835807 through FHFA-BARC 7 835812, FHFA-BARC 933784 through 8 FHFA-BARC 933795 and FHFA-BARC 9 938689.) 10 BY MR. COMMERSON: 11 Q. Can you, if you look at the 12 final page, which is the list of 13 compensation amounts for a number of 14 employees, and you're the first one listed. 15 A. Um-hum. 16 Q. Can you just tell me if that 17 number appears approximately accurate to 18 you, that your total compensation in 2007 19 was \$199,999? 20 A. It appears accurate, yes. 21 Q. Do you know if you received any 22 incentive compensation in 2007? 23 A. I did not. 24 Q. In 2005, you received incentive 25 awards of over 2.7 million. Is that</p>

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<p>1 JOHN T. CARROLL</p> <p>2 correct?</p> <p>3 A. Yes.</p> <p>4 Q. In fact, it was approximately</p> <p>5 3.1 million you received in incentive</p> <p>6 compensation in 2005. Is that correct?</p> <p>7 MR. FRITSCH: It's more like 3</p> <p>8 million.</p> <p>9 MR. COMMERSON: I'm just looking</p> <p>10 at your base salary was 190,000. And</p> <p>11 you received total compensation of 3.2</p> <p>12 million.</p> <p>13 Q. So roughly you received \$3</p> <p>14 million in incentive compensation in 2005?</p> <p>15 A. Yes.</p> <p>16 Q. And then in 2006, 2006 actually</p> <p>17 helpfully breaks out your total incentive</p> <p>18 award. It says it's 3.3 million.</p> <p>19 Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. Do you have an understanding as</p> <p>22 to why your incentive compensation fell so</p> <p>23 drastically from 2007 in comparison with the</p> <p>24 two prior years?</p> <p>25 A. No.</p>	<p>1 JOHN T. CARROLL</p> <p>2 A. In the context of my</p> <p>3 compensation?</p> <p>4 Q. Well, I believe that we have</p> <p>5 produced a number, or Barclays has produced</p> <p>6 a number of these profiles for a number of</p> <p>7 people, and they all use the term "incentive</p> <p>8 award." So if there is a difference in the</p> <p>9 way it was used with you, let me know, but</p> <p>10 I'm asking generally how Barclays used that</p> <p>11 term.</p> <p>12 A. Barclays, to my knowledge</p> <p>13 Barclays used that term to mean above base</p> <p>14 compensation, or bonus compensation.</p> <p>15 There's many different names for it across</p> <p>16 different broker-dealers.</p> <p>17 Q. What were employees being</p> <p>18 incentivized to do with respect to incentive</p> <p>19 awards?</p> <p>20 MR. FRITSCH: Objection to form.</p> <p>21 A. I don't know.</p> <p>22 Q. I believe you testified earlier</p> <p>23 that you played a part in assessing the</p> <p>24 amount of incentive compensation that your</p> <p>25 direct reports would receive. Is that</p>
Page 327	Page 329
<p>1 JOHN T. CARROLL</p> <p>2 Q. Do you believe it had anything</p> <p>3 to do with the volume of RMBS deals that</p> <p>4 Barclays was doing in 2007 in comparison</p> <p>5 with earlier years?</p> <p>6 MR. FRITSCH: Objection to form.</p> <p>7 A. I have no idea. I was not</p> <p>8 present at Barclays at the time 2007</p> <p>9 incentive compensation was awarded. I was</p> <p>10 already let go. So there was no discussion</p> <p>11 about incentive compensation at the time.</p> <p>12 Q. So when was incentive</p> <p>13 compensation typically awarded? I take it,</p> <p>14 it was awarded in the following year for the</p> <p>15 prior year?</p> <p>16 A. Correct.</p> <p>17 Q. When approximately did that</p> <p>18 happen each year?</p> <p>19 A. Anywhere from February 15th to</p> <p>20 the middle of March. Mostly in the middle</p> <p>21 of February.</p> <p>22 Q. Do you have an understanding,</p> <p>23 what are incentive awards issued by</p> <p>24 Barclays?</p> <p>25 MR. FRITSCH: Objection to form.</p>	<p>1 JOHN T. CARROLL</p> <p>2 correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And when you were awarding</p> <p>5 incentive awards to your employees, what, if</p> <p>6 any, incentive were you attempting to give</p> <p>7 them?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. I don't understand the question.</p> <p>10 Q. What's the word "incentive"</p> <p>11 mean?</p> <p>12 A. Incentive is a reward for an</p> <p>13 activity.</p> <p>14 Q. Does the word incentive mean</p> <p>15 that you are trying to encourage someone to</p> <p>16 do something?</p> <p>17 MR. FRITSCH: Objection to form.</p> <p>18 Q. Would you agree with that?</p> <p>19 A. It sounds right. I can look it</p> <p>20 up.</p> <p>21 Q. If I were to say I would offer</p> <p>22 you an incentive for something, would you</p> <p>23 take that to mean I was trying to encourage</p> <p>24 you to do something?</p> <p>25 MR. FRITSCH: Objection to form.</p>

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<p>1 JOHN T. CARROLL</p> <p>2 A. I don't know. I don't ever</p> <p>3 recall myself using incentive compensation</p> <p>4 in a compensation review that either I sat</p> <p>5 in or that I spoke to somebody about.</p> <p>6 Q. In 2005 you received a cash</p> <p>7 award of approximately 2.1 million. Do you</p> <p>8 know how that was calculated?</p> <p>9 A. No.</p> <p>10 Q. Do you know how that figure was</p> <p>11 arrived at?</p> <p>12 A. No.</p> <p>13 Q. You also received a 2005 EPP</p> <p>14 award value for 692,500. Do you know, what</p> <p>15 is the EPP award value?</p> <p>16 A. That's the value of unvested</p> <p>17 shares of Barclays PLC stock that were</p> <p>18 awarded as part of the compensation, total</p> <p>19 compensation.</p> <p>20 Q. And do you know how that amount</p> <p>21 of unvested shares was arrived at?</p> <p>22 MR. FRITSCH: Objection to form.</p> <p>23 A. Specifically, no. I do recall</p> <p>24 there was always a percentage of either</p> <p>25 above base compensation or total</p>	<p>1 JOHN T. CARROLL</p> <p>2 Q. Did you want to receive the</p> <p>3 maximum amount of incentive compensation</p> <p>4 that you could?</p> <p>5 MR. FRITSCH: Objection to form.</p> <p>6 A. Yes.</p> <p>7 Q. How did you do that?</p> <p>8 A. I didn't receive the maximum</p> <p>9 amount that I wanted.</p> <p>10 Q. Really? You were unhappy with,</p> <p>11 you know, 3 million?</p> <p>12 MR. FRITSCH: Objection to form.</p> <p>13 Q. I'm just asking.</p> <p>14 A. I don't recall.</p> <p>15 Q. I'm just asking. So, I mean, in</p> <p>16 2005, you received incentive compensation of</p> <p>17 3 million, and you received a base salary of</p> <p>18 190,000.</p> <p>19 A. Yes.</p> <p>20 Q. Okay. I'm not going to try to</p> <p>21 say how many multipliers that is, but</p> <p>22 obviously huge percentage of that was your</p> <p>23 incentive compensation.</p> <p>24 A. It's about fifteen times.</p> <p>25 Q. Okay. So that's why you're the</p>
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<p>1 JOHN T. CARROLL</p> <p>2 compensation that was awarded in shares,</p> <p>3 with certain break points depending upon</p> <p>4 what the total number was.</p> <p>5 But as for the actual -- so it</p> <p>6 was based on the other numbers. And it</p> <p>7 changed every year from a percentage. So</p> <p>8 some years it was 15 percent, some years it</p> <p>9 was 20, some years it was 10. Of the</p> <p>10 total -- or of the above base.</p> <p>11 MR. COMMERSON: I don't know if</p> <p>12 we have compensation information for</p> <p>13 all the years you were employed by</p> <p>14 Barclays, I don't think we do.</p> <p>15 Q. Let me ask you this: Did you</p> <p>16 receive incentive compensation for all the</p> <p>17 years you were employed by Barclays, with</p> <p>18 the exception of the final year?</p> <p>19 A. Yes.</p> <p>20 Q. When you started work at</p> <p>21 Barclays, did you understand that incentive</p> <p>22 compensation would be a major part of your</p> <p>23 salary?</p> <p>24 MR. FRITSCH: Objection to form.</p> <p>25 A. Yes</p>	<p>1 JOHN T. CARROLL</p> <p>2 finance guy and I'm not.</p> <p>3 What -- each year when you were</p> <p>4 working at Barclays, what, if anything, did</p> <p>5 you believe you could do to increase the</p> <p>6 probability that you would receive higher</p> <p>7 incentive compensation?</p> <p>8 MR. FRITSCH: Objection to form.</p> <p>9 A. I have no idea how the</p> <p>10 compensation was decided. For me.</p> <p>11 Q. Who gave you your -- who was</p> <p>12 present at this annual meeting when you were</p> <p>13 given your incentive compensation award?</p> <p>14 A. John Kreidler and on a couple of</p> <p>15 occasions Michael Wade.</p> <p>16 Q. And did you ever ask either</p> <p>17 Mr. Kreidler or Mr. Wade how your incentive</p> <p>18 compensation was determined?</p> <p>19 A. No.</p> <p>20 Q. Did any employee ever ask you</p> <p>21 how their incentive compensation was</p> <p>22 determined?</p> <p>23 A. Not that I recall.</p> <p>24 Q. And did you ever discuss with</p> <p>25 anyone at Barclays how incentive</p>

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<p>1 JOHN T. CARROLL 2 compensation was determined? 3 A. Not that I recall. 4 MR. COMMERSON: This will be the 5 next exhibit in order. 6 (Deposition Exhibit 9223 for 7 identification, email dated November 8 30, 2005, production numbers FHFA-BARC 9 965719 through FHFA-BARC 965720.) 10 BY MR. COMMERSON: 11 Q. Have you seen this document 12 before, Mr. Carroll? 13 A. Yes. 14 Q. When did you see this document? 15 A. I saw it yesterday in 16 preparation for the deposition. And it's an 17 email that was sent to me in 2005. 18 Q. What did you mean by saying that 19 "lack of Moody's makes the subs steal cash 20 flow from the residual"? 21 A. Sure. Notice the word "steal" 22 is in quotes there. 23 Lack of Moody's on the deal, in 24 other words, the email started with a 25 gentleman, Ken Mulford, from Ameriquest</p>	<p>1 JOHN T. CARROLL 2 words, this was a deal that we were probably 3 going to be asked to bid the residual. I'm 4 speculating, but that's what I think that, 5 that caused me to do that. The subs being 6 the subordinate security. End up stealing 7 cash flow from the residual. Because of the 8 way that the cash flow waterfall or the cash 9 flow ladder would be structured without 10 Moody's on the deal. 11 So there was a combination of 12 events that not having this particular 13 rating agency that at the time was 14 considered the marquee rating agency for 15 subprime deals on the deal was going to, A, 16 eliminate a tremendous amount of the 17 investors, significantly change the cash 18 flow that was coming to the residual. 19 And I can't speak specifically, 20 but, you know, effectively to how it 21 happened, but, you know, it would be 22 something that we would discuss internally 23 that the cash flow was being stolen from the 24 residual. And the cash flow wasn't going to 25 the residual in the same form or the same</p>
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<p>1 JOHN T. CARROLL 2 Mortgage to Joseph O'Doherty, were 3 considering a deal with no Moody's, in other 4 words, not having Moody's rate the deal. 5 Standard & Poor's and Fitch on AAAs and 6 Standard & Poor's on subs. 7 So Ken basically is asking us 8 what we think of this. And this was at the 9 time a very unlikely -- this deal had a very 10 unlikely shot of getting done. No Moody's, 11 Moody's was an absolute necessity, 12 especially at this time, for any deal to go 13 into an asset-backed CDO. And Moody's was 14 almost a 100 percent necessity for any deal 15 to go into any kind of an ERISA, E-R-I-S-A, 16 pension fund, any kind of an insurance 17 company, any kind of large money manager. 18 So this was Mr. Mulford 19 proposing a deal that had a very low 20 likelihood of getting done, given the rating 21 agency -- given the rating agencies that he 22 wanted to put on the deal. 23 So I'm sorry, you asked about 24 subs. So what happens, when Moody's -- it 25 changes our residual level. So in other</p>	<p>1 JOHN T. CARROLL 2 timing or the same way as if Moody's was on 3 the deal. Because of the way that the deal 4 would be rated. 5 Q. Mr. Craig responds in the email, 6 he responds to Mr. O'Doherty, "We looked at 7 this a.m." "We looked at it this a.m. It 8 looks like shit, only worse." 9 What did you understand 10 Mr. Leonard to mean by that? 11 A. He wrote it, so my response was 12 sort of an inside joke, "I'll take worse." 13 In other words, from Jeopardy, I'll take 14 worse for the bonus. Trebek, meaning Craig, 15 what do you mean. 16 What I understand is Craig was 17 like we got this information from them this 18 a.m., so typical, Ken Mulford from 19 Ameriquest would send something to Joe and 20 then call Craig or call my desk. 21 So I would assume, looking at 22 this, that Craig got asked this question 23 earlier in the morning, I don't know what 24 time this email was sent, 1:52 in New York. 25 And he's on the west coast. I don't know.</p>

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<p>1 JOHN T. CARROLL 2 But Craig basically is opining 3 on a deal with no Moody's on it. And S&P, 4 what did they say, S&P only on the 5 subordinates. And in his role as syndicate 6 head, it would be up to Craig Leonard on an 7 agented deal -- or actually this was W5, so 8 we might have bid the residual on this deal. 9 I mean, it's something that was 10 such a nonstarter to try and get a deal done 11 like this. Structure-wise. 12 Q. Did you ever express any 13 concerns about the adequacy with which 14 Barclays conducted due diligence? 15 MR. FRITSCH: Objection to form. 16 A. Not that I recall. 17 Q. Have you ever been subject to 18 any disciplinary actions? 19 A. No. Although I believe this 20 action is on my US. 21 Q. The current litigation? 22 A. Yes. As pending. But other 23 than that, no. 24 Q. With respect to this last 25 exhibit we looked at, was it your</p>	<p>1 JOHN T. CARROLL 2 timing, because the lack of Moody's would 3 make the subordinates take cash flow from 4 the residual. 5 And I'm also saying that the 6 credit default swap market is getting 7 crushed, meaning the spreads are widening, 8 in A3s, which is the long cash flow, which 9 is a large bond that has a lot of duration. 10 So a small change in spread in that bond is 11 going to have a large change in the price of 12 the entire transaction. So be extra careful 13 in your spread assumptions. 14 So I'm concerned here that a 15 banker, that Joe, is going to go back to 16 Amerquest without the right context. And 17 there is nothing worse than somebody who's 18 not a trader going back to a client with a 19 number. So. And then obviously Joe's 20 responding about what the structure would 21 like, would look like. And Craig was 22 already ahead of him. 23 Q. When Joe was saying, "As soon as 24 we have it, we'll come down," do you 25 understand what he means by that?</p>
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<p>1 JOHN T. CARROLL 2 understanding that Amerquest had asked 3 Barclays to bid on the residual? 4 MR. FRITSCH: Objection to the 5 form. 6 A. Based on reading the email, and 7 also I thought we were talking about 8 previously ARSJ '05-W5 was a deal that we 9 did, did something on the residual. 10 I can't say for certain, but 11 based on my response here, what's happening 12 here is, and you know, not to go off on too 13 much of a tangent, what's happening here is 14 you have bankers and syndicate people 15 talking to a counterparty where I may be on 16 the hook as a trader to put a price on it. 17 So the fact that he wants to 18 look at the structure without Moody's on the 19 deal, which I know changes the cash flows, 20 and again, I can't give you all the details, 21 they're probably boring anyway. So my 22 response here is it changes our residual, 23 resid levels, in other words, I would bid 24 lower for the residual because I'm not 25 getting as much cash flow back from the same</p>	<p>1 JOHN T. CARROLL 2 A. Yeah. Amerquest was going to 3 send them -- so what would typically happen 4 in some agented deals -- or many agented 5 deals, was -- well, I can't say if it was 6 50/50. Sometimes the rating agency work 7 would be done by the originator, in this 8 context Amerquest, sometimes the rating 9 agency work would be done by the 10 underwriter. 11 So what I would assume here is 12 that Ken Mulford went and was at -- went to 13 the other two rating agencies, had this 14 structure already, and was going to send it 15 to Joe later in the day. 16 You know, Craig probably didn't 17 even get the structure, or Craig may have 18 had the structure here. But again, it's one 19 of these things where, you know, this was 20 the market at, I don't want to say the peak 21 of liquidity, but the market was doing very 22 well at that point. This deal would never 23 get done. It just wouldn't happen. I mean, 24 this is just so off the run. 25 Q. Because the structure was so</p>

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1 **JOHN T. CARROLL**
2 **bad?**
3 **MR. FRITSCH:** Objection to form.
4 **A.** Because no Moody's. No, the
5 structure wasn't necessarily bad. The
6 structure was not -- I wouldn't say the
7 structure was bad. And, in fact, if you
8 look at this, if you think about it, if
9 you're buying the subordinates in this deal
10 and the subordinates have more access to
11 that residual cash flow, the subordinates
12 would actually look better. The problem is
13 the market was completely dominated at this
14 point by CDO bids, and the CDO guys needed
15 Moody's. It was an absolute.
16 So basically the investor, the
17 entire -- not the entire, the lion's share
18 or the predominance of the investor market
19 wanted Moody's on the deal because the
20 market so valued Moody's as a rating agency.
21 You know, again, if this email shouldn't
22 have even gotten this far. It's one of
23 these things that would have never happened.
24 **Q.** So when you're referring to the
25 top, "I'll take worse for the bonus,

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1 **JOHN T. CARROLL**
2 **Trebek,** are you referring to your bonus?
3 **A.** I don't know what I was talking
4 about.
5 **MR. FRITSCH:** Objection to form.
6 **A.** It's irrelevant. I'm more
7 saying okay, Craig, let me know what you're
8 thinking. But I just told you, I mean, if
9 he was sitting here, he'd probably be more
10 colorful than me. But.
11 **Q.** I just wanted to follow up on
12 one thing. You had said that sometimes the
13 underwriter on an agented transaction will
14 do the ratings work and sometimes the
15 originator will?
16 **A.** The ratings work, send the pool
17 to the rating agencies.
18 **Q.** In other words, provide the
19 information?
20 **A.** Provide the information to the
21 rating agencies to receive a capital
22 structure back. Typically, the larger
23 originators would do it themselves.
24 Broker-dealers would always have the work
25 checked.

1 **JOHN T. CARROLL**
2 But, you know, Ameriquest was
3 one of these, I think they were mentioned,
4 actually they were one I mentioned earlier.
5 They might have been. They were one of the
6 large originators that were, I guess the
7 words used was vertically integrating. They
8 had -- Ken Mulford was a Wall Street capital
9 markets guy who was now working at a
10 mortgage company, so he had relationships
11 with the rating agencies.
12 **Q.** Earlier you had testified that
13 when you came to Barclays, was it from
14 Merrill Lynch or Morgan Stanley?
15 **A.** Morgan Stanley.
16 **Q.** When came to Barclays from
17 Morgan Stanley, you had pre-existing
18 relationships with some originators?
19 **A.** Yes.
20 **Q.** Can you tell me which
21 originators those were?
22 **A.** Yeah. The ones I remember, New
23 Century, Ameriquest, Fremont. I don't
24 recall if Long Beach was still around or
25 they had been purchased by WaMu. Long

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1 **JOHN T. CARROLL**
2 Beach. Accredited, Ames. I won't remember
3 all of them. You know, we did a lot of this
4 business at Morgan Stanley as well. Wells
5 Fargo. These are just the subprime ones.
6 We were doing prime mortgages at
7 Morgan Stanley as well. Option One. As
8 well as pre-existing relationships with a
9 large number of investors. C-BASS.
10 **Q.** Did you have concerns regarding
11 any of their origination practices?
12 **MR. FRITSCH:** Objection to form.
13 **A.** At what time?
14 **Q.** At the time you -- I guess was
15 it 2004?
16 **A.** When I joined Barclays?
17 **Q.** Yes.
18 **A.** May of 2003. Not that I recall.
19 **Q.** Do you have any concerns about
20 their origination practices, sitting here
21 today?
22 **A.** They're mostly out of business.
23 I think a few are still -- actually I don't
24 think any of those are still around.
25 **Q.** Did certain originators have

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<p>1 JOHN T. CARROLL 2 better reputations than others? And I'm 3 talking about during your tenure at 4 Barclays. 5 MR. FRITSCH: Objection to form. 6 A. Certain investors had tiering of 7 originators, but it was very inconsistent. 8 So I would qualify the answer that way. You 9 know, there were originators -- I'm sorry, 10 there were investors that wouldn't take New 11 Century collateral but would buy WMC 12 collateral -- New Century deals would buy 13 WMC deals. There were others that would be 14 the total opposite. It was very, very mixed 15 up. 16 Q. Were there any originators that 17 across the board were generally considered 18 to be better or worse? 19 MR. FRITSCH: Objection to form. 20 A. Not that I recall. 21 Q. I know that you just talked 22 about investors' opinions. Did you yourself 23 form any opinions about the quality, 24 relative quality of originators during your 25 many years working with RMBS and mortgage</p>	<p>1 JOHN T. CARROLL 2 that I used to put on, or we used to put on 3 the markets, in the market, and again, it 4 was, you know, a millisecond in time, 5 because then the entire industry kind of 6 went in crisis. was more related to how the 7 different assets -- how the different 8 securitization pools were being serviced 9 versus any kind of concern over one 10 originator. 11 We looked at it as discrete 12 pools, from my perspective the only thing 13 that I was concerned about with originator 14 name was concentration, because people 15 erroneously, as it turns out, believed that, 16 you know, more concentration to one 17 originator was a bad thing. And in my view, 18 that didn't matter. 19 Q. You mentioned that certain 20 investors had tiers of originators. 21 MR. FRITSCH: I think we're 22 done. 23 MS. COCHRANE: I think time's 24 up. 25 MR. COMMERSON: We don't need to</p>
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<p>1 JOHN T. CARROLL 2 loans? 3 A. Over time you got to know 4 performance characteristics. But again, 5 when you think about the life of this 6 marketplace, it was a two and a half year 7 marketplace, or maybe three. I didn't know 8 the size that it was getting done. 9 So, you know, at the time when 10 we started to see divergence between 11 performance -- and again, not again, I don't 12 think I said this today. They were all 13 competing for the same borrower, or the same 14 broker. So all of this product was done 15 wholesale, I'm sure you know through these 16 depositions you guys have learned that. 17 So there wasn't a lot of 18 differentiation. It was very much the same 19 collateral. The differences started to be 20 seen more on a servicer level, and how 21 servicers were handling delinquencies. In 22 other words, certain servicers had more 23 capacity to make more outgoing calls, things 24 like that. 25 So the tiering that I saw, or</p>	<p>1 JOHN T. CARROLL 2 do stipulations on the record or 3 anything for this deposition? 4 MR. FRITSCH: No. 5 THE VIDEOGRAPHER: It's 5:44, 6 and this marks the end of Tape No. 4. 7 (Time noted: 5:44 p.m.) 8 9 10 11 JOHN T. CARROLL 12 13 Subscribed and sworn to before me 14 this ____ day of ____, 2013. 15 16 17 18 19 20 21 22 23 24 25</p>

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1	JOHN T. CARROLL
2	STATE OF NEW YORK)
3	ss.
4	COUNTY OF NEW YORK)
5	I wish to make the following changes,
6	for the following reasons:
7	PAGE LINE
8	CHANGE
9	REASON
10	CHANGE
11	REASON
12	CHANGE
13	REASON
14	CHANGE
15	REASON
16	CHANGE
17	REASON
18	CHANGE
19	REASON
20	CHANGE
21	REASON
22	JOHN T. CARROLL
23	Subscribed and sworn to before me
24	this _____ day of _____, 2013.
25	
Page 351	
1	JOHN T. CARROLL
2	CERTIFICATE
3	STATE OF NEW YORK)
4	ss.
5	COUNTY OF NEW YORK)
6	I, ERIC J. FINZ, a Shorthand Reporter
7	and Notary Public within and for the State
8	of New York, do hereby certify:
9	That JOHN T. CARROLL, the witness whose
10	deposition is hereinbefore set forth, was
11	duly sworn by me and that such deposition is
12	a true record of the testimony given by the
13	witness.
14	I further certify that I am not related
15	to any of the parties to this action by
16	blood or marriage, and that I am in no way
17	interested in the outcome of this matter.
18	IN WITNESS WHEREOF, I have hereunto set
19	my hand this _____ day of _____, 2013.
20	
21	
22	ERIC J. FINZ
23	
24	
25	

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EXHIBIT 43

FILED UNDER SEAL

From: Landreman, Richard: Product Control (NYK) [/O=BZW/OU=USA/CN=NYK AD
USERS/CN=USERS/CN=LANDERMR]
Sent: Friday, January 04, 2008 10:30:16 PM
To: Hamilton, Tom: RMBS Trading (NYK)
CC: Russin, Robert: Product Control (NYK); Kaczka, Joseph: Product Control (NYK);
Walker, James: Finance (NYK)
Subject: RE: Agency Spreads

Carry is held up and released for markdowns. Approx \$5 per month. We have two months for about \$10M. PCG still finalizing year end.

-----Original Message-----

From: Hamilton, Tom: RMBS Trading (NYK)
Sent: Friday, January 04, 2008 4:53 PM
To: Landreman, Richard: Product Control (NYK)
Cc: Walker, James: Finance (NYK)
Subject: Re: Agency Spreads

I'll do what I can. We really need to decide who owns these damn things. What does the methodology from last month imply for the marks this month? Are different pools marked at different prices? Who is taking the carry on these bonds? Let's talk first thing monday.

----- Original Message -----

From: Landreman, Richard: Product Control (NYK)
To: Hamilton, Tom: RMBS Trading (NYK)
Cc: Walker, James: Finance (NYK)
Sent: Fri Jan 04 14:03:36 2008
Subject: FW: Agency Spreads

Tom,

I need a little help on getting the Subprime Whole Loan marks from the Business for November month end. Any help you can provide will be appreciated.

Rich

From: Piperno, Anthony: Structuring (NYK)
Sent: Friday, January 04, 2008 1:35 PM
To: Pini, Vincent: Finance (NYK)
Subject: RE: Agency Spreads

A few people are out today. We will provide marks next week. Were you able to understand the variance between the EquiFirst NYBR and EquiFirst Balance Sheet loans?

From: Pini, Vincent: Finance (NYK)
Sent: Thursday, January 03, 2008 2:53 PM
To: Piperno, Anthony: Structuring (NYK)
Cc: Landreman, Richard: Product Control (NYK)
Subject: Agency Spreads

Tony,

The spreads I showed you were spread to active TSY taken from BBG.

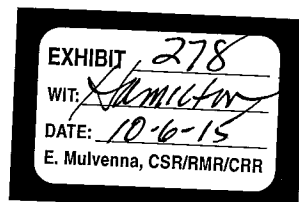


EXHIBIT 44

FILED UNDER SEAL

From: Kaczka, Joseph: Product Control (NYK) [/O=BZW/OU=USA/CN=NYK AD -
USERS/CN=USERS/CN=KACSKAJ]
Sent: Tuesday, January 08, 2008 10:37:39 PM
To: Walker, James: Finance (NYK)
Subject: FW: re November Whole loan px's

James, Would you like to ask Eric Bommensath who will be marking the sub-prime whole loans? We are still waiting for levels from the desk. Is it Tom H. or Mike W. or John Carroll? We have not received anything yet. Thanks Joe k

-----Original Message-----

From: Landreman, Richard: Product Control (NYK)
Sent: Tuesday, January 08, 2008 3:32 PM
To: Kaczka, Joseph: Product Control (NYK); Walker, James: Finance (NYK)
Subject: FW: re

Tom's response

-----Original Message-----

From: Hamilton, Tom: RMBS Trading (NYK)
Sent: Tuesday, January 08, 2008 3:27 PM
To: Landreman, Richard: Product Control (NYK)
Subject: RE: re

Nope.

-----Original Message-----

From: Landreman, Richard: Product Control (NYK)
Sent: Tuesday, January 08, 2008 3:23 PM
To: Hamilton, Tom: RMBS Trading (NYK)
Subject: Re: re

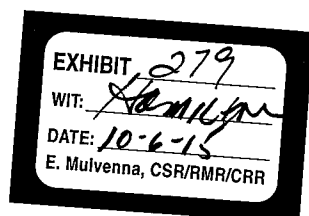
Any luck on figuring out who owns/prices the subprime whole loans? I am still waiting on nov prices.

----- Original Message -----

From: Hamilton, Tom: RMBS Trading (NYK)
To: Landreman, Richard: Product Control (NYK)
Sent: Mon Jan 07 16:12:37 2008
Subject: re

I asked Cozine to coordinate with you to work on the PWC document.

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BARC-ADS-00853933

EXHIBIT 45

FILED UNDER SEAL

From: Hamilton, Tom: RMBS Trading (NYK) [/O=BZW/OU=USA/CN=NYK AD
USERS/CN=USERS/CN=HAMILTONT]
Sent: Tuesday, January 15, 2008 9:38:41 PM
To: Richards, Christopher: Product Control (NYK)
Subject: RE: RMBS PnL Formal 01-14

It does but im not going to be responsible for wherever these losses are coming from.

From: Richards, Christopher: Product Control (NYK)
Sent: Tuesday, January 15, 2008 4:38 PM
To: Hamilton, Tom: RMBS Trading (NYK)
Subject: RE: RMBS PnL Formal 01-14

Sorry I guess I was unclear which business rolls up into you. Do you just want to see the subprime line?

Thanks

From: Hamilton, Tom: RMBS Trading (NYK)
Sent: Tuesday, January 15, 2008 4:32 PM
To: Richards, Christopher: Product Control (NYK)
Subject: RE: RMBS PnL Formal 01-14

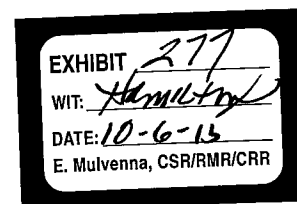
What is this subprime nims post nims nonsense???

From: Richards, Christopher: Product Control (NYK)
Sent: Tuesday, January 15, 2008 4:19 PM
To: MBS P&L - Formal
Subject: RMBS PnL Formal 01-14

RMBS PnL

(000's) USD

	<u>Daily</u>	<u>MTD</u>	<u>YTD</u>
Collateral			
15yr	(61)	3,097	3,097
30yr	455	10,413	10,413
Spec Pool	401	2,445	2,445
Collateral Total	794	15,955	15,955
Agency Arms			
	<u>Daily</u>	<u>MTD</u>	<u>YTD</u>
	20	365	365
CMO's			
	<u>Daily</u>	<u>MTD</u>	<u>YTD</u>
Agency - Fixed	1,316	4,928	4,928
Synthetic	(3)	(3)	(3)
Agency - Fixed Total	1,312	4,925	4,925
Non-Agency Arms			
	<u>Daily</u>	<u>MTD</u>	<u>YTD</u>
Arms Primary (JV)	10	41	41
Arms Primary (RMBS)	14	(715)	(715)
Arms Secondary (JV)	34	1,658	1,658
Arms Secondary (RMBS)	(2)	397	397
Non-Agency Arms Total	56	1,380	1,380
Non-Agency Fixed			



Fixed (JV)	(205)	(575)	(575)
Fixed (RMBS)	(61)	162	162
Non-Agency Fixed Total	(266)	- (413)	(413)
Non-Agency Total	(211)	967	967

Mgmt/Other	<u>Daily</u>	<u>MTD</u>	<u>YTD</u>
Manager's JV	(1)	303	303
Manager's RMBS	310	309	309
Cost of Income	(26)	(231)	(231)
Mgmt/Other Total	284	381	381
Desk PnL	2,199	22,593	22,593

Subprime	(4,000)	(23,210)	(23,210)
Nims / Post Nims	(110)	(1,542)	(1,542)
Total	(4,110)	(24,752)	(24,752)

The P&L is now available in the following location, under the MBS P&L directory:
<\\Nykpcm01200v01s\dfs-nyk\Nyk\MBS\>

Christopher Richards
Product Control – RMBS
+1-(973) 576-3602
christopher.richards@barcap.com
Barclays Capital, 200 Cedar Knolls Rd, Whippany, NJ 07981

EXHIBIT 46

FILED UNDER SEAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

IN RE:

)

) Master File No:

BARCLAYS BANK PLC

)

1:09-cv-01989-PAC

SECURITIES LITIGATION

)

)

-----X

)

THIS DOCUMENT RELATES TO:

)

ALL ACTIONS

)

-----X

October 1, 2015

9:37 a.m.

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

VIDEOTAPED DEPOSITION OF
STEPHEN J. KING, taken by Plaintiffs, held at
the offices of Sullivan & Cromwell LLP,
125 Broad Street, New York, New York,
pursuant to Notice, before Mayleen Cintrón
Ahmed, a Registered Merit Reporter, Certified
Realtime Reporter, and Notary Public of the
State of New York.

VERITEXT LEGAL SOLUTIONS

MID-ATLANTIC REGION

1801 Market Street - Suite 1800

Philadelphia, PA 19103

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2 right?

3 A. Is that when it's dated? Sorry.

4 (Witness reviewing document.)

5 A. Yes.

6 Q. Okay.

7 A. From the day of the email.

8 Q. Who's William Robinson?

9 A. Bill Robinson was my COO.

10 Q. And what was his role?

11 A. To ensure that trades were booked
12 properly and P&L reported properly.

13 Q. Who -- who did your P&L get
14 reported to directly?

15 A. P&L, that's -- there's -- that's a
16 multilayered question. On a -- on a daily
17 basis, there was always a -- something called
18 a flash, which is your informal way of
19 telling Product Control or management what
20 your daily P&L would be at 4:30 or so in the
21 afternoon.

22 And then there's a process
23 overnight to reconcile all the marks of
24 everything that worked up through the Product
25 Control Groups and formally found its way

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2 into the management and P&L reporting.

3 Q. Okay.

4 What is your understanding of what
5 this attached memo is describing?

6 MR. TOMAINO: Objection. Form.
7 Foundation.

8 A. Is -- is that the same question as
9 the earlier one?

10 Q. I'm not sure. Is the answer the
11 same?

12 A. I don't know. Depends if the
13 question is the same. If the question is the
14 same, then the answer is the same.

15 Q. Okay. So this -- tell me again if
16 I'm repeating myself.

17 This memo refers to what?

18 A. Risk and P&L attributes of some,
19 on a date, of some or all -- I can't
20 remember -- of my trading book.

21 Q. Okay. And --

22 A. "My" meaning the ABS. I shouldn't
23 even use 'my. The ABS CD, synthetic CDO
24 trading books. Books, formally.

25 Q. So let me ask you to look at the

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2 Well, I guess all Jasen says is
3 make sure you have soft copies of copies of
4 the attached. And then Darryl forwarded all
5 of the emails. But I don't really know what
6 the -- who the authors of all of the
7 documents were. Some of these were
8 definitely not by us.

9 Q. Did you eventually become involved
10 in valuing the loan portfolios?

11 A. Yes. Yes.

12 Q. And what did -- what was your
13 role?

14 A. At what time?

15 Q. Did it change over time?

16 A. Yes.

17 Q. How -- how did you begin your
18 involvement in valuing the various loan
19 portfolios at Barclays?

20 A. At some point in two-thousand
21 and -- at some point in 2008 along -- as --
22 as I said, the bank was trying to consolidate
23 all of its mortgage exposure. It had
24 increasingly said -- we've got subprime
25 exposure and Alt-A exposure and loan exposure

1 - KING - CONFIDENTIAL -

2 and super seniors, let's try and get it all
3 together. And we steadily worked through
4 each of those.

5 Initially it was a risk analysis,
6 and then maybe an attempt to put some sort of
7 expected losses and valuation on there, and
8 ultimately we took responsibility for the
9 workout of those loans.

10 Q. When you say "we," who are you
11 talking about?

12 A. My group, PMTG.

13 Q. When did you take on
14 responsibility for the workout?

15 A. For the actual workout of them? I
16 think we started building that group -- I
17 think we started building that group some
18 time mid -- some time maybe in the second
19 quarter, maybe midyear.

20 Q. Of 2008?

21 A. Of 2008, yeah.

22 Q. And when did you take on
23 responsibility for trying to value the
24 various --

25 A. It would have been --

EXHIBIT 47

FILED UNDER SEAL

From: Clackson, Patrick: Finance (LDN)
[O=BZW/OU=EUROPE/CN=RECIPIENTS/CN=EXCHANGE
RECIPIENTS/CN=CLACKSONP]
Sent: Friday, January 18, 2008 7:07:03 AM
To: Diamond, Bob: Barclays Capital; Ricci, Rich: Barclays Capital
Subject: RE: Portfolio Workout - PL Estimate - Jan 17

Bob, Rich

I wanted to let you know that we are actively managing the risk and not continuing the strategy regardless of what is happening, but rest assured Stephen is being tightly controlled. We have weekly risk meetings with Eric Bommensath etc where these hedge options were discussed and Stephen was asked to investigate, the ABX has spiked down and underlying data is generally bad and we are reassessing the strategy as we have been caught by the unhedged long positions. Stephen is looking at other possible hedges, no positions are being taken without Eric/the risk committee's approval.

Overall we have continued to lose money from net longs in the MTM book and we are reassessing the hedge strategy, we also have long positions in the saypoff book and monoline exposure which we need to continue to manage to reduce the risk of writedowns.

We agreed to have monthly risk meetings with you, Eric, Jerry etc, I'll make sure we have the first one next week.

Regards

Patrick

-----Original Message-----

From: Diamond, Bob: Barclays Capital
Sent: 18 January 2008 06:36
To: Clackson, Patrick: Finance (LDN); Ricci, Rich: Barclays Capital
Subject: Re: Portfolio Workout - PL Estimate - Jan 17

This scares me silly. He is chasing his tail,,,,,,,,,we have this guy shorting banks and moodys sock.....1. A little late 2 does he trade equities?

Didn't we agree a weekly meeting? Rich can you arrange that as a risk review?

Tough

----- Original Message -----

From: Clackson, Patrick: Finance (LDN)
To: Ricci, Rich: Barclays Capital; Diamond, Bob: Barclays Capital
Sent: Fri Jan 18 06:22:58 2008
Subject: Fw: Portfolio Workout - PL Estimate - Jan 17

Fyi

----- Original Message -----

From: King, Stephen: CDO (NYK)
To: Bommensath, Eric: Markets (NYK); Clackson, Patrick: Finance (LDN); Yoss, Eric: Market Risk (NYK); Walker, James: Finance (NYK)
Sent: Fri Jan 18 00:30:53 2008
Subject: Fw: Portfolio Workout - PL Estimate - Jan 17

PandI again mostly from the long positions carried into the new year. New trades and capital structure arb this year helped dampen the effect but the long overreal is still winning. Although there is basis between index and singal names,

EXHIBIT NO. 476
DATE: 11/13/15
Reporter - Laurie A. Collins

BARC-ADS-00933383

and 3pts of upside on a trade seems small, the long position I strongly believe is going to make a hole in the pandl.

We have reviewed all the classes of index. All the 071 below aaa, 062 below aa and 061 below single a still look seriously overvalued. 071 aaa, 062 aa and 061 single are Pretty at the money, absent a further revision to our recovery assumptions. Therefore, we are going to rebalance the overall position to reflect this view, rather than wait for some classes you bounce on technical lead rallies.

We continue to think that overall the book should be run net short through remits and the rate cut. We will propose hedges for the non mtm ss positions next Friday.

We are selling 061 bbb flat cash bonds which are currently passing their triggers but are close to failing to low the exposure to delinquency spikes in early 05 vintage.

We are moving to be slightly long the short end of the rate curve. We are going to hedge the libor exposure in the long cdo position which is not currently hedged.

We have sold cmbx and remarked some of the positions. We should have a more complete analysis of the cmbx position on my return. We are currently pretty flat in trading but long CMBS overall. We should look to hedge this exposure asap.

We are evaluating when to buy back the monoline cds position. We expect downgrades but not default.

We are looking to short a number of stocks including banks and moodys as part of a small proprietary position reflecting the desk view that there is going to be a significant capital shortfall in regulated entities which are linked to ratings of collateral including monoline wrapped positions.

We have locked in some 3mnth funding to lower the drag on pandl caused by the high relative overnight rate.

----- Original Message -----

From: Griffith, Evan: CDO (NYK)

To: King, Stephen: CDO (NYK)

Cc: Robinson, William: CDO (NYK); Agrawal, Kapil: Credit Derivatives (NYK); Bansal, Pracheer: CDO (NYK); McCosker, Tom: Product Control (NYK); Uotila, Christopher: Product Control (NYK); Lin, Mei: Product Control (NYK); Sood, Astha: Product Control (NYK)

Sent: Thu Jan 17 18:32:13 2008

Subject: Portfolio Workout - PL Estimate - Jan 17

Daily Estimate in USD mm:

Category	Total
Subprime	(7)
Alt-A	0
CDO	0
CMBS	(4)
Other	0
Neg Basis	0
CF SupSen	0
Total	(11)

MTD Estimate in USD mm:

Category	Total
Subprime	(31)
Alt-A	0
CDO	(15)
CMBS	(2)
Other	0
Neg Basis	0
CF SupSen	0
Total	(47)

Subprime PL Explain (excluding new trade PL+ reserves) and Summary of MTD PL (including new trade PL + reserves)
Attached:

<<US Portfolio Workout Sub <<US Portfolio Workout Subprime P&L Explain COB 011708.xls>> p <<US Portfolio
Workout Subprime P&L Explain COB 011708.xls>> rime P&L Explain COB 011708.xls>>

EXHIBIT 48

FILED UNDER SEAL

From: Lin, Mei: Product Control (NYK) [/O=BZW/OU=USA/CN=NYK AD
USERS/CN=USERS/CN=LINMEI]
Sent: Wednesday, January 23, 2008 12:42:49 AM
To: Uotila, Christopher: Product Control (NYK); McCosker, Tom: Product Control (NYK); Bommensath, Eric: Markets (NYK); Ornstein, David: Markets (LDN); King, Stephen: CDO (NYK); MIS Product Control (NYK); Patel, Rahil: Product Control (LDN); Morton, Marcus: Product Control (NYK); Smith, Richard: Finance (LDN); Kaczka, Joseph: Product Control (NYK); Agency CDO PCG; Clackson, Patrick: Finance (LDN); Walker, James: Finance (NYK); Copson, Paul: Finance (LDN); Yoss, Eric: Market Risk (NYK); Hamilton, Tom: RMBS Trading (NYK); MBS Product Control
Subject: US Portfolio Asset Book FLASH P&L Jan 22th
Attachments: Flash 01222008.xls

Barclays Capital **GMIS - Global MIS P&L**

22 Jan 2008 - USD ('000s)	Formal Daily	Flash Vs Formal	Formal MTD	Formal YTD
US ABS Portfolio				
CDO	0	0	(7,993)	(7,993)
Alt-A	0	0	0	0
CMBS	0	0	0	0
Other ABS	0	0	0	0
Relative Value	0	0	0	0
Reserves - Trading	0	0	(1,495)	(1,495)
Subprime	(4,682)	0	(42,067)	(42,067)
US ABS Portfolio Total	(4,682)	0	(51,554)	(51,554)
US Cash Portfolio				
Whole Loans (US)	0	0	0	0
Impairment	0	0	0	0
NBT	0	0	0	0
Nims / Post Nims	(110)	0	(2,423)	(2,423)
US Cash Portfolio Total	(110)	0	(2,423)	(2,423)
Net Revenue Total	(4,792)	0	(53,977)	(53,977)

Commentary:

\$(4)m loss in subprime as ABX prices continue to drop across the 06-2 and 07-1 vintages, mostly in the BBB and BBB-.

Please direct any queries to mis product control (NYK)



Flash
01222008.xls

Document Produced in Native Format

US Portfolio Mgmt (ABS and Cash) Summary Report

22 Jan 2008 - USD ('000s)	Formal Daily	Flash Vs Formal	Formal MTD	Formal YTD	P&L Comment	FL Vs FM Comment
US ABS Portfolio						
CDO	0	0	(7,993)	(7,993)		
Alt-A	0	0	0	0		
CMBS	0	0	0	0		
Other ABS	0	0	0	0		
Relative Value	0	0	0	0		
Reserves - Trading	0	0	(1,495)	(1,495)		
Subprime	(4,682)	0	(42,067)	(42,067)	\$ (4)m loss in subprime as ABX prices continue to drop across the 06-2 and 07-1 vintages, mostly in the BBB and BBB-.	
US ABS Portfolio Total	(4,682)	0	(51,554)	(51,554)		
US Cash Portfolio						
Whole Loans (US)	0	0	0	0		
Impairment	0	0	0	0		
NBT	0	0	0	0		
Nims / Post Nims	(110)	0	(2,423)	(2,423)	daily funding expense on Uncollateralized Loan for 1 day	
US Cash Portfolio Total	(110)	0	(2,423)	(2,423)		
Net Revenue Total	(4,792)	0	(53,977)	(53,977)		

US Portfolio Mgmt (ABS and Cash) Detail Report

22 Jan 2008 - USD ('000s)	Formal Daily	Flash Vs Formal	Formal MTD	Formal YTD	P&L Comment	FL Vs FM Comment
US ABS Portfolio						
CDO						
Cash	0	0	(3,078)	(3,078)		
Reserve - NAV Impairment	0	0	(272)	(272)		
Synthetic	0	0	(4,643)	(4,643)		
CDO Total	0	0	(7,993)	(7,993)		
Alt-A						
Cash	0	0	0	0		
Synthetic	0	0	0	0		
Alt-A Total	0	0	0	0		
CMBS						
Cash	0	0	0	0		
Synthetic	0	0	0	0		
CMBS Total	0	0	0	0		
Other ABS						
Cash	0	0	0	0		
Synthetic	0	0	0	0		
Other ABS Total	0	0	0	0		
Relative Value						
ABX	0	0	0	0		
Cash	0	0	0	0		
Synthetic	0	0	0	0		
Relative Value Total	0	0	0	0		
Reserves - Trading	0	0	(1,495)	(1,495)		
Subprime						
ABX	0	0	0	0		
Cash	(4,682)	0	91,571	91,571	\$ (4)m loss in subprime as ABX prices continue to drop across the 06-2 and 07-1 vintages, mostly in the BBB and BBB-	
Reserves - NAV Impairment	0	0	(133,638)	(133,638)		
Synthetic	0	0	0	0		
Subprime Total	(4,682)	0	(42,067)	(42,067)		
US ABS Portfolio Total	(4,682)	0	(51,554)	(51,554)		
US Cash Portfolio						
Whole Loans (US)						
Cash	0	0	0	0		
Synthetic	0	0	0	0		
Whole Loans (US) Total	0	0	0	0		
Impairment	0	0	0	0		
NBT						
Cash	0	0	0	0		
Synthetic	0	0	0	0		
NBT Total	0	0	0	0		
Nims / Post Nims						
Cash	(110)	0	(2,423)	(2,423)	daily funding expense on Uncollateralized Loan for 1 day	
Synthetic	0	0	0	0		
Nims / Post Nims Total	(110)	0	(2,423)	(2,423)		
US Cash Portfolio Total	(110)	0	(2,423)	(2,423)		
Net Revenue Total	(4,792)	0	(53,977)	(53,977)		

EXHIBIT 49

FILED UNDER SEAL

From: McCosker, Tom: Product Control (NYK)
[O=BZW/OU=USA/CN=RECIPIENTS/CN=NEW YORK/CN=1MCCOSKET]
Sent: Monday, March 24, 2008 10:35:33 PM
To: Robinson, William: CDO (NYK)
Subject: FW: ALT-A positions to be transferred

??? It'll be interesting to see what's missing.

-----Original Message-----

From: Hamilton, Tom: RMBS Trading (NYK)
Sent: Monday, March 24, 2008 6:34 PM
To: McCosker, Tom: Product Control (NYK)
Subject: Re: ALT-A positions to be transferred

This list is incomplete. Cozine is putting a list together for you.

----- Original Message -----

From: McCosker, Tom: Product Control (NYK)
To: Hamilton, Tom: RMBS Trading (NYK); King, Stephen: CDO (NYK)
Cc: Robinson, William: CDO (NYK); Meili, Stephan: Market Risk (NYK); Escolar, Rhodin: GFRM (NYK); Kaczka, Joseph: Product Control (NYK); Landreman, Richard: Product Control (NYK); Agency CDO PCG
Sent: Mon Mar 24 15:33:46 2008
Subject: RE: ALT-A positions to be transferred

Agreed.

Please confirm the transfer of all positions in the attached excluding "Prime" and "Relo" asset classes.

Regards,
Tom.

<<NA Transfer Rec 20080318.xls>>

From: Hamilton, Tom: RMBS Trading (NYK)
Sent: Monday, March 24, 2008 1:43 PM
To: McCosker, Tom: Product Control (NYK); King, Stephen: CDO (NYK)
Cc: Robinson, William: CDO (NYK); Meili, Stephan: Market Risk (NYK); Escolar, Rhodin: GFRM (NYK); Kaczka, Joseph: Product Control (NYK); Landreman, Richard: Product Control (NYK); Agency CDO PCG
Subject: RE: ALT-A positions to be transferred

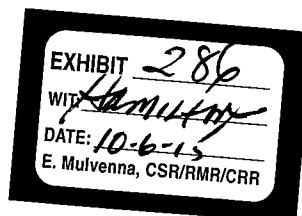
My understanding was that only the Alt-A bonds were going over, not prime bonds. Anyone else know different?

From: McCosker, Tom: Product Control (NYK)
Sent: Monday, March 24, 2008 1:36 PM
To: Hamilton, Tom: RMBS Trading (NYK); King, Stephen: CDO (NYK)
Cc: Robinson, William: CDO (NYK); Meili, Stephan: Market Risk (NYK); McCosker, Tom: Product Control (NYK); Escolar, Rhodin: GFRM (NYK); Kaczka, Joseph: Product Control (NYK); Landreman, Richard: Product Control (NYK); Agency CDO PCG
Subject: ALT-A positions to be transferred
Importance: High

Tom,

Please find attached a current inventory as agreed with GFRM and PCG of your ALT-A holdings.

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BARC-ADS-00874491

Can you please agree / approve the transfer of these positions across to Stephen King in order for the transfer to commence.

Regards,
Tom.

<< File: NA Transfer Rec 20080318.xls >>

EXHIBIT 50

The New York Times

INTERNATIONAL BUSINESS

Merrill Lynch reports \$7.9 billion write-down

By JENNY ANDERSON and LANDON THOMAS JR. OCT. 24, 2007

NEW YORK — Repercussions from the subprime mortgage meltdown in the United States hit Merrill Lynch again on Wednesday, as the brokerage firm increased the amount of its write-down by more than 50 percent and reported its first quarterly loss in nearly six years.

The bank had announced this month that it expected to write down \$5 billion because of losses in its fixed-income business. On Wednesday, it added \$2.9 billion for a total of \$7.9 billion.

Most of the losses, the bank said, were tied to the decline in value of complex debt instruments called collateralized debt obligations, or CDOs, whose value has diminished in recent months as credit markets have been hit by a collapse in the subprime mortgage market.

For the third quarter, Merrill said it lost \$2.24 billion, or \$2.82 a share, compared with a profit of \$3.05 billion, or \$3.17 a share, in the period a year earlier. Earnings from continuing operations were \$2.85 a share.

Revenue fell 94 percent, to \$577 million, from \$9.83 billion a year earlier.

The results were below Wall Street expectations for a loss of 45 cents a share on \$3.25 billion of revenue, according to Thomson Financial.

Stocks in New York fell sharply on the news. The Dow was down 148.60 points at 13,527.63 in afternoon trading Wednesday, in part because of the Merrill report. (Page 20)

Over the course of the year, banks and other financial institutions have steadily raised estimates for how much they expect to lose because of the problems in the housing market.

What at first was described as a contained problem in mortgages made to people with weak, or subprime, credit has quickly ballooned into a major challenge to the financial markets and the broader economy.

Many economists, including some top officials at the Federal Reserve, expect national home prices to droop by as much as 20 percent from their peak in late 2006. If that forecast was realized, the value of U.S. residential real estate would fall by \$4 trillion.

E. Stanley O'Neal, chief executive of Merrill, said the firm still faced uncertainty with mortgage-related investments.

"In light of difficult credit markets and additional analysis by management during our quarter-end closing process, we re-examined our remaining CDO positions with more conservative assumptions," he said in a statement. "The result is a larger write-down of these assets than initially anticipated."

The additional write-down, coming so soon after the company's \$5 billion charge, may raise more questions about the leadership of O'Neal, and the ability of his top executives to assess the firm's risk exposure.

Responding to the report, the credit ratings agency Standard & Poor's cut Merrill's credit rating, the third agency to do so.

During a conference call, O'Neal seemed to urge analysts to look beyond its enormous \$7.9 billion write-down. "Outside of mortgages, our execution has been consistent," O'Neal said.

O'Neal said that his firm was already making changes to its risk-management strategies. These include naming Ed Moriarty to the newly created position of chief risk officer at the firm. That change was announced in September, when Merrill disclosed that it expected to take a \$5 billion write-down in its fixed-income business.

He also said the company continued to consider divesting "noncore assets," though he did not give specifics.

Even so, O'Neal squarely acknowledged the nearly \$8-billion-dollar elephant in the room.

"We're not - I'm not - going to talk around the fact that mistakes have been made," he said. He put much of the blame for the write-downs on poor hedging strategies that failed to protect the company during the market downturn.

But that explanation seemed to leave analysts with a many questions.

On the call, Merrill executives were pressed on how exactly they calculated their \$7.9 billion write-down and how much exposure remained. But they repeatedly declined to give additional details.

Since O'Neal took over in December 2002, he has pushed Merrill into riskier businesses which, if managed well, tend to produce higher returns. That strategy has taken Merrill Lynch deeper into fixed-income markets like commodities and mortgages, areas outside of its traditional strengths of wealth management and equities.

On Tuesday, Brad Hintz, an analyst with Sanford C. Bernstein, said that he expected Merrill to pull back in fixed income, even though some of the markets were improving.

"After this publicly embarrassing write-down, we would expect senior management to sharply tighten its risk management limits to reduce trading volatility," Hintz wrote, referring to Merrill.

He predicted that a "back to basics" retrenchment of the business would cost approximately \$1 billion in net income, or about \$1.10 in earnings per share for 2008.

After Merrill announced its original \$5 billion write-down, Moody's and Fitch downgraded Merrill's long-term debt outlook to negative from stable. Moody's said the write-down, which had been forecast at about \$4 billion, had exceeded its own expectations. "As a result, Moody's assessment of the quality of risk management at Merrill Lynch has diminished," the agency said.

In July, after the firm reported second-quarter earnings, O'Neal sent a memo to employees reassuring them that the bank's risk management was strong. "We get paid to manage risk and operate in markets during ups and downs," the memo said. "This time is no different."

Analyst reaction to the latest announcement was swift and unforgiving.

"It speaks very poorly to Merrill's risk management practices," Bill Fitzpatrick, an analyst at Johnson Family Funds in Racine, Wisconsin, told Reuters. "Merrill has lost credibility in its write-down projections. Clearly, heads are going to roll, and I wouldn't be surprised to see meaningful near-term layoffs."

Vikas Bajaj contributed reporting.

A version of this article appears in print on October 24, 2007, in The International Herald Tribune.

EXHIBIT 51

EDITION: UNITED STATES

Merrill Lynch reels from write-down

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Merrill Lynch reels from write-down



The Merrill Lynch headquarters are seen in New York in an undated file photo. Merrill Lynch & Co Inc on Wednesday reported \$7.9 billion in write-downs for the third-quarter -- triggering its first loss in six years -- as the company was burned by lax risk management and... REUTERS/File

- 1** Judge tells Trump University litigants they would be wise to settle
- 2** In a shift, Trump assails U.S. protesters, then praises their 'passion'
- 3** Taliban storm German consulate in Afghan city, four killed
- 4** Mayors of NY and Los Angeles pledge to remain immigrant sanctuaries
- 5** After Trump win, critic Buffett sees strong stocks, trade hurdles

By **Tim McLaughlin** | NEW YORK Merrill Lynch reels from write-down

Merrill Lynch & Co Inc [MER.N](#) reported on Wednesday the biggest quarterly loss in its history after writing down \$8.4 billion, mostly from bad investments related to risky subprime mortgages.

"The bottom line is we got it wrong by being overexposed to subprime," Merrill Lynch Chairman and Chief Executive Stan O'Neal said on a conference call. "And we suffered as a result of an unprecedented liquidity squeeze and deterioration in that market. No one, no one is more disappointed than I am in that result."

Merrill was the only big Wall Street firm to post a third-quarter loss. And its write-downs, before hedges, were bigger than the combined \$3.6 billion in write-downs and charges recorded by rivals Goldman Sachs Group Inc ([GS.N](#)), Bear Stearns Cos Inc [BSC.N](#), Morgan Stanley ([MS.N](#)) and Lehman Brothers Holdings Inc [LEH.N](#).

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"This is a bloodbath for certain. It speaks very poorly to Merrill's risk management practices," said Bill Fitzpatrick, an analyst at JohnsonFamily Funds in Racine, Wisconsin, which invests \$1.8 billion but does not own Merrill shares.

"Clearly, heads are going to roll, and I wouldn't be surprised to see meaningful near-term layoffs," he said.

The size of Merrill's write-down was significantly higher than the \$5.5 billion it forecast earlier this month.

Merrill Lynch shares closed at a two-year low, down 5.8 percent at \$63.22 on the New York Stock Exchange. All three major credit rating agencies cut their ratings on Merrill Lynch, with Standard & Poor's calling the company's loss "startling."

The stock is down 32 percent while the Amex Securities Broker Dealer Index .XBD is off 5.6 percent.

Merrill Lynch's third-quarter net loss was \$2.3 billion, or \$2.85 a share, from continuing operations, compared with a profit of \$3 billion, or \$3.14 a share, a year earlier.

"There's not much to like about this performance," Credit Suisse analyst Susan Roth Katzke said in a research note.

More write-downs could be coming if the world's largest brokerage further cuts the value of its remaining \$20.9 billion exposure to collateralized loan obligations and

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subprime mortgages. O'Neal said the company was still working to resolve the impact of loans to people with weak credit.

"I'm not going to talk around the fact that there were some mistakes that were made," O'Neal said. "I am accountable for the mistakes as I am accountable for the performance of the firm overall, and my job, our job, the leadership team's job is to address where we went wrong."

After reexamining its positions on collateralized debt obligations, it used more conservative assumptions for valuing those assets. That led to the bigger-than-expected \$7.9 billion write-down on CDOs and subprime mortgages.

Merrill also had a \$463 million write-down, after fees, on commitments that include loans for corporate takeovers.

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Merrill CEO says he got it wrong on subprime

Merrill Lynch debt ratings cut on loss

O'Neal cited continued uncertainty in the market for subprime mortgages as defaults on those loans continue to rise and sap the strength of the U.S. economy.

Camilla Petersen, an analyst who covers financial stocks for Atlantic Equities in London, called the losses in Merrill's fixed-income portfolio "pretty spectacular."

"I think it shows two things: sloppy risk management and very aggressive risk taking," Petersen said. "They've tried to diversify away from their core strengths, which are equities, investment banking and wealth management, all of which did very well during the quarter."

She said Merrill has a track record of going into businesses in a big way and then having to retrench.

"Merrill did that with energy -- entered the business and exited and now has gone back in," she said, citing one example.

(Additional reporting by Jonathan Stempel in New York and Olesya Dmitracova in London)

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Trump rally sputters as energy, health stocks drag



A rally sparked by Donald Trump's surprise victory in the U.S. presidential election, that also powered the Dow to a record high, sputtered on Friday as energy and healthcare stocks came under pressure.

Limited repeal of Dodd-Frank seen under Trump: WSJ



WASHINGTON The Trump administration is eyeing a more limited repeal of the 2010 Dodd-Frank law, despite the Republican president-elect's campaign promise for a full repeal of the financial overhaul, the Wall Street Journal said on Friday, citing unnamed sources.

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Subject: Finance Committee Papers - Wednesday 21 November 2007 - 11.00 - 11.45 (London Time)
Attachments: FinCom Papers. 21.11.07.pdf; Microsoft PowerPoint - Q3 Competitors Decks v5.pdf; Stress testing deck 071120 dist.ppt; IBIM_FranchiseHealth 3Q07_v2.ppt

Dear All,

Please find attached the Finance Committee Papers for the meeting tomorrow at 11am.

Please print the papers in colour copy if possible.

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Dip

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- Fincom Papers



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- **Section 6** - Stress Testing



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- **Section 7 - Franchise Health Q3 07 Report**



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Competitor Analysis
Q3 2007 results review

Finance Committee
21 November 2007

Key Messages

Q3 2007

- All banks were affected by the tough market environment with losses in Q3 2007 ranging from £0.2bn to £3.9bn – Barclays Capital's net losses of £0.5bn was among the lowest of the peer group as it reported Q3 2007 net income growth of 5% (second to Goldman Sachs)
- There was a flight to quality in Q3 2007, with Barclays Capital reporting record results in interest rates, equity and currency products, as well as its second best quarter in private equity and emerging markets. Five peers reported a record quarter in FX and advisory income, and two peers reported a record quarter in interest rate products

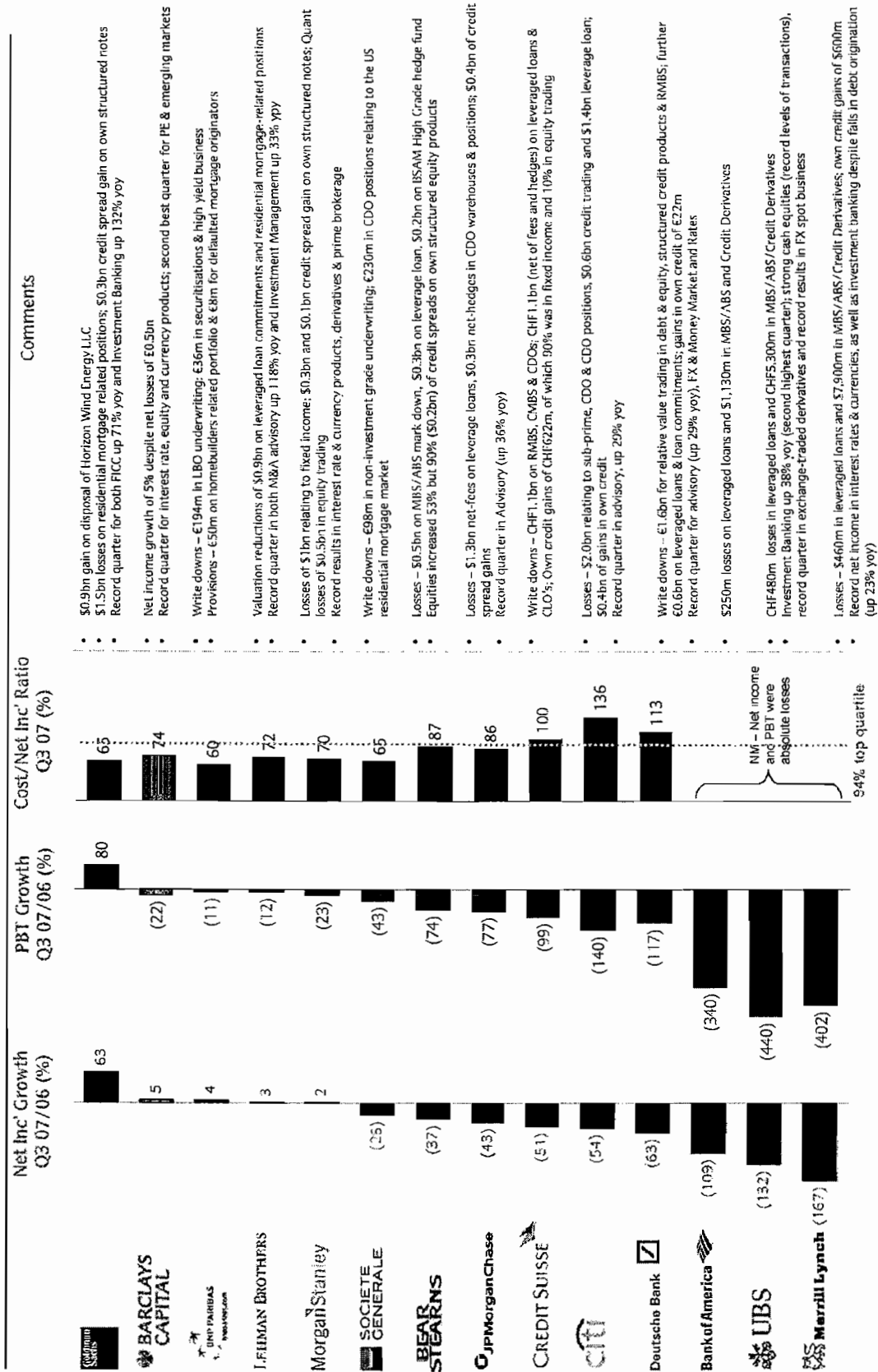
YTD September

- Barclays Capital's net income of £5.4bn and PBT of £2.0bn, was up 16% and 19% respectively; only Goldman Sachs and Morgan Stanley reported higher underlying net income growth than Barclays Capital
- Our own credit gains represent only 0.4% of long term liabilities at fair value, the second lowest of the peer group
- Barclays Capital's fixed income business remains bigger than JP Morgan, Credit Suisse, Lehman Brothers, UBS and Merrill Lynch
- Barclays Capital's cost:net income ratio remains top quartile and our compensation costs:net income was second only to JP Morgan; DVaR growth was significantly below net income growth, not matched by any peer


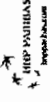

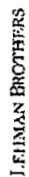
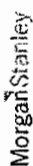
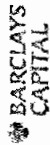


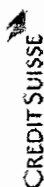


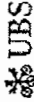
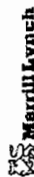
Q4 2007 Losses and Exposure

- Barclays Capital's net losses of £0.8bn in October is the second lowest Q4 2007 losses reported so far; higher than Bear Stearns (£0.6bn), but lower than Bank of America (£1.5bn), Morgan Stanley (£1.9bn) and Citi (£4.0bn-£5.5bn)
- Of the 6 peers that have disclosed details of their Super Senior CDO exposure to date, Barclay's Capital's net exposure of \$10bn is a quarter of Citi's, half of UBS' and two-thirds that of Merrill Lynch's exposure, while our net leveraged loan exposure of \$15bn is the third lowest of the eleven peers that have disclosed this data

Q3 2007 Competitor Results Summary



Q3 Announced Credit Losses (£m)*

	Leveraged loans	MBS/ ABS/ Credit Derivatives	Sub Total	Credit Spread Gains**	Quant losses	Total	Commentary - Q3 losses
 HSBC	(190)	(380)	(470)	650	180	Write-downs of \$1.5m (net of fees) in respect of non-syndicated committed facilities in the leveraged acquisition finance business and \$750m on securities including whole-sale purchase of sub-prime mortgages and structured credit trading positions held on the balance sheet. The Group has very little direct exposure to US sub-prime mortgage-backed CDOs. Own credit gains of \$1.3m mainly accounted for within CDOs.	
 SOCIETE GENERALE	(130)	(70)	(200)	30	(170)	Write-downs of €134m on LBO underwriting commitments, €56m on securitisation and CDOs, €50m increase in the general provision related to the homebuilders sector in the US and a €1.8m specific provision for defaulted mortgage originators. One-off net gains on own securities of €44m was held centrally.	
 BEAR STEARNS	(70)	(150)	(230)		(230)	Write-downs of €230m on different instruments exposed to US residential mortgages and €68m on a €20m portfolio of non-investment grade transactions in underwriting, including €1.3m LBOs.	
 J.P.MORGAN BROTHERS	(120)	(220)	(340)	110	(230)	Write-downs of \$250m pipeline of leveraged finance commitments and loans and \$450m on residential mortgages. \$300m of Q4 losses due to write-downs in CDO positions, \$250m on net marks and \$150m on other subprime losses.	
 Morgan Stanley	(50)	(720)	(770)	210	(560)	Valuation reduction mostly on leveraged loans commitments and residential mortgage-related positions, net of economic hedges and other liabilities.	
 BARCLAYS CAPITAL	(70)	(470)	(540)	200	(340)	Write-downs of \$940m on loans and closed and pipeline commitments.	
 JP Morgan Chase	(550)	(470)	(1,020)	230	(790)	Loss of \$1.48bn net of hedges related to non-investment grade credit origination activities. Own credit gains were a little bit under \$300m.	
 Bank of America	(120)	(570)	(690)		(690)	Write-downs of \$1.3bn on leveraged lending and \$339m net of hedges on CDO warehouses and unpaid positions.	
 CREDIT SUISSE	(450)	(450)	(900)	260	(640)	Write-downs of \$247m on leveraged and non-leveraged loans and commitments, \$607m trading revenue loss due to the breakdown in traditional pricing relationships. Net revenue loss of \$527m in structured products which includes asset-backed and residential mortgage-backed securities, commercial mortgages, CDOs and structured credit trading.	
 Deutsche Bank	(410)	(1,060)	(1,470)	15	(1,455)	Write-downs of €603m (net of fees) on leveraged loans and loan commitments and €1,500m on relative value trading in both debt and equity, structured credit products and residential mortgage backed securities.	
 Citi	(680)	(1,470)	(2,150)	230	(1,920)	Write-downs of \$1,352m on highly leveraged finance commitments, \$1,561m on the value of warehouse assets for future CDO and CLO securitisations and CDO positions. Losses of \$636m in credit trading. A further \$270m was recognised in the 10Q in relation to performed discount rates across all the above sectors.	
 UBS	(200)	(2,260)	(2,460)		(2,460)	Write-downs of \$79m on CDOs and US sub-prime mortgages (increase from \$4.5m in value of earnings pre-release) and \$463m (net of fees) related to all corporate and financial sponsor non-investment grade lending commitments.	
 Merrill Lynch	(230)	(3,970)	(4,200)	300	(3,900)		

* For losses in local currency, please see Appendix IV

** Bear Stearns, Goldman Sachs, JP Morgan and Citi disclosed gains on own credit in their conference calls but not their results announcements

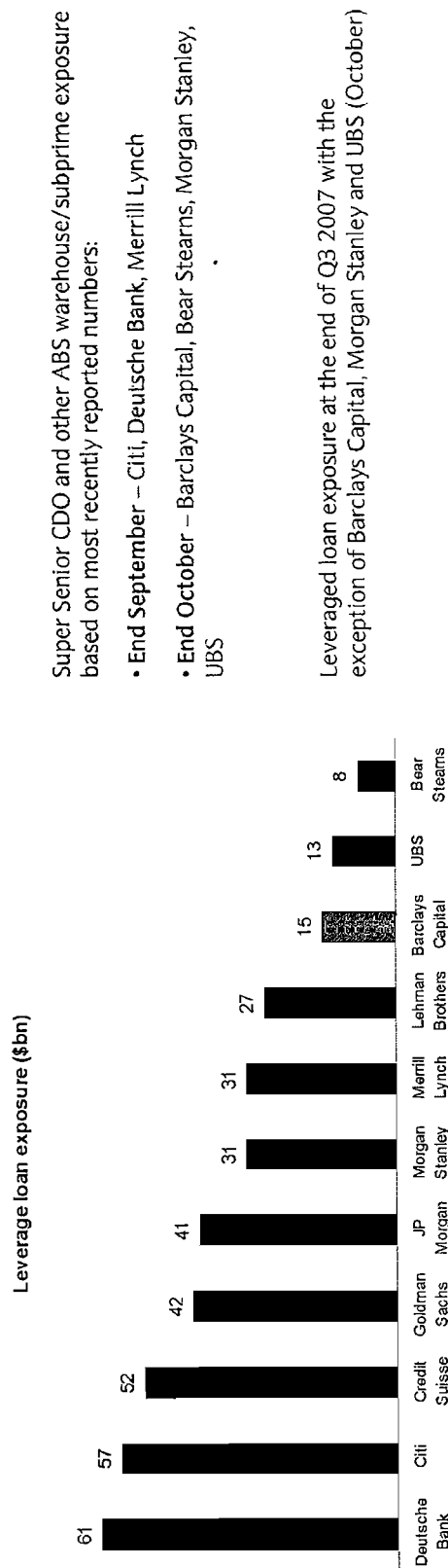
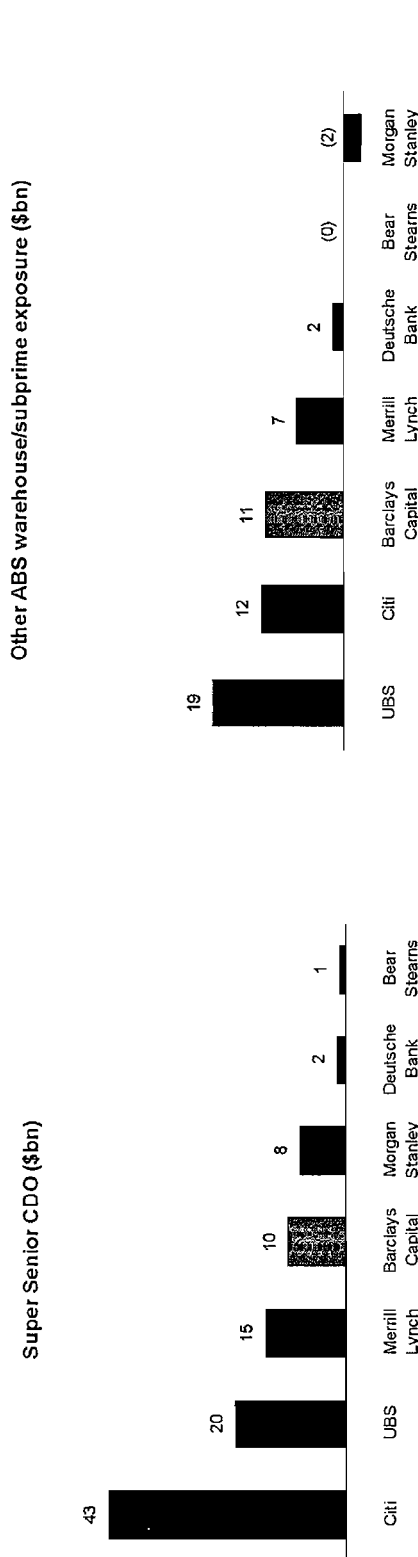
BarCap's own credit is low as a proportion of long term financial liabilities at FV

	Currency	Q3 2007 Own Credit (m)	LT Fin Liabilities @FV (bn)	Own Credit as % LT Fin Liabilities @FV	Balance Sheet Date
Deutsche	€	20	21.3	0.1%	30 Sep 07
Barclays ¹	£	208	49.6	0.4%	30 Sep 07
Credit Suisse	CHF	620	114.0	0.5%	30 Sep 07
JP Morgan	\$	450	67.8	0.7%	30 Sep 07
Merrill Lynch	\$	600	70.1	0.9%	28 Sep 07
Morgan Stanley	\$	390	30.6	1.3%	31 Aug 07
Citigroup	\$	470	31.8	1.5%	30 Sep 07
Goldman Sachs	\$	300	14.5	2.1%	31 Aug 07
Lehman Brothers ²	\$	500	23.0	2.2%	31 Aug 07
Bear Stearns	\$	230	8.9	2.6%	31 Aug 07

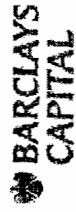
¹ If we include own credit booked in October of £212m, Barclays Capital's own credit as % LT FL@FV increases to 0.8%

² Lehman Brothers did not disclose a number for own credit - \$500m is a Barclays Capital estimate

...while net exposure at the end of October is low compared to the peers that have provided a similar level of disclosure recently...



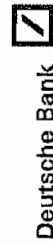
... despite credit and mortgage related losses, many benefited from a flight to quality ...



- Record quarter for interest rate, equity and currency products
- Second best ever quarter for private equity and emerging markets



- Record quarter for Advisory



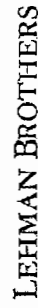
- Record performance in FX & Money Markets, Advisory and Investment Management



- Investment banking produced record quarterly net revenues driven by results in Financial Advisory, which were 64% higher than the previous record
- Fixed Income, Currency and Commodities generated record quarterly net revenues



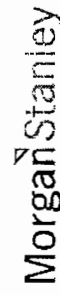
- Record quarter for advisory services



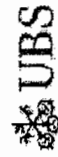
- Record quarter for Advisory and Investment Management



- Record net revenues in interest rates and currencies
- Investment Banking generated record net revenues for fiscal third quarter


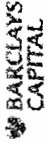
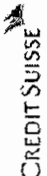
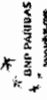





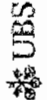


- Record results in Interest Rate and Currency Products
- Record results in Derivatives and Prime Brokerage



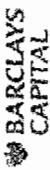




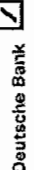

- Cash equities rose on strong global volumes in the quarter, as record levels of transactions were processed
- Record quarter for exchange-traded derivatives driven by greater volatility and higher volumes and in FX spot business

YTD 2007 Competitor Results Summary

	Net Inc' Growth YTD 07/06 (%)	PBT Growth YTD 07/06 (%)	Cost/Net Inc' Ratio YTD 07 (%)	Comments
 Goldman Sachs	23	21	55	<ul style="list-style-type: none"> Equity Trading up 44% and FICC up 13% Negative net income-cost jaws of 1% as a result of a 1% deterioration in cost: net income ratio
Morgan Stanley	23	19	64	<ul style="list-style-type: none"> Doubling of M&A advisory and equity underwriting income; debt underwriting up 24% Equity sales & trading up 28% yoy; fixed income sales and trading up 21% Cost: net income ratio and net income-cost jaws both deteriorated by (1)%
 BARCLAYS CAPITAL	16	19	63	<ul style="list-style-type: none"> Excellent growth in commodity, interest rate, currency, equity and emerging market products Lower cost: net income ratio than all US IBs and positive net income-cost jaws of 2%
LEHMAN BROTHERS	14	10	68	<ul style="list-style-type: none"> Equities up 66% yoy; Debt and equity underwriting up 26% and 36% yoy respectively. Fixed income down 19% yoy Cost: net income ratio deteriorated by 1% yoy with negative net income-cost jaws of 2%
 CREDIT SUISSE	12	25	72	<ul style="list-style-type: none"> Equity trading up 33%; advisory up 42% and equity underwriting up 35% Debt underwriting flat while fixed income deteriorated by 4% Cost: net income ratio improved by 3% with positive net income-cost jaws of 4%
 BNP PARIBAS	10	10	55	<ul style="list-style-type: none"> Equity up 16%, fixed income up 21% and financing businesses up 1% yoy Cost: net income ratio remains constant, with negative net income-cost jaws 1%
 JPMorgan Chase	4	7	70	<ul style="list-style-type: none"> Fixed income down 14%; Advisory, equity underwriting and equity markets all grew by at least a third Cost: net income ratio remains constant yoy with negative net income-cost jaws of 3%
 citi	3	(17)	66	<ul style="list-style-type: none"> Debt underwriting down 34% yoy and fixed income markets down 4% Equity underwriting up 87% yoy and equity markets up 37% yoy Cost: net income ratio deteriorated by 7% yoy with negative net income-cost jaws of 1%
Deutsche Bank		(14)	70	<ul style="list-style-type: none"> Debt underwriting down 58% and debt sales & trading down 6% Equity underwriting up 33% and equity sales & trading up 19%; Advisory up 37% Cost: net income ratio deteriorated by 5% resulting in negative net income-cost jaws of 7%
 SOCIETE GENERALE	(3)	(7)	56	<ul style="list-style-type: none"> FICC down 27%; Financing & Advisory up 5% and equities up 17% Cost: net income ratio deteriorated by 1% resulting in negative net income-cost jaws of 2%
 BEAR STEARNS	(7)	(31)	75	<ul style="list-style-type: none"> Fixed income down 27% yoy Cost: net income ratio deteriorated by 8%, resulting in negative net income-cost jaws of 12%
Bank of America	(24)	(65)	85	<ul style="list-style-type: none"> Fixed income down 50% and equity markets down 8% Advisory up 56% and debt underwriting up 9%; equity underwriting remained constant Cost: net income ratio deteriorated 18%, resulting in negative net income-cost jaws of 20%
 MERRILL LYNCH	(28)	(100)	100	<ul style="list-style-type: none"> FICC down 103% yoy and equity markets up 23% Debt origination up 13%; Equity origination up 68% and strategic advisory services up 45%
 UBS	(32)	(101)	101	<ul style="list-style-type: none"> Fixed income, currencies and commodities down 102% yoy; equities and investment banking up 16% and 45% respectively Negative R-C jaws of 28%

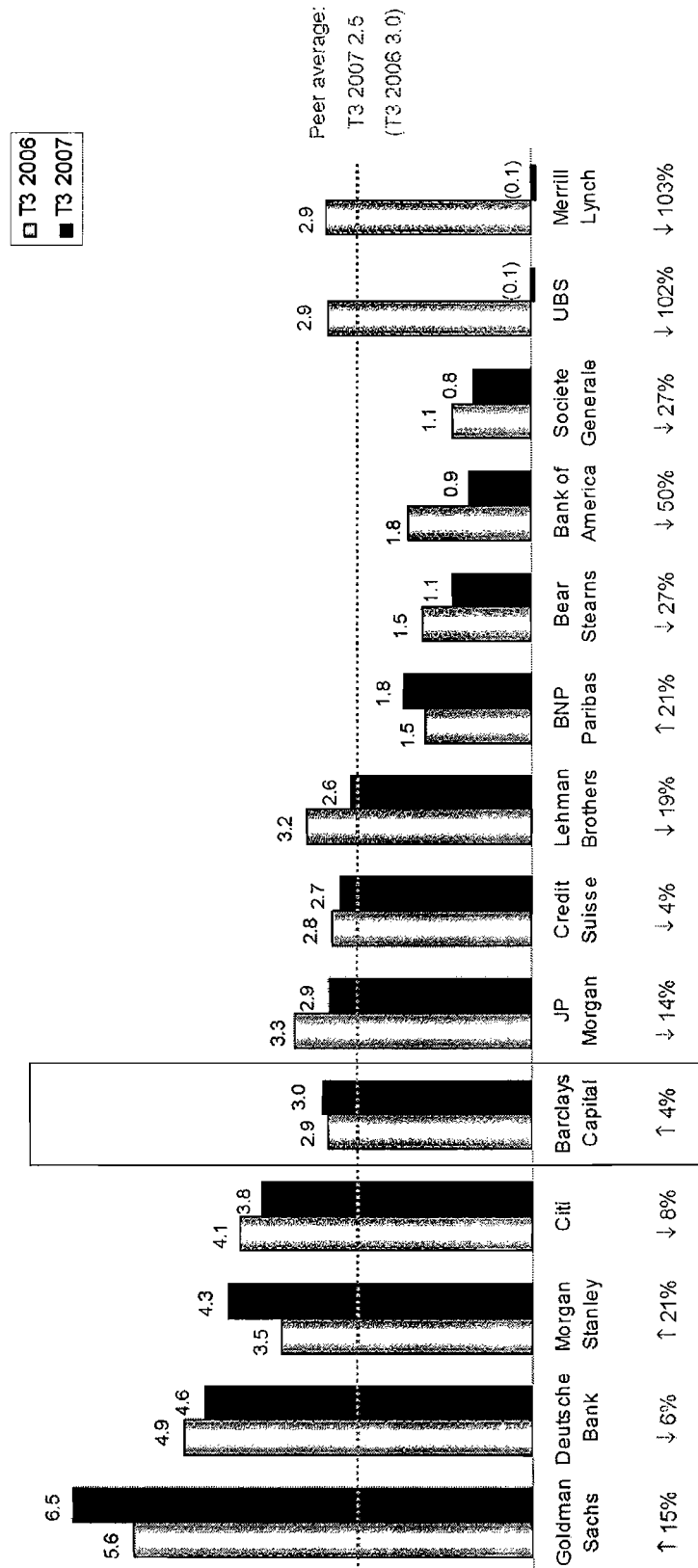
Note: For Goldman Sachs, Morgan Stanley JP Morgan and Citi, dark blue blocks and commentary exclude the estimated impact of one off adjustments for SFAS 123 (compensation cost in Q106) and SFAS 157 (mark to market adjustments in Q107). Reported numbers shown in pale blue

Q4 Losses Outlook (£m)

	Q4 Losses	Q4 2007 Comments per Results Announcement	Q4 2007 Comments post Results Announcement
 BARCLAYS CAPITAL	(800)	October losses per trading update - £0.7bn CDO positions, £0.2bn other US Subprime, £0.1bn own credit	
 BEAR STEARNS	(580)		Q4 losses of \$1.2bn announced at the Merrill Lynch Banking & Financial Services Investors Conference on 14 Nov 2007 ("ML Conference") and not as a formal announcement to the market)
 Morgan Stanley	(1,860)		Forecasted losses of \$3.7bn for the two months ended 31 Oct 2007 (representing a decline of approximately \$2.5bn in net income after tax)
 Bank of America	(1,510)		Q4 2007 losses as announced at the ML Conference and not as a formal market announcement
 cit	(4,010) to (5,520)		Forecasted Q4 2007 losses of \$8.0-11.0bn; these include approximately \$2.7bn of CDO warehouse inventory and unsold tranches of ABS CDOs, \$4.2bn of sub-prime loans and \$4.8bn of financing transactions secured by sub-prime collateral
 Deutsche Bank	NA	"We have made a positive start to the fourth quarter, and assuming markets function at normal levels, we reaffirm our commitment to delivering on our 2008 financial targets" Dr Josef Ackermann	
 UBS	NA	"...we are not assuming that the [fourth] quarter will continue as positively as it has begun, or that the current difficulties will be resolved in the short term" Letter to Shareholders	

Our fixed income business continues to be ahead of JP Morgan, Credit Suisse, Lehman Brothers, UBS and Merrill Lynch

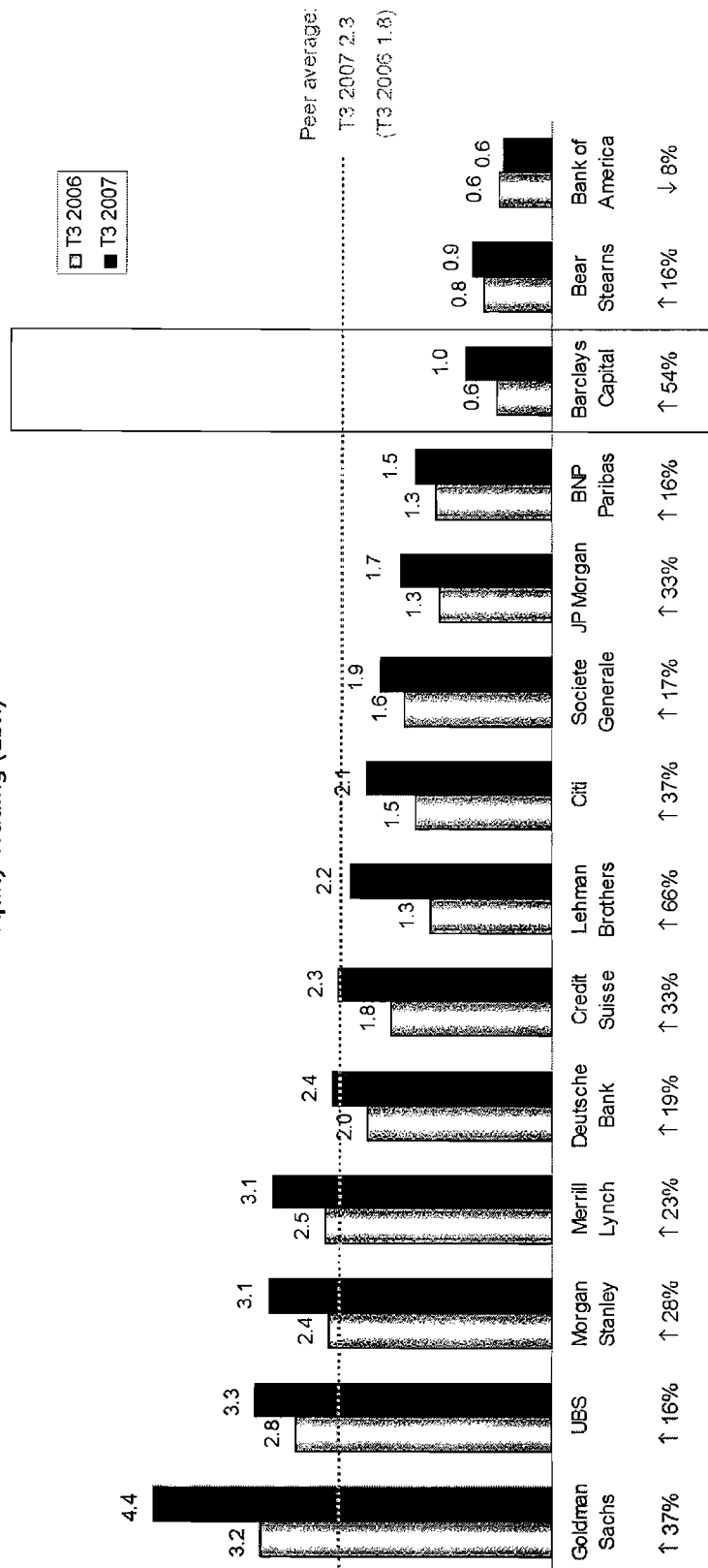
Fixed Income (£bn)



Note:
For details of how income is classified for Barclays Capital and our peers, please refer to Appendix V

Our equities business has the second highest yoy growth rate even though most of our peers have significant low margin cash equities businesses

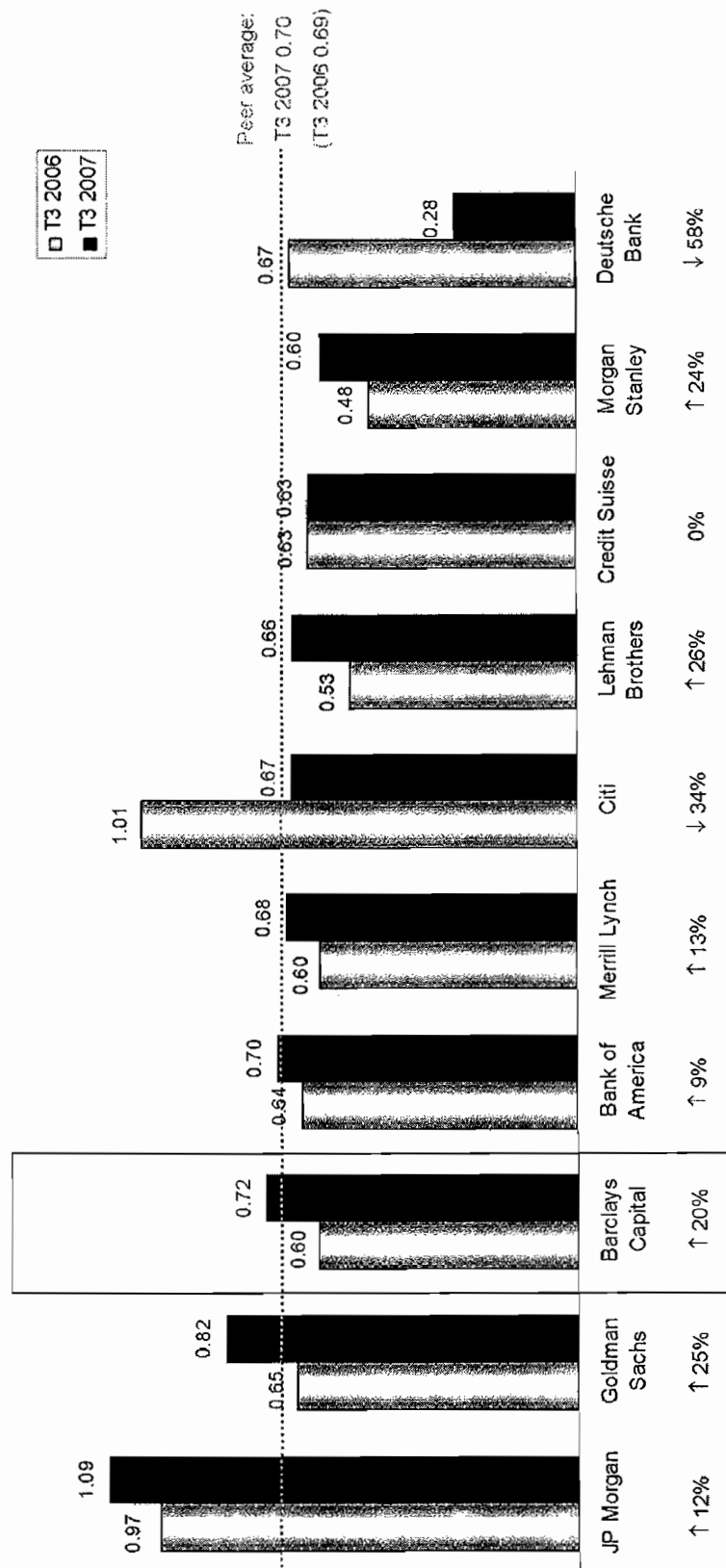
Equity Trading (£bn)



Note:
For details of how income is classified for Barclays Capital and our peers, please refer to Appendix V

Only JP Morgan and Goldman Sachs have larger debt underwriting business than Barclays Capital

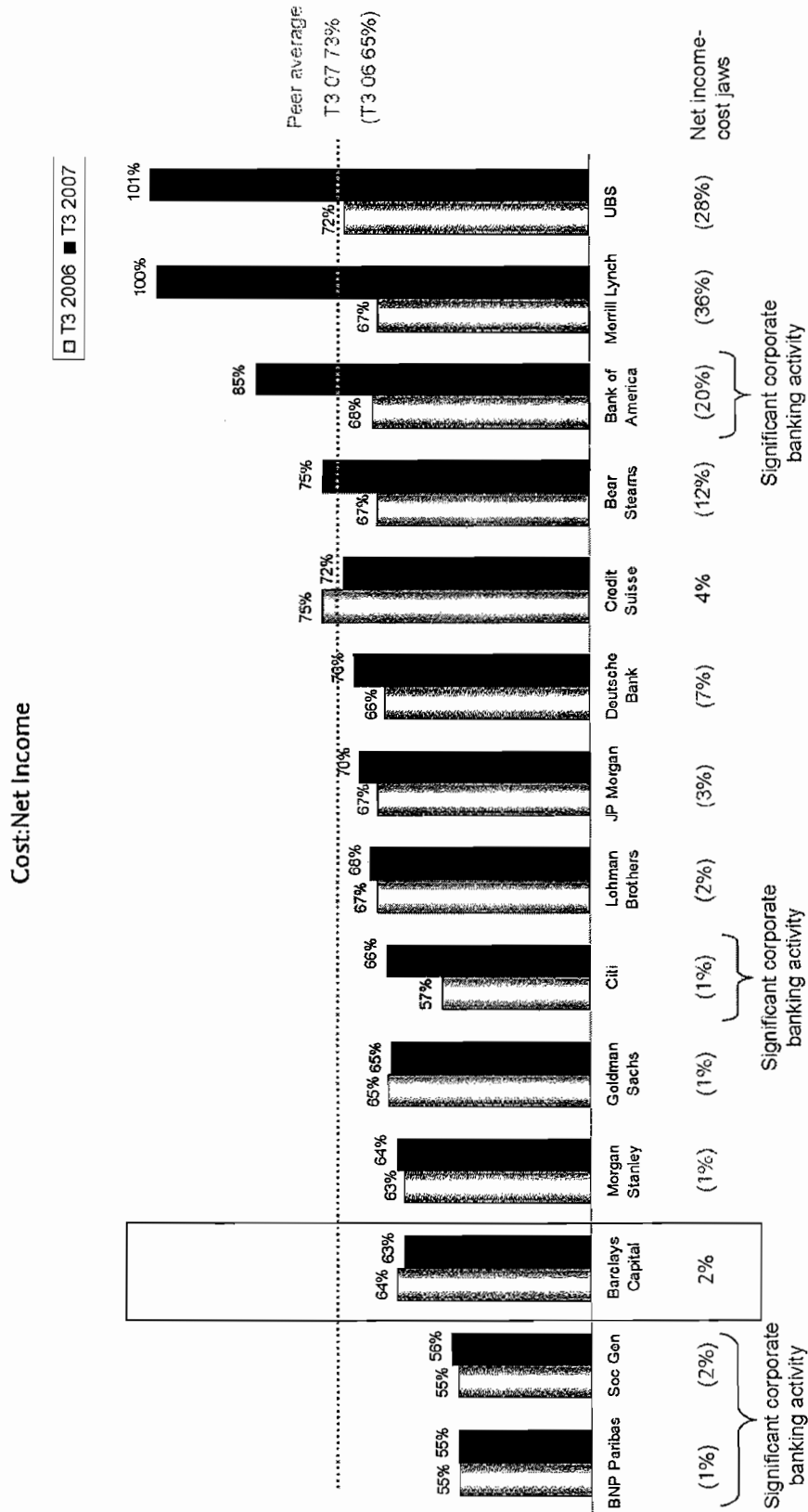
Debt Underwriting (£bn)



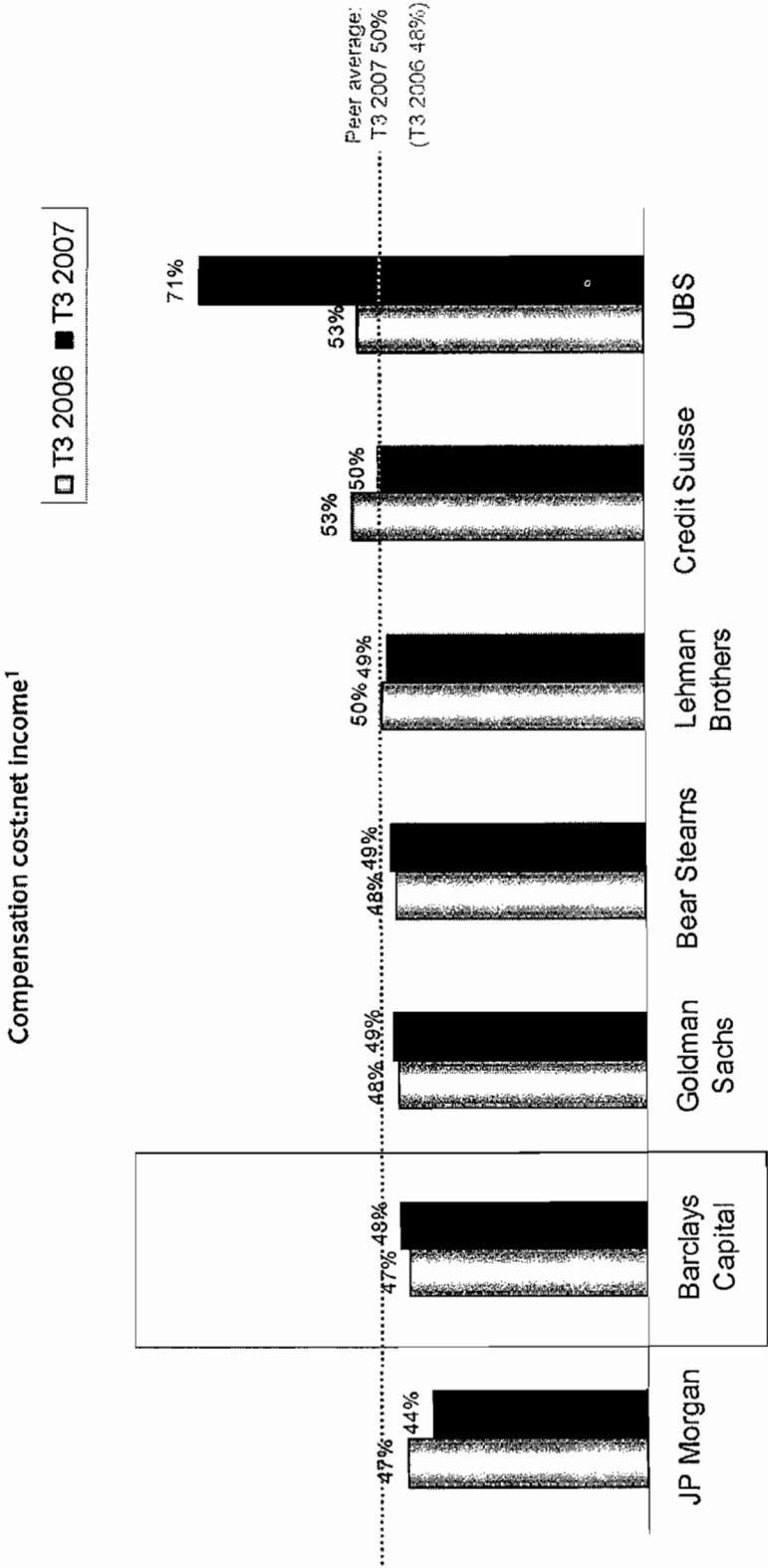
Notes:

1. For details of how income is classified for Barclays Capital and our peers, please refer to Appendix V
2. Bear Stearns, UBS, BNP Paribas and Societe Generale do not disclose debt underwriting income

Excluding our peers with significant corporate banking activities, we have the lowest cost:net income ratio of 63%, 10% better than peer average

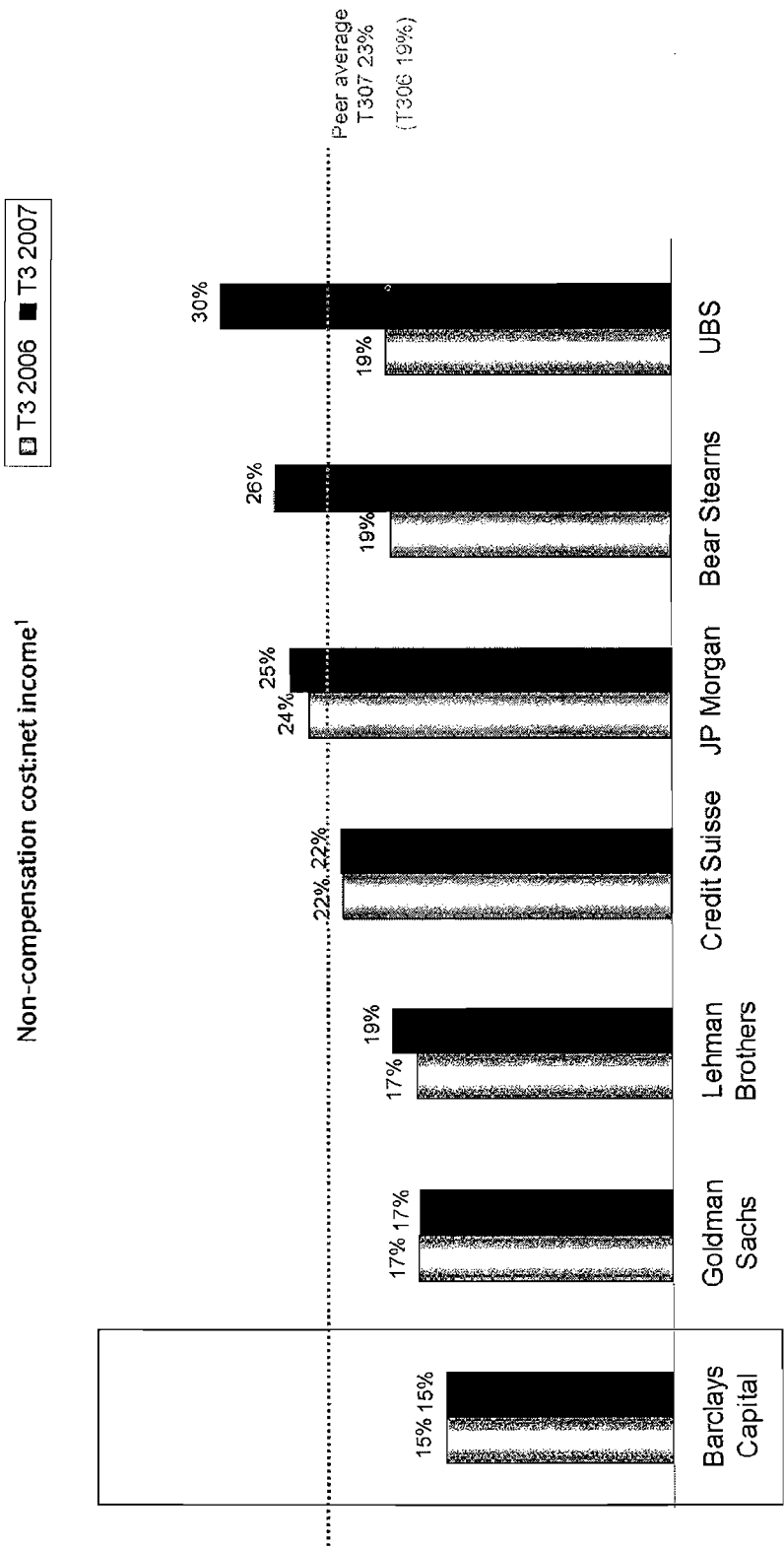


Our compensation cost:net income ratio is 1% better than the peer average¹



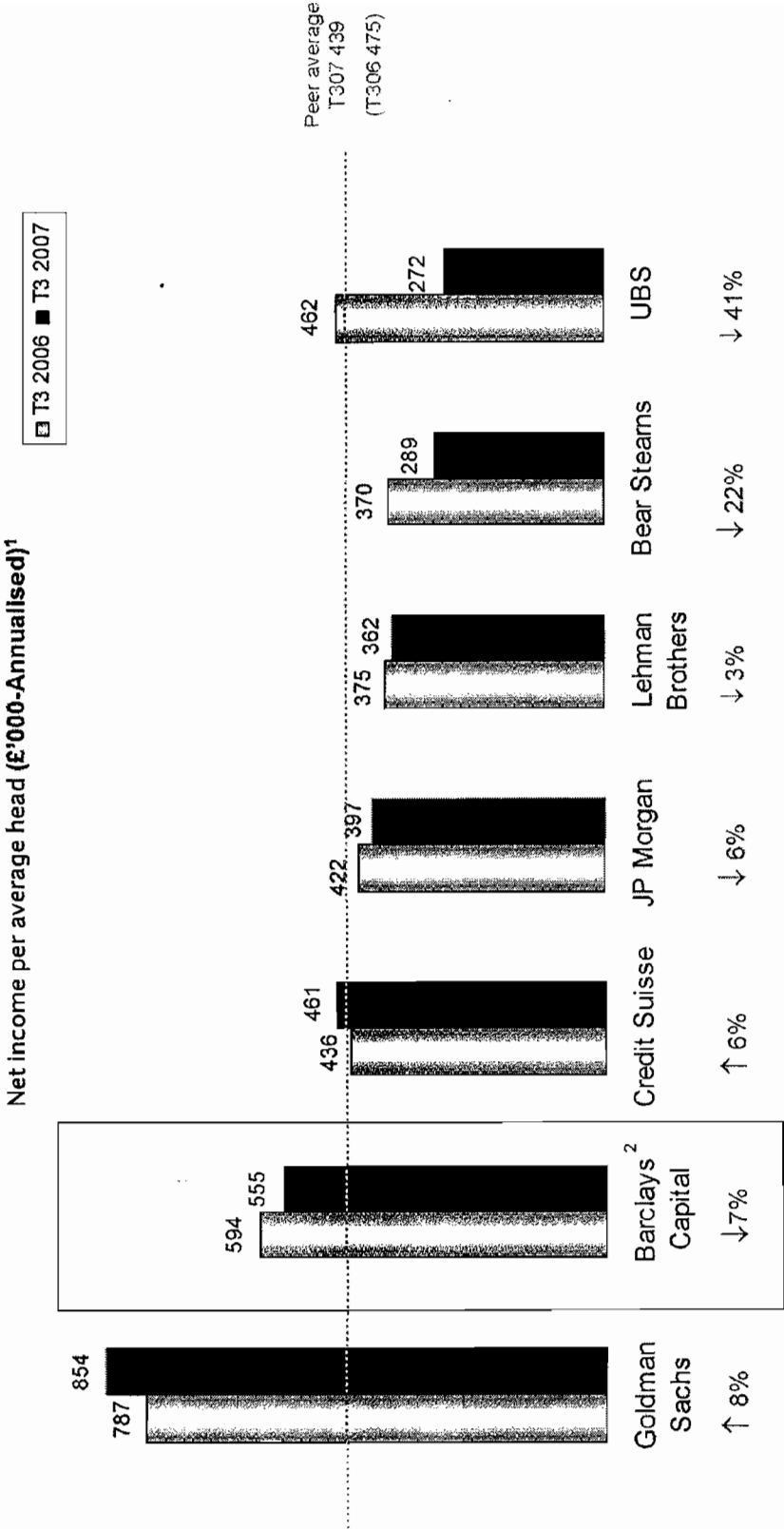
Notes:
1. Not all competitors disclosed separate compensation figures

Our non-compensation cost: net income ratio remains unchanged and is the most favourable among peers



Notes:
1. Not all competitors disclose separate compensation figures

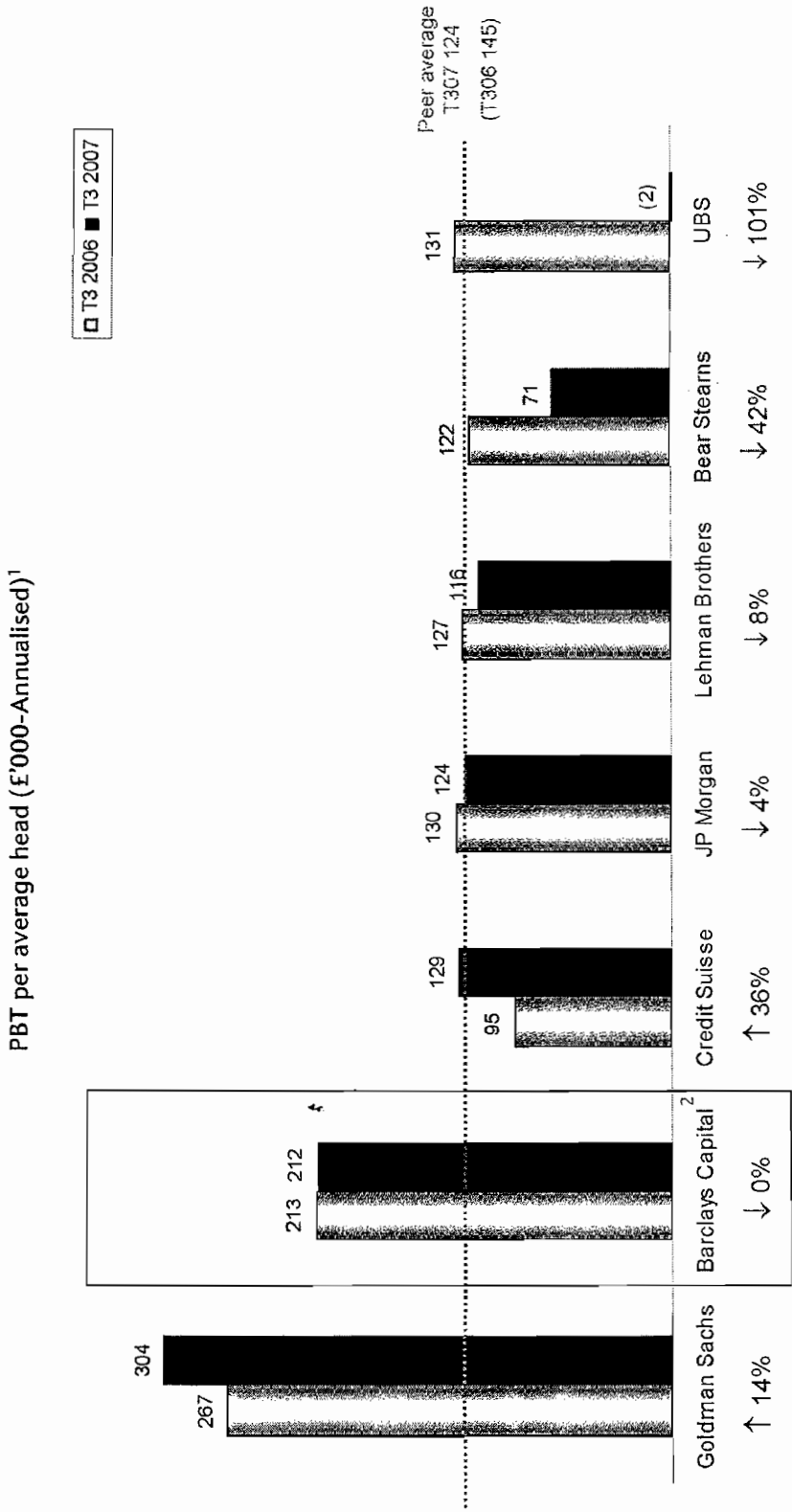
Our net income per average head remains second only to Goldman Sachs



Notes:

- 1. Not all competitors disclose segmental headcount data
- 2. Barclays Capital's data exclude contribution and headcount from HomeEq and Equifirst; including HomeEq and Equifirst net income per head is £484k

Our PBT per average head also remain second only to Goldman Sachs

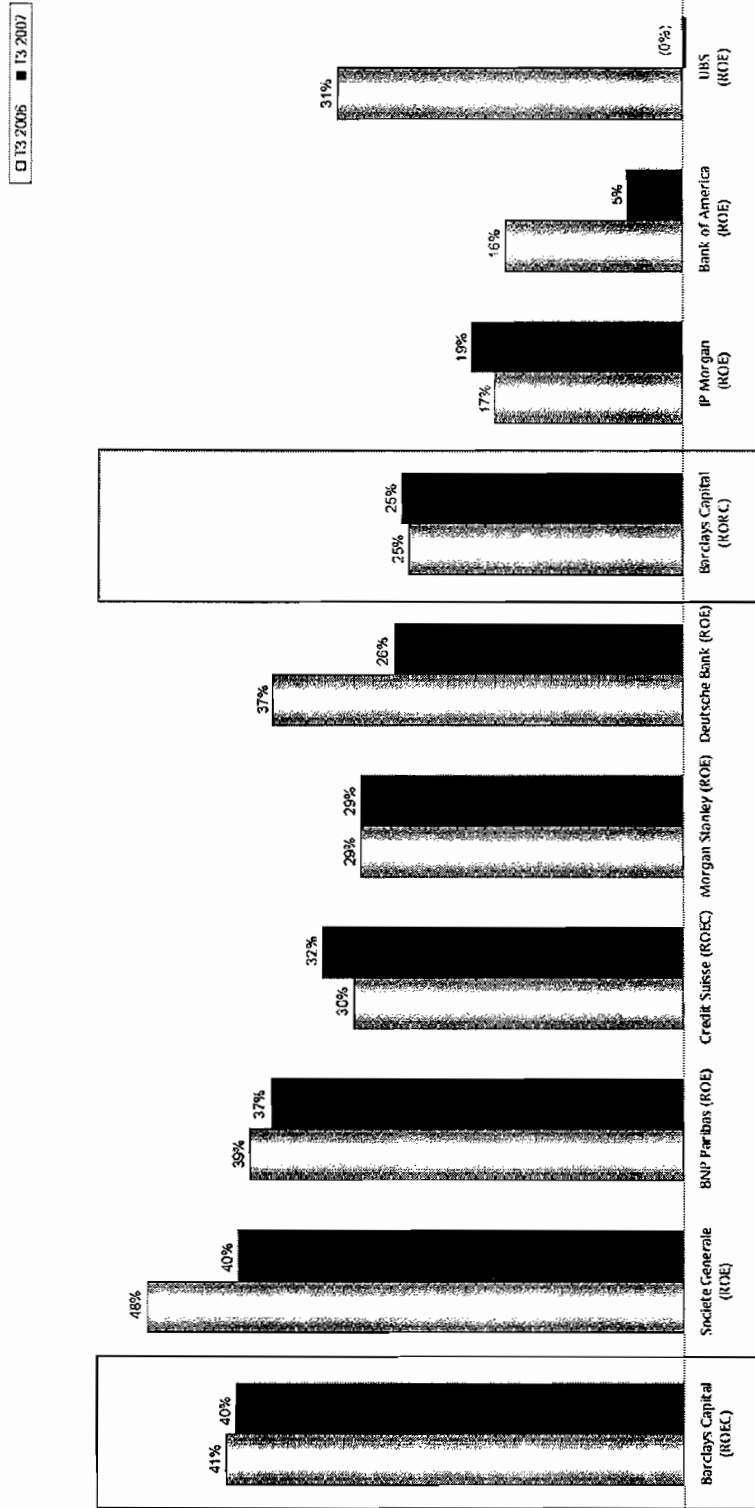


Notes:

- 1. Not all competitors disclose segmental headcount data
- 2. Barclays Capital's data exclude contribution and headcount from HomeEq and Equifirst; Including HomeEq and Equifirst PBT per head is £178k

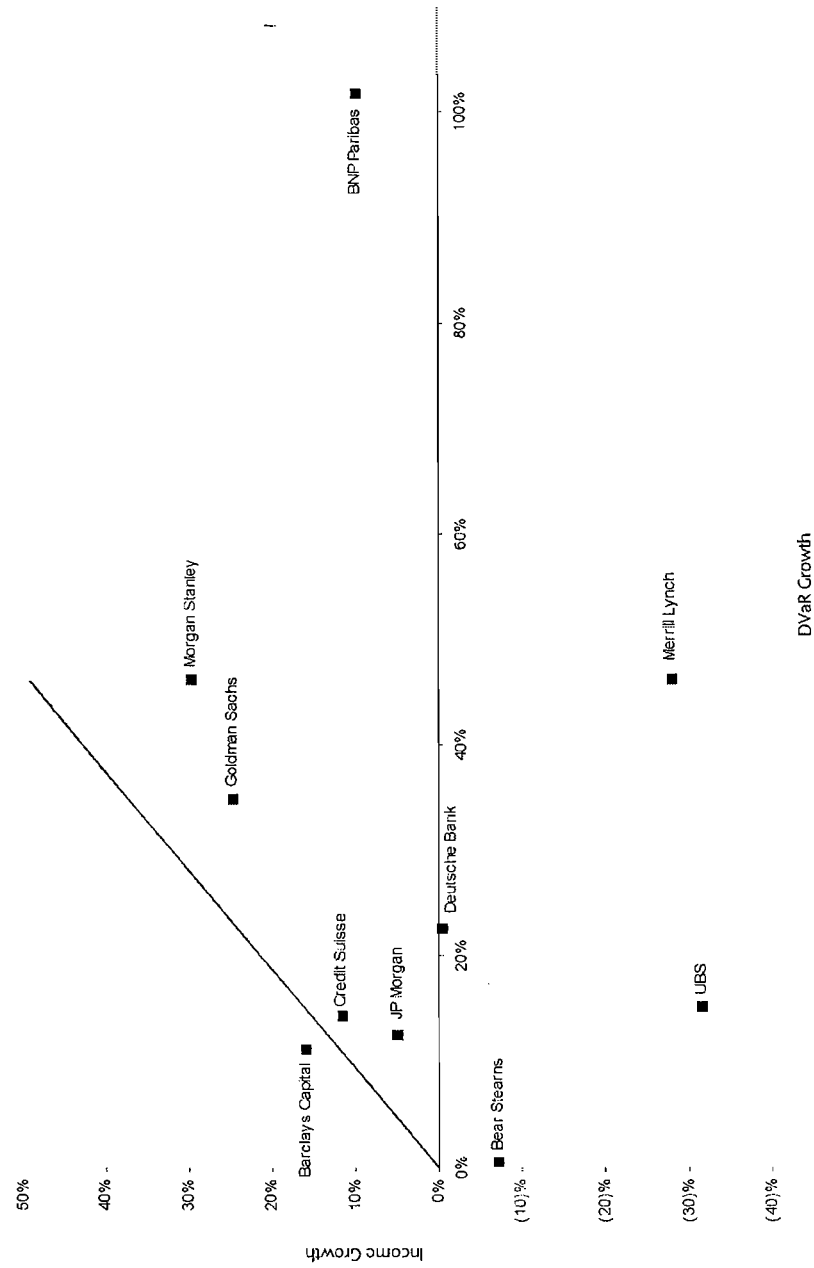
Our ROEC remains the highest return metric of the peer group

Return metrics

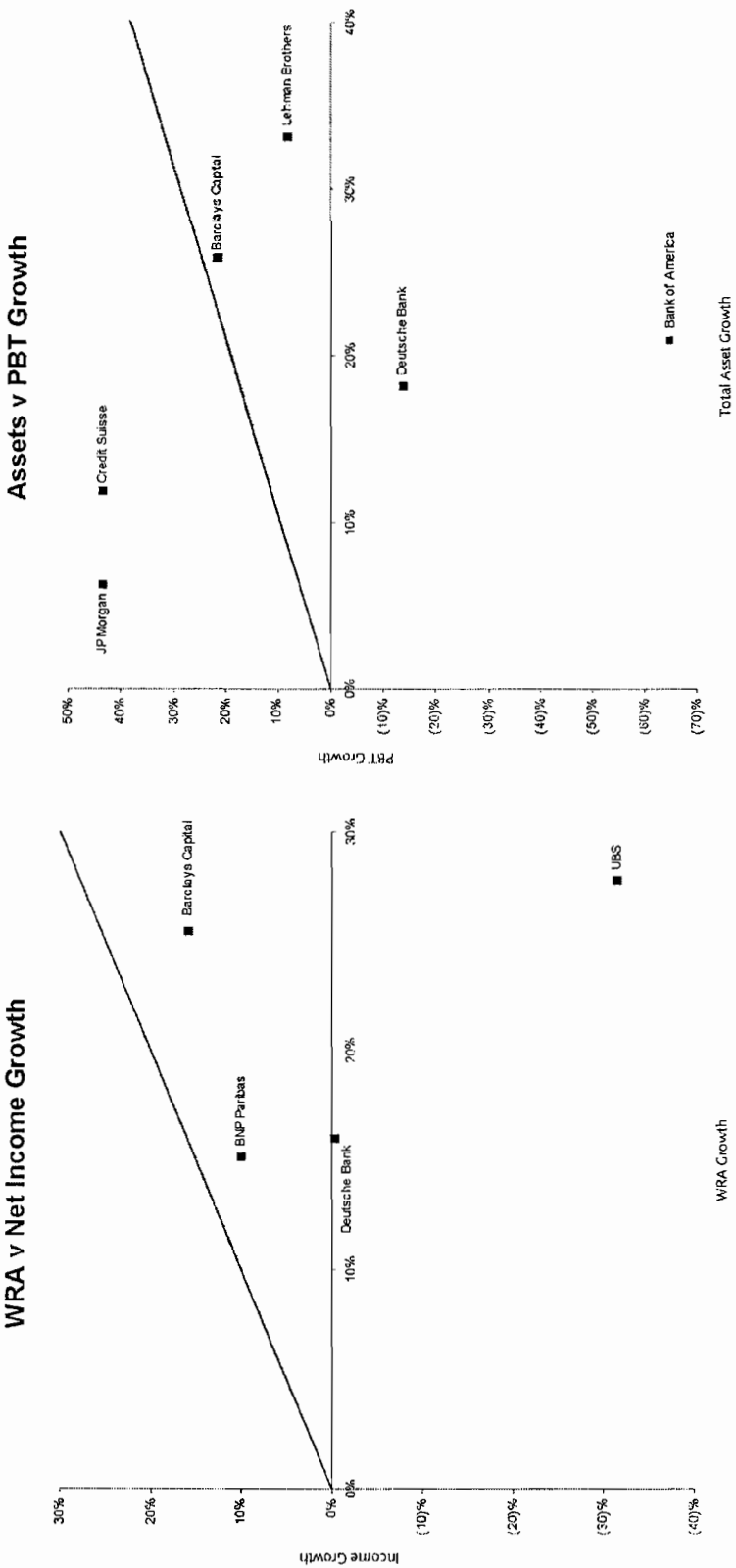


Our DVaR growth is significantly below net income growth

Average DVaR v Net Income Growth (T3 2007 v T3 2006)



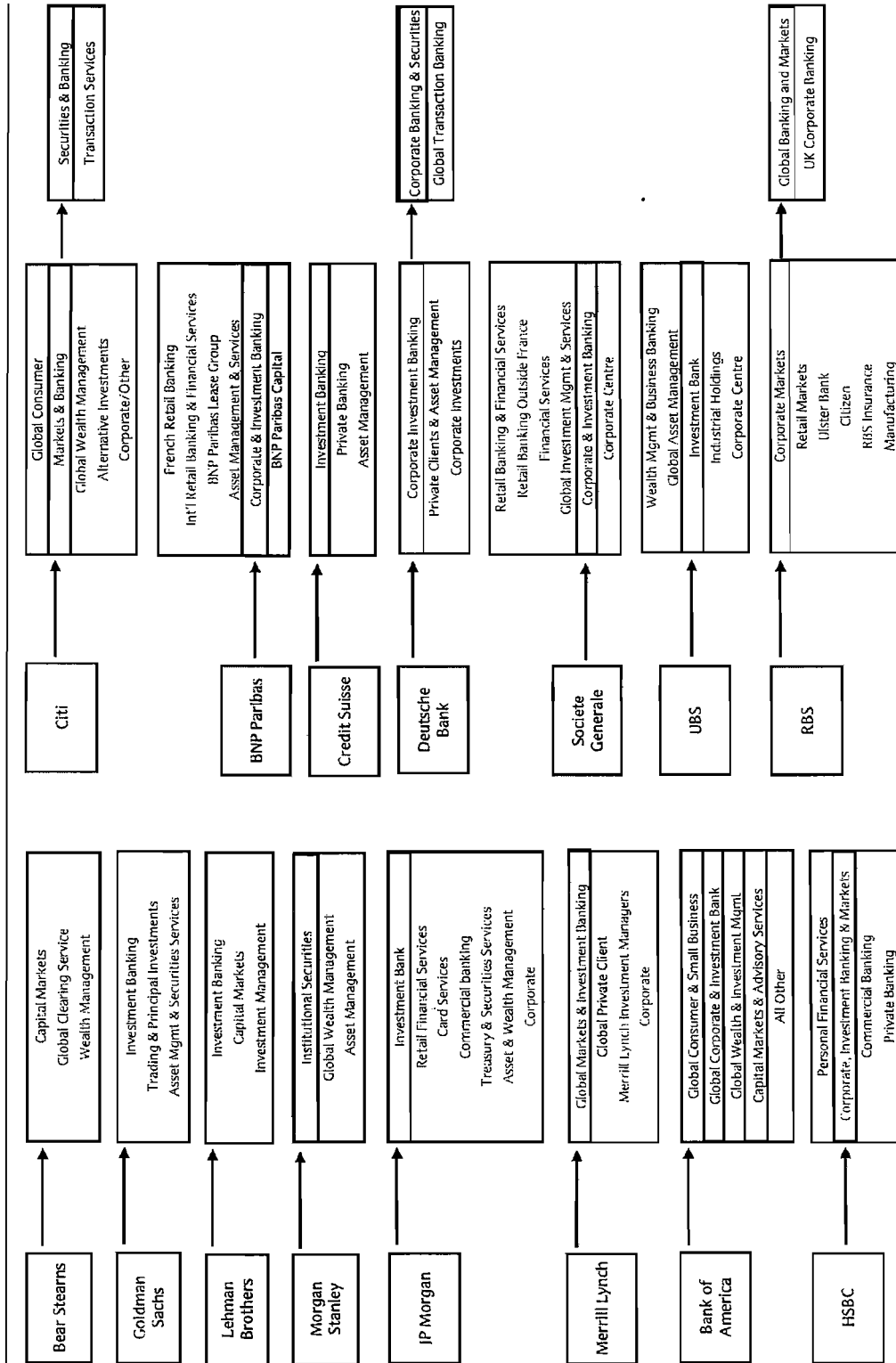
WRA & Total Assets Growth (T3 2007 v T3 2006)



Note: Limited segmental disclosure by peers

Appendix

Family Tree



Barclays Capital – third in YTD net income growth on a two year view

£bn		Net Income			Net Income CAGR		PBT		PBT CAGR		
		T3 2005	T3 2006	T3 2007	1 year	2 years	T3 2005	T3 2006	T3 2007	1 year	2 years
<hr/>											
Barclays Capital		3,350	4,651	5,395	16%	27%	1,157	1,667	1,987	19%	31%
<hr/>											
	Consolidated	9,483	14,227	17,494	23%	36%	2,917	5,010	6,318	26%	47%
	Institutional Securities	5,800	7,873	9,711	23%	28%	1,477	2,928	3,496	19%	54%
	Corporate & Investment Banking	3,366	4,290	4,721	10%	18%	1,504	1,987	2,191	10%	21%
	BNP Paribas Capital	5,508	6,570	7,485	14%	17%	1,819	2,223	2,408	8%	15%
	Consolidated	4,902	5,963	6,659	12%	17%	542	1,490	1,857	25%	85%
	Investment Banking	2,963	3,650	3,546	(3%)	9%	1,284	1,677	1,568	(6%)	11%
	Corporate & Investment Banking	7,265	8,682	8,652	(0%)	6%	2,155	2,946	2,543	(14%)	NM
	Investment Banking	6,161	6,987	7,255	4%	8%	2,358	2,274	2,209	(3%)	(3%)
	Consolidated	2,790	3,431	3,184	(7%)	7%	818	1,135	787	(31%)	(2%)
	Capital Markets & Banking	8,412	8,568	8,834	3%	2%	3,895	3,663	3,043	(17%)	NM
	Alternative Investments	5,215	6,795	4,888	(28%)	(3%)	1,760	2,267	3	(100%)	NM
	Global Markets & Investment Banking	2,636	3,211	2,430	(24%)	(4%)	894	1,041	362	(65%)	NM
	Global Corporate & Investment Bank/ Capital Markets & Advisory Services	5,301	6,653	4,546	(32%)	(7%)	1,566	1,886	(26)	(101%)	NM
	Investment Banking										
<hr/>											
Barclays Capital Ranking		3			3		4		4		
<hr/>											
	US Average	5,751	7,208	7,660	6%	15%	1,592	2,568	2,328	(9%)	6%
	European Average	4,759	5,848	5,625	(4%)	9%	1,410	1,997	1,627	(19%)	NM
	Peer Average	5,369	6,685	6,877	3%	13%	1,768	2,348	2,058	(12%)	NM

Notes:

¹ Goldman Sachs recorded a \$0.3bn one-off compensation cost in Q1 2006 due to the adoption of SFAS 123 and a \$0.5bn one-off gain due to the adoption of SFAS 157 (where investments are adjusted to market value rather than historical cost) in Q1 2007. Including these adjustments, reported YTD 2007 income and PBT growth was 25% and 31% respectively.

² Morgan Stanley recorded a \$0.1bn one-off compensation cost in Q1 2006 due to the adoption of SFAS 123, including this adjustment, reported YTD 2007 PBT growth was 8%.

³ Lehman Brothers recorded a \$0.08bn one-off credit to compensation costs in Q1 2006 due to the adoption of SFAS 123, including this adjustment, reported YTD 2007 PBT growth was 8%.

⁴ Excluding a large write down of \$0.1bn in Q3 2006, YTD 2007 PBT would otherwise have decreased by 21%.

⁵ JP Morgan recorded a \$0.3bn one-off compensation cost in Q1 2006 due to the adoption of SFAS 123 and a \$0.2bn one-off gain due to the adoption of SFAS 157 in Q1 2007. Including these adjustments, reported YTD 2007 income and PBT growth were 5% and 7% respectively.

⁶ Citic recorded a \$0.3bn one-off compensation cost in Q1 2006 due to the adoption of SFAS 123 and a \$0.3bn one-off gain due to the adoption of SFAS 157 in Q1 2006. Citic also recorded a \$0.3bn one-off compensation cost in Q1 2006 due to the adoption of SFAS 123 and a \$0.4bn one-off gain due to the adoption of SFAS 157 in Q1 2007. Including this adjustment, reported YTD 2007 PBT declined 7%.

⁷ Merrill Lynch recorded a \$1.4bn one-off compensation cost in Q1 2006 due to the adoption of SFAS 123. Including this adjustment, PBT also decreased 100%.






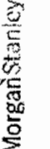
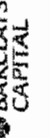



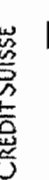
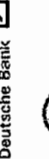



Barclays Capital –

third in quarter on quarter net income growth on a two year view

Appendix III

£bn	Net Income		Net Income CAGR		PBT		PBT CAGR	
	Q3 2005	Q3 2006	Q3 2007	1 year	Q3 2005	Q3 2006	1 year	2 years
	1,078	1,284	1,252	(2%)	468	421	(22%)	(16%)
Barclays Capital				8%				
Goldman Sachs ¹	3,725	3,818	6,210	63%	1,211	1,189	80%	33%
Morgan Stanley ²	2,096	2,464	2,509	2%	596	974	(23%)	12%
BNP Paribas	1,177	1,293	1,340	4%	518	607	(11%)	2%
Lehman Brothers ³	1,939	2,104	2,169	3%	651	688	(12%)	(3%)
Soc Gen	1,037	1,046	779	(26%)	455	491	(43%)	(21%)
Bear Stearns ⁴	915	1,073	669	(38%)	293	337	(74%)	(46%)
JP Morgan ⁵	2,284	2,426	1,379	(43%)	841	800	(77%)	(53%)
Credit Suisse	1,834	1,738	858	(51%)	388	313	(99%)	(93%)
Citi ⁶	2,943	2,408	1,101	(54%)	1,288	1,008	(140%)	NM
Deutsche Bank	2,427	2,376	869	(63%)	766	696	(117%)	NM
Merrill Lynch ⁷	1,828	2,216	(1,495)	(167%)	646	738	(402%)	NM
Bank of America	926	967	(90)	(109%)	332	237	(340%)	NM
UBS	1,928	1,850	(583)	(132%)	570	445	(440%)	NM
Barclays Capital Ranking				5			4	5
US Average	2,082	2,185	1,557	(29%)	732	746	(90%)	(69%)
European Average	1,681	1,661	653	(61%)	539	510	(162)	NM
Peer Average	1,928	1,983	1,209	(39%)	658	656	(18)	NM

Q3 Announced Credit Losses (local currency)

	Leveraged loans	MBS/ ABS/ Credit Derivatives	Sub Total	Credit Spread Gains*	Quant losses	Total
 HSBC	\$m (175)	(750)	(925)	1,300		375
 JPMorgan Chase	€m (190)	(100)	(290)	40		(250)
 SOCIÉTÉ GÉNÉRALE	€m (100)	(230)	(330)			(330)
 BEAR STEARNS	\$m (250)	(450)	(700)	230		(470)
 LEHMAN BROTHERS	\$m (700)		(700)			(700)
 Morgan Stanley	\$m (940)		(940)	390	(480)	(1,030)
 BARCLAYS CAPITAL	€m (30)	(720)	(750)	210		(540)
 Citigroup	\$m (1,480)		(1,480)	300		(1,180)
 JPMorgan Chase	\$m (1,300)	(340)	(1,640)	450		(1,190)
 Bank of America	\$m (250)	(1,130)	(1,380)			(1,380)
 CREDIT SUISSE	CHF (1,100)	(1,100)	(2,200)	620	(300)	(1,880)
 Deutsche Bank	€m (600)	(1,600)	(2,200)	20		(2,180)
 citi	\$m (1,350)	(2,930)	(4,280)	470		(3,810)
 UBS	CHF (480)	(5,300)	(5,780)			(5,780)
 Merrill Lynch	\$m (460)	(7,900)	(8,360)	600		(7,760)

* Bear Stearns, Goldman Sachs, JP Morgan and Citic disclosed gains on own credit in their conference calls but not their results announcements

Classification of Income Streams

Income streams for both Barclays Capital and our peers are classified, where possible, into the following types:

Competitors Income Breakdown

Revenue Item	Components
Fixed income	Interest rate products
	FX
	Commodities
	MBS/ABS
	Credit derivatives
Equities	Credit trading
	Emerging Markets
	Cash trading
	Equity derivatives
	Convertibles
Debt Underwriting	Prime Services
	Bond underwriting
	Loan syndication
	Leveraged finance

Barclays Capital Income Breakdown – T3 2007 v T3 2006

£m	T3 2007	T3 2006	% Δ	Comment
FI and Rates	3,011	2,898	4%	All other income
Equities	972	629	54%	Equities and Equity Financing
Credit Portfolio	376	256	47%	Portfolio Management
Capital Markets	4,359	3,784	15%	
Debt underwriting	724	603	20%	Global Loans, Primary Bonds, CMBS origination
Private Equity	278	238	17%	Private Equity, PI, EBS (FX)
Other	107	70	54%	Risk Finance, Conduit
Total	5,468	4,695	16%	

EXHIBIT 53

The New York Times

WORLD BUSINESS

UBS Reports a Quarterly Loss

BLOOMBERG OCT. 30, 2007

Oct. 30 (Bloomberg) -- UBS AG, Europe's largest bank by assets, reported its first quarterly loss in almost five years after declines in the U.S. subprime mortgage market led to \$4.4 billion in losses and writedowns on fixed-income securities.

The third-quarter net loss was 830 million Swiss francs (\$712 million), or 49 centimes a share, compared with net income of 2.2 billion francs, or 1.07 francs, a year earlier, Zurich-based UBS said in a statement today. The loss exceeded the 683 million-franc estimate of nine analysts surveyed by Bloomberg.

The slumping U.S. housing market, which cost the world's biggest securities firms and banks more than \$30 billion in bad loans and trading losses in the quarter, may lead to further writedowns, UBS reiterated today. Chief Executive Officer Marcel Rohner, who replaced Peter Wuffli four months ago, said losses at the investment bank outweighed record earnings at UBS's wealth management operation, the world's biggest.

"They didn't have very good control over what was happening at their investment bank," said Mark Glazener, a fund manager at Rotterdam-based Robeco, which holds about \$65 million of UBS shares. "It's still not very clear what is going on."

UBS shares fell 55 centimes, or 0.9 percent, to 61.6 francs at 9:19 a.m. in Zurich. The bank is the sixth-worst performer in the 63-member Bloomberg Europe Banks and Financial Services Index in the past 12 months, down 21 percent. Frankfurt-based Deutsche Bank (NYSE:DB) AG lost 11 percent and Zurich-based rival Credit Suisse Group (NYSE:CS) gained about 1 percent.

Deutsche, Credit Suisse

Deutsche Bank, Germany's largest bank, said on Oct. 3 that third-quarter profit rose at least 13 percent to more than 1.4 billion euros (\$2 billion), helped by a tax gain. The Frankfurt-based company publishes detailed earnings tomorrow. Credit Suisse, which releases results Nov. 1, said earlier this month that it may report an increase in earnings from continuing operations of as much as 6 percent.

The pretax loss at UBS's securities unit was 3.68 billion francs, versus last year's profit of 1.08 billion francs. UBS's securities unit reported a loss of 3.68 billion francs in the third quarter, compared with a profit of 1.08 billion francs a year earlier. The loss was driven by a decline in trading revenue and an increase in expenses. UBS's securities unit reported a loss of 3.68 billion francs in the third quarter, compared with a profit of 1.08 billion francs a year earlier. The loss was driven by a decline in trading revenue and an increase in expenses.

Equities trading revenue was little changed at 1.71 billion francs and fees from arranging mergers jumped to 1.1 billion francs from 797 million francs a year earlier.

At the main wealth-management division, profit rose by almost a third to a record 1.62 billion francs. Earnings from U.S. wealth management, including the former Paine Webber, advanced to 181 million francs from 43 million francs. Profit at the Swiss consumer bank rose 4 percent to 591 million francs, and asset management climbed 30 percent to 369 million francs.

`Drag' on Earnings

UBS and Merrill Lynch (OTC:MERIZ) & Co. are the only two Wall Street firms to report losses in the third quarter. New York-based Merrill last week posted the biggest loss in its 93-year history after taking \$8.4 billion of writedowns. Citigroup Inc. (NYSE:C), the largest U.S. bank (NYSE:USB), had \$6.5 billion in costs for fixed-income trading and underwriting losses and consumer loans gone bad.

UBS said that while the fourth quarter "started with good results from all business," the bank can't assume it "will continue as positively as it began, or that the current difficulties will be resolved in the short term."

Debt market writedowns, which cost Chief Financial Officer Clive Standish and investment-banking head Huw Jenkins their jobs this month, will probably lead to another unprofitable quarter at the securities unit in the current three-month period, Rohner said today. The division earned 1.36 billion francs in the final three months of 2006.

Subprime Risk

Today's results "are unlikely to put an end to questions about losses from U.S. subprime," said Derek De Vries, a London-based analyst at Merrill Lynch in a note to investors. He rates the shares as "buy."

Dillon Read, which Wuffli closed earlier this year at a cost of \$300 million after traders misjudged the housing slump, lost 380 million francs in the first six months of this year. In 2006, the division accounted for \$1.2 billion, or 17 percent, of UBS's total fixed-income revenue.

Rohner, 43, UBS's fourth top manager in the past nine years, is cutting 1,500 jobs and reducing assets at the investment bank by 25 percent to 30 percent to cut risk.

UBS said that while the fourth quarter "started with good results from all business," the bank can't assume it "will continue as positively as it began, or that the current difficulties will be resolved in the short term."

UBS also said markdowns on leveraged finance positions were 480 million francs, gross of fees.

'Tougher'

"It is going to be tougher, and it's going to be tougher for quite a while," said Jane Coffey, head of equities at Royal London Asset Management, which manages about \$14 billion. "We're not really out of the credit crunch time yet and a lot of these securities are very difficult to value."

UBS last week agreed to buy Commerzbank AG's French money management unit for 435 million euros to double funds it oversees in Europe's third-largest economy. Since the start of 2006, the bank has spent more than \$4 billion on takeovers, including this year's purchase of Standard Chartered Plc's Indian mutual fund unit, and a majority in Hana Financial Group Inc.'s (OTC:HNFGF) funds unit in Korea.

With reporting by Elena Logutenkova in Frankfurt, Naga Munchetty in London and David Clarke in Edinburgh.

EXHIBIT 54

Subprimes Force UBS to Write Down \$10B

By ERNST E. ABEGG

The Associated Press

Monday, December 10, 2007; 5:21 PM

ZURICH, Switzerland -- UBS AG will write off a further \$10 billion in losses from the U.S. subprime lending market, the Swiss bank said Monday, and raise billions in capital through share sales to Singapore and an unidentified investor in the Middle East.

UBS said it will post a loss for the fourth quarter and may now record a loss for the full year as well. That comes on top of the 4.2 billion francs written off in its third quarter, making 14.2 billion francs (\$12.6 billion) in writedowns from the subprime crisis by UBS this year.

The Government of Singapore Investment Corp., a sovereign-wealth fund, is investing 11 billion Swiss francs (\$9.75 billion), while an undisclosed strategic investor in the Middle East is contributing 2 billion francs (\$1.77 billion).

As recently as the middle of November, UBS had predicted a profit for the fourth quarter despite ongoing speculation about its subprime holdings.

"Conditions in the U.S. mortgage and housing markets have continued to deteriorate, and we have updated our loss assumptions to the levels implied by the current distressed market for mortgage securities," Chief Executive Officer Marcel Rohner said in a statement.

"In our judgment these writedowns will create maximum clarity on this issue and will have the effect of substantially eliminating speculation," he said.

In October the bank downgraded the value of some assets by more than 4 billion francs (\$3.4 billion) because of exposure to bad U.S. mortgages. The writedown led to losses of 830 million francs (\$712 million) in the period ending Sept. 30, the time in nine years the bank reported a quarterly operating loss.

Western banks have lost billions on exposure to U.S. subprime loans. Cash-rich sovereign funds have been stepping in to help them boost capital and claim a chunk of company ownership.

Last month the Abu Dhabi Investment Authority, the sovereign investment fund of the Gulf Arab state, acquired a 4.9 percent stake in [Citigroup Inc.](#), the largest U.S. bank, for \$7.5 billion.

Tony Tan, deputy chairman of GIC, said the 9 percent stake does not mean Singapore is seeking control of the Swiss bank.

"GIC is now the single largest investor in UBS and this is the largest investment GIC has made in any company," Tan said at a news conference in Singapore. "We did not make it a condition that our investment should have a representation (on UBS's board.) We have no desire to control the business of the bank."

It was the first time that the publicity-shy GIC, which manages Singapore's foreign reserves, has revealed a major investment.

UBS said it brought in about 30 billion francs (\$26.6 billion) in new money from clients in October and November. Ensuring a strong capital base will allow the bank to continue to make acquisitions to further expand its wealth management business, when such opportunities arise, UBS Chairman Marcel Ospel said during a conference call.

"Our losses in the U.S. mortgage securities market are substantial, but could have been absorbed by our earnings and capital base," Ospel said in a statement.

But analysts Matthew Clark and Vasco Moreono of Keefe, Bruyette & Woods Ltd. said "the writedowns and capital raising represent a dramatic U-turn from guidance given by Chief Financial Officer Marco Suter just three weeks ago."

The fact that the capital-raising outweighs the writedown makes it appear that UBS is trying to draw a line under its subprime woes, Clark and Moreono said.

Switzerland's finance minister, Hans-Rudolf Merz, told Swiss television station SF that he feared the UBS loss would cost Switzerland several hundred million francs (dollars) in lost tax revenues next year.

Analysts say it's difficult to determine whether the plan announced by President Bush last week to stem housing foreclosures would have an impact on banks. The administration said for qualified borrowers, it was extending for five years some low introductory loan rates on subprime mortgages.

"That's actually a wild guess," said Javier Lodeiro of Sal. Oppenheim. "The biggest problem right now is the liquidity of certain products. The Bush plan helps to prevent some foreclosures," but it also keeps down interest rates.

Andreas Venditti, an analyst at Zuercher Kantonalbank, said, "It's very difficult to estimate the impact because it's probably going to be quite different depending on what bank you look at. For some banks it could really be not that positive."

He said it depends on what sort of securities the banks are holding, but that people outside the banks don't have that kind of information.

"It's very complicated," Venditti told the AP. "Since we don't really know which bank is holding what kind of structures it's very difficult to assess who's going to profit and who's not."

UBS shares closed up 1.4 percent at 58 francs (\$51.42) in Zurich. Shares rose \$1.18, or 2.3 percent, to close at \$51.66 in New York trading.

Associated Press writer Balz Bruppacher in Bern contributed to this report.

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UPDATE 4-Citi to sell \$7.5 bln stake to Abu Dhabi group

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(Adds market reaction)

By Dan Wilchins

Nov 27 Citigroup Inc (C.N) is selling up to 4.9 percent of itself for \$7.5 billion to the investment arm of the Abu Dhabi government, giving the largest U.S. bank fresh capital as it wrestles with the subprime mortgage crisis and the resignation of its chief executive.

The capital injection will shore up Citi's balance sheet, which has been hurt by some \$6.8 billion of writedowns and losses in the third quarter, and the potential for another \$11 billion in the fourth quarter. Many investors feared Citi would have to cut its dividend to boost its capital base.

The sale may also signal the freefall in U.S financial stocks is close to ending, analysts said.

"Citi is big, it's widely followed, and when people see confidence in it, it should mean something," said Bo Brownstein, an analyst covering financial stocks at Cambiar Investors in Denver, Colorado.

The dollar rose against the yen on the news, and Japanese bank stocks also rallied. In Tokyo trading, Citi shares 8710.T fell 4.2 percent for the day, but had been trading even lower before news of the Abu Dhabi deal.

With the investment, Abu Dhabi will be Citi's largest shareholder. The investment reflects the increasing financial might of oil-producing countries, which have benefitted from the five-fold increase in the price of petroleum over the last five years.

Dubai International Capital, a private equity firm owned by the ruler of Dubai, said on Monday it made a "substantial investment" in Sony Corp (6758.T). It had said in July it was ready to spend up to \$1.5 billion in Japan.

A separate Abu Dhabi entity earlier this month bought a stake in U.S.-based chip maker Advanced Micro Devices Inc. AMD.N

Abu Dhabi Investment Authority manages the surplus revenues of the government of Abu Dhabi, the world's sixth-largest oil exporter. Standard Chartered estimated in September its assets were worth \$650 billion. Both Dubai and Abu Dhabi are members of the United Arab Emirates Federation.

Sir Win Bischoff, Citi's interim chief executive said in a statement on Monday: "This investment, from one of the world's leading and most sophisticated equity investors, provides further capital to allow Citi to pursue attractive opportunities to grow its business."

State-run funds are keen for stakes in global banks, which can benefit from the development of emerging markets, a person familiar with the funds said.

FOCUS 360

Citi operates in over 100 countries, and has boosted its investments in emerging markets over the last 12 months, including buying a Turkish brokerage house and a commercial and retail bank based in El Salvador.

MORE THAN \$100 BILLION

Acquisitions in general have taken up some \$25 billion of Citi capital over the last year, according to CIBC World Markets analyst Meredith Whitney.

Combined with writedowns in the third quarter and expected future writedowns, Citi may have to cut its dividend to replenish its capital, Whitney wrote on Oct. 31. She estimated that Citi would need another \$30 billion of capital.

Citi said on Nov 4 it does not plan to cut its dividend. On the same day, Citi said it may take \$8 billion to \$11 billion of additional writedowns in the fourth quarter, and that its chief executive Charles Prince was resigning. Bischoff was named interim chief executive, and Citi is looking at permanent replacements.

Citi is also taking early steps to cut staff and reduce costs, according to press reports. Citi said earlier this year it was cutting about 5 percent of its staff, or 17,000 jobs.

On Monday, Citi shares closed at \$29.80 on the New York Stock Exchange, falling below \$30 for the first time in more than five years amid mounting concerns of further losses and writedowns. Citi's market value has fallen by more than \$100 billion this year.

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U.S. Senator Charles Schumer, who opposed Dubai Ports World's plan to purchase assets at six U.S. ports and raised questions about Borse Dubai's plans to swap stakes with Nasdaq ([NDAQ.O](#)), said the Citi transaction will bolster the bank's competitiveness and "help preserve New York's status as the world's financial center."

Abu Dhabi displaces Saudi Prince Alwaleed bin Talal as Citi's largest shareholder. Prince Alwaleed acquired his Citi stake in 1991 when the bank struggled with

Latin American loan losses and the U.S. real estate market collapse, and his shares in the banks were worth some \$6 billion earlier this month.

Last month, Bear Stearns Cos Inc BSC.N and China's CITIC Securities Co ([600030.SS](#)) agreed to swap stakes and form a broad alliance. Bear Stearns had also been battered by the subprime mortgage crisis, and many investors had hoped its tie-up with a foreign bank would include a cash infusion.

JUST A REGULAR SHAREHOLDER

Under terms of Citi's agreement, the Abu Dhabi Investment Authority will have no special rights of ownership or control and no role in the management or governance of the bank, including no right to name board members.

The Abu Dhabi Investment Authority is buying mandatory convertible securities that can be converted into Citi stock in 2010 and 2011 at prices ranging from \$31.83 to \$37.24 per share. The number of shares the investment group receives will adjust based on Citi's share price, with a higher share price giving the investor fewer shares.

The securities will also pay a fixed coupon of 11 percent per year, payable quarterly. That may seem steep, but after accounting for the fact that 60 percent of that coupon is tax-deductible, the coupon rate is similar to the dividend rate on Citi's shares, a person familiar with the matter said.



Video: Unexploded bombs in Laos

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The investment is expected to close within the next several days, Citi said. (Additional reporting by Bill Berkrot and Justin Grant in New York and James Cordahi in Dubai; Editing by Jean Yoon and Sue Thomas)

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In rural-urban divide, U.S. voters are worlds apart



JANESVILLE, Wisc. Semi-retired Wisconsin pig farmer John Lader does not think much of Donald Trump as a messenger, but voted for what he described as the Republican president-elect's message of change and economic hope for America.

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EXHIBIT 56

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ASIAN BUSINESS NEWS

Abu Dhabi to Bolster Citigroup With \$7.5 Billion Capital Infusion

Government Investment Arm To Become a Top Holder, With Up to a 4.9% Stake

By ROBIN SIDEL

Updated Nov. 27, 2007 12:01 a.m. ET

Citigroup Inc., seeking to restore investor confidence amid massive losses due in credit markets and a lack of permanent leadership, is receiving a \$7.5 billion capital infusion from the investment arm of the Abu Dhabi government.

The investment by the Abu Dhabi Investment Authority will help rebuild Citigroup's capital levels, which have been eroded by a credit crunch that began in the summer. Citigroup Chief Executive Officer and Chairman Charles Prince resigned earlier this month after the bank, which had already written off billions of dollars, said it was facing as much as \$11 billion more in losses.

- **The News:** Citigroup is receiving a \$7.5 billion capital infusion from the Abu Dhabi government's investment arm.
- **The Background:** The investment will help rebuild capital levels, diminished by the credit crunch. CEO Prince resigned earlier this month after the bank, which had already written off billions of dollars, said it faced up to \$11 billion more in losses.
- **The Stake:** The Abu Dhabi Investment Authority will become one of the bank's biggest shareholders, with an interest of no more than 4.9%.

Citigroup announced the transaction last night.

As a result of the deal, the investment authority known as ADIA will become one of Citigroup's largest shareholders, with a stake of no more than 4.9%. The stake will exceed that of Saudi Prince Alwaleed bin Talal, long known as one of Citigroup's largest shareholders, according to a person familiar with the situation.

"This investment, from one of the world's leading and most sophisticated equity investors, provides further capital to allow Citi to pursue attractive opportunities to grow its business," said Sir Win Bischoff, the bank's acting chief executive officer, in a statement.

The investment underscores the growing role that Middle Eastern investors are taking outside their home turf. Separately yesterday, an investment company owned by Dubai's ruler, Sheikh Mohammed bin Rashid al-Maktoum, bought a stake in Sony Corp. ADIA, which has almost \$1 trillion under management, this summer bought a small stake in Apollo Management LP. (See related article.)

"This investment reflects our confidence in Citi's potential to build shareholder value," said ADIA's Managing Director, Sheikh Ahmed Bin Zayed Al Nahayan.

In exchange for its investment, ADIA will receive convertible stock in Citigroup yielding 11% annually. The shares are required to be converted into common stock at a conversion price of between \$31.83 and \$37.24 a share over a period of time between March 2010 and September 2011. The investment, which came together in about a week, is expected to close within the next several days.

Citi is paying a higher interest rate than companies that borrow on the high-yield, or junk-bond, market; currently they pay roughly 9% for straight bonds. Typically, convertible bonds pay lower interest rates than straight bonds, although a particular bond's structure could affect the interest rate paid.

Yesterday, shares of Citigroup fell below \$30 each for the first time since 2002, down 6.2% to \$29.75 at 4 p.m.

Japanese stocks erased a morning fall of more than 2% after the Citigroup news was announced, on hopes that support for the company will ease fears about fallout from subprime problems.

ADIA, which is a client of Citigroup, won't have any special ownership rights and no role in Citigroup's management or governance. It also won't have any right to name a member to Citigroup's board.

Investors have increasingly expressed concerns about Citigroup's "tier 1" capital levels -- a common measure of a bank's capital adequacy -- which for the first time in years fell below its 7.5% target in the third quarter. Although the bank is still considered to be well capitalized, investors worried that Citigroup would be forced to cut its dividend.

Citigroup officials repeatedly denied that was the case and said it was taking steps to restore the capital levels by the middle of 2008. This investment will help it achieve that goal.

Citi, which is the nation's largest bank, as measured by assets, has been under intense pressure for months. Although it is seeking to reduce costs, more cutbacks are likely in coming months. Yesterday, the company said its executives are looking at ways to cut costs amid a worsening business environment.

"We are engaged in a planning process in anticipation of our new CEO, and our business heads are planning ways in which we can be more efficient and cost-effective to position our businesses in line with economic realities," spokeswoman Christina Pretto said in a statement.

Earlier this year, the company announced a plan to slash costs by, in part, eliminating about 17,000 jobs, roughly 5% of its global work force.

The bank is at risk of more losses because of the credit-market turmoil, leading to widespread concerns that it and other financial institutions will be forced to curtail lending. Furthermore, Citigroup's U.S. consumer business, which includes retail banking and credit cards, is trailing rivals like Bank of America Corp. and J.P. Morgan Chase & Co.

Citigroup's board of directors is also in the midst of a high-profile search for a successor to Mr. Prince. Upon Mr. Prince's resignation, the board named senior adviser Robert Rubin chairman and appointed Sir Win, chairman of Citi's European operations, as interim chief executive.

Investors, meanwhile, have increasingly soured on the bank's performance. Some have called for a breakup of the financial conglomerate that was formed about a decade ago.

Other financial-services companies also have sought out investors to help them through the credit-market turmoil. This summer, Bank of America took a \$2 billion equity stake in Countrywide Financial Corp. after the mortgage lender got caught in a funding crisis. In that deal, Bank of America received nonvoting convertible preferred stock of Countrywide yielding 7.25% annually.

Separately, Bear Stearns Cos. Inc and Citic Securities Co., a Chinese investment bank, last month announced a deal in which each will invest about \$1 billion in the other.

—David Enrich contributed to this article.

Write to Robin Sidel at robin.sidel@wsj.com

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\$9.4 Billion Write-Down at Morgan Stanley - The New York Times

The New York Times**BUSINESS DAY**

\$9.4 Billion Write-Down at Morgan Stanley

By LANDON THOMAS Jr. DEC. 20, 2007

Morgan Stanley reported the first quarterly loss in its 72-year history Wednesday, heightening fears that the financial toll would keep mounting from the fast-spreading crisis in the subprime mortgage market.

The company took a \$9.4 billion charge on subprime-linked investments for the fourth quarter, bringing its cumulative charges for subprime mortgages to \$10.8 billion. In a stark reflection of its diminished status it also said it would sell a \$5 billion stake to a Chinese investment fund to shore up its capital.

Wall Street banks so far have reported more than \$40 billion of losses as a result of the crisis in the mortgage market. Worst-case estimates put the eventual bill at \$200 billion or more. The tally is likely to rise again Thursday when Bear Stearns is expected to report a quarterly loss.

The developments on Wednesday were a stunning turn of events for Morgan Stanley, an offshoot of the Morgan banking dynasty that has counseled corporate America since the Depression. John J. Mack, the bank's chief executive, said he took full responsibility and would forgo a bonus for 2007.

Like Citigroup and UBS of Switzerland, Morgan Stanley has turned to a wealthy investor from the East after losing billions of dollars on subprime-tainted investments. Morgan Stanley lost \$3.59 billion for the fourth quarter. It said its remaining subprime exposure was \$1.8 billion.

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\$9.4 Billion Write-Down at Morgan Stanley - The New York Times

The drastic losses may heighten speculation about the fate of Mr. Mack, who returned to the firm in 2005 after the removal of his predecessor, Philip J. Purcell. One of Mr. Mack's signature changes was to push the firm further into trading using its own capital, an effort to emulate its profitable archrival, Goldman Sachs. His strategy worked for a while but then backfired when trades in tricky subprime-linked securities went wrong, resulting in the biggest write-down in the firm's history. While Mr. Mack is expected to keep his job, his compensation will plummet — one of the harshest punishments meted out on Wall Street, short of showing an executive the door. Last year, he made \$40 million; this year, he will take home about \$800,000. His paycheck is particularly humiliating since Lloyd C. Blankfein, the chief executive of Goldman Sachs, is likely to receive a \$70 million bonus. James E. Cayne, the chief executive of Bear Stearns, is also expected to forgo a bonus.

In a conference call on Wednesday, Mr. Mack was quick to take responsibility. "The results are embarrassing for me and the firm," he said.

But he also pointed out that the bulk of the \$9.4 billion loss occurred on one trading desk and that other areas of the firm, particularly the investment banking, asset management, retail brokerage and hedge fund servicing businesses, performed well.

As for the investment from China, Mr. Mack framed the transaction not as a desperate act but as a strategic move. And he refused to concede that Morgan Stanley was a weakened firm. "We remain bullish on Morgan Stanley's significant growth potential," he said.

Still, the investment shows how reliant Morgan Stanley and Wall Street are on foreign funds and gives additional credence to the joke now circulating on trading floors: "Shanghai, Dubai, Mumbai or goodbye."

The fund, the China Investment Corporation, has agreed to purchase almost 10 percent of Morgan Stanley; it will have no role in the management of the firm.

Citigroup recently sold a stake to a Middle East fund.

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The deal is an abrupt shift in strategy for China's \$200 billion sovereign fund and underlines the extent to which it appears to be under the direct control of the country's leaders.

Morgan Stanley executives first began discussing an investment with the fund this summer, but it was not until recently that the deal was struck.

For Morgan Stanley, the terms are severe. The firm will pay annual interest of 9 percent on bonds that will be convertible into Morgan Stanley stock in 2010.

The China Investment Corporation is under the control of China's finance ministry, with some influence as well from the People's Bank of China, the country's central bank. There has been discussion in the Chinese government over whether even more foreign currency should be injected into the investment fund, as the People's Bank of China continues to accumulate \$1 billion a day as it buys up dollars to prevent the value of China's currency from rising in international markets.

The loss at Morgan Stanley highlights a sense of strategic confusion within the firm. Going back to the firm's early days when it broke off from the Morgan Bank, Morgan Stanley's strength has been its investment banking and advisory business areas; both did well this year.

Mr. Mack, however, was eager to strike a more aggressive pose when he took over from Mr. Purcell, who had been criticized for his cautious approach. By encouraging his traders to take on more risk, Mr. Mack plunged Morgan Stanley into a complex, sophisticated and dangerous area that has never been a core area of competence for the firm.

In the conference call, Mr. Mack confronted tough questions from analysts.

"How could this happen?" asked William F. Tanona, an analyst with Goldman Sachs. "How could one desk lose \$8 billion?"

Mr. Mack, generally a brash, expansive man, struck a chastened tone. He said the firm would be dialing back from making big trading bets.

11/28/2016

\$9.4 Billion Write-Down at Morgan Stanley - The New York Times

“We had been sprinting,” he said. “Now we will be jogging. But we are in a risk business, and we will be in the market taking risk.”

Mr. Mack blamed the firm’s inadequate risk-monitoring procedures and said the firm’s risk managers would now report to the chief financial officer, which is the practice at Goldman Sachs. Previously the risk managers had reported to Zoe Cruz, the co-president overseeing trading, who was ousted by Mr. Mack last month, a further indication that the firm’s big bets lacked objective risk oversight.

Investors, while upset over the loss, seemed to be giving Mr. Mack the benefit of the doubt. Shares of Morgan Stanley’s rose \$2.01, to \$50.08.

“He can’t have another screw-up,” Brad Hintz, a securities analyst at Sanford C. Bernstein & Company, said of Mr. Mack. “But the clients I have talked to have not been calling for his scalp.”

Morgan Stanley had previously said it would take a \$3.7 billion write-down from the trading. Now, the total loss from that trading is \$7.8 billion. Morgan Stanley reported an additional \$1.2 billion in write-offs from nonperforming loans. The total loss wiped out fourth-quarter revenue. For the year, Morgan Stanley has taken nearly \$11 billion in trading and subprime-related charges.

Other Wall Street firms have ousted their chief executives after such losses. Charles O. Prince III of Citigroup and E. Stanley O’Neal of Merrill Lynch lost their jobs over escalating subprime write-downs.

By all accounts, Mr. Mack still has the support of his board, which includes four holdovers from the Purcell era. And unlike Mr. Prince and Mr. O’Neal, who were to some extent outsiders, removed from the culture of their respective firms, Mr. Mack, has ties to the firm’s glory days in the 1970s and 1980s and with his ability to charm, he is still liked within the firm.

In addition to keeping his board fully briefed, Mr. Mack has also reached out to the former executives who led the campaign to oust Mr. Purcell. On Wednesday, he called Robert Scott, a retired senior executive of Morgan Stanley, and briefed him on the results.

11/28/2016

\$9.4 Billion Write-Down at Morgan Stanley - The New York Times

“We are here to help,” said Mr. Scott, according to a person who was briefed on the call.

For the moment, the board seems to be in no position to force Mr. Mack from his job. Not only is he well liked, but he also has no ready successor and as the protracted search for a Citigroup head demonstrated, there is a dearth of outside executives ready and willing to take on such a job.

Keith Bradsher contributed reporting.

A version of this article appears in print on , on page C1 of the New York edition with the headline: Wall St. Firm Reports Loss, Its First Ever.

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ECONOMY GLOBAL MARKETS

Bank of America sees \$3 billion debt write-down

BY MICHAEL LUKAC ON 11/13/07 AT 3:18 PM

Bank of America Corp, the second-largest U.S. bank, said on Tuesday it expects to write down \$3 billion of debt in the fourth quarter as fallout from the nation's housing slump deepens.

Shares nevertheless rose, as investors gained confidence the bank and its rivals can withstand further turmoil even if credit market liquidity fails to improve and more homeowners, as expected, slide into foreclosure.

The pretax loss stems from collateralized debt obligations, including those tied to subprime mortgages, and may grow if market conditions worsen, Chief Financial Officer Joe Price said at a Merrill Lynch & Co banking conference.

Bank of America also expects to set aside \$600 million to help money market mutual funds exposed to risky debt maintain the \$1 per share net asset value that all such funds try to keep. It is also reserving \$300 million for a troubled investment, and setting aside more money for other housing-related losses, including to homebuilders.

Price nevertheless called the losses manageable, while cautioning that capital markets should remain turbulent into 2008.

The losses are not only manageable for the bank, but were long ago discounted by investors, said Marshall Front, who oversees \$800 million at Front Barnet Associates LLC in Chicago, including

Bank of America shares. Unless something enormous and unforeseen happens, major, diversified well-capitalized banks can handle these losses.

Shares of Bank of America rose \$1.93, or 4.4 percent, to \$45.90 in afternoon trading. They began the year at \$53.39.

INDUSTRYWIDE, \$40 BILLION

Bank of America joined Citigroup Inc, Morgan Stanley Wachovia Corp and other banks in projecting large fourth-quarter write-downs for exposure to mortgages and other debt that investors are no longer willing to buy.

With the significant deterioration that we've seen ... it does make these things difficult to value, Price said.

Citigroup said it might write off \$8 billion to \$11 billion, while Morgan Stanley projected \$3.7 billion and Wachovia \$1.1 billion. Merrill Lynch suffered an \$8.4 billion write-down in the third quarter. Industrywide write-downs so far total well over \$40 billion.

Analysts, on average, had expected Bank of America to post a fourth-quarter profit of \$1.10 per share on revenue of \$18.82 billion, according to Reuters Estimates. The \$3 billion pretax loss equals roughly one month of profit. Citigroup analyst Keith Horowitz had projected a \$3.3 billion write-down.

Among other executives at the Merrill Lynch conference, Goldman Sachs Group Inc Chief Executive Lloyd Blankfein said his Wall Street investment bank didn't expect significant asset write-downs.

Meanwhile, JPMorgan Chase & Co Chief Executive Jamie Dimon said we think we're fine, as he discussed the third-largest U.S. bank's subprime and CDO exposures.

Shares of Goldman and JPMorgan rose more than 8 percent and 6 percent, respectively, in afternoon trading.

SUBPRIME EXPOSURE

Price said some CDOs that Bank of America is writing down are exposed to subprime mortgages, which go to people with poor credit. The bank has not offered such home loans since 2001.

The bank also expects to set aside \$500 million to help money funds exposed to so-called structured investment vehicles preserve a \$1 share price, and avoid breaking the buck. Some SIVs have struggled as market liquidity deteriorated.

In addition, Bank of America expects to set aside \$300 million for a troubled mezzanine investment, Price said.

Mezzanine financing is often used in buyouts. A bank spokesman declined to elaborate.

The bank plans to resume stock buybacks no sooner than July 2008 as it rebuilds capital levels, he said.

Bank of America's losses come after a third quarter when profit from corporate and investment banking fell 93 percent, depressing overall earnings by 32 percent.

Chief Executive Kenneth Lewis announced 3,000 job cuts, and ordered a strategic review of the corporate and investment banking unit that should be completed by early 2008.

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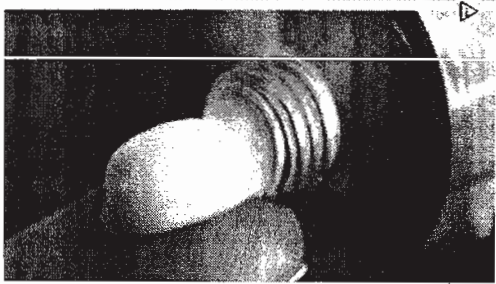
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BUSINESS

After Trump Win, Critic Buffett Sees Strong Stocks, Trade Hurdles

The Oracle of Omaha discussed Donald Trump's impending presidential term from an economic perspective.

TECHNOLOGY

Nintendo Classic Launched

The device is a tiny version of the 80's gaming system and will be available at various retailers starting Friday.

WORLD

Is France Safe From ISIS?

A year since the Nov. 13, 2015 attacks, France has witnessed multiple terror strikes organized by the Islamic State group.

NATIONAL

La Niña Has Arrived

La Niña is here and conditions are expected to persist through the winter, according to NOAA.

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EXHIBIT 59

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

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - -

Master File No.:
1:09-cv-01989-PAC

IN RE BARCLAYS BANK PLC:
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This document relates to ALL ACTIONS

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Deposition of JOHN VARLEY

Held at Sullivan & Cromwell, located at One New Fetter
Lane, London, EC4A 1AN, United Kingdom
On the 29th of October, 2015 at 8:33 a.m.

Taken by AILSA WILLIAMS, Certified Court Reporter

1 MR. TOMAINO: Objection to the form of the
2 question.

3 Q. I will withdraw that. I believe you
4 testified earlier this November trading update was not
5 a trading update that you would normally do in the
6 course of business at Barclays, right?

7 A. Yes, it was off cycle.

8 Q. Did you do anything outside of your
9 normal process in verifying this information, due to
10 the fact that it was something that was outside of the
11 normal cycle, as you put it?

12 A. The process was extensive and rigorous,
13 and the process did not differentiate between on cycle
14 and off cycle disclosure. The same standard was
15 applied to any disclosure.

16 Q. Why did you believe that it was
17 necessary or appropriate I should say -- let me
18 rephrase the question. Why did you believe it was
19 appropriate to provide this off cycle information to
20 the market in November 2007?

21 MR. TOMAINO: Objection, form.

22 A. From recollection, October was a savage
23 month for the market, and from recollection also there
24 was a lot of chatter in the marketplace about how
25 banks had fared in these conditions. I don't recall

1 precisely the deliberations we went through but we
2 came to a conclusion with all the various advisory
3 inputs that I have referred to earlier that it would
4 be appropriate to update the market, and that is what
5 we decided to do.

6 Q. Okay. You said that October, to your
7 best recollection, October was a savage month for the
8 market. What do you mean by that?

9 A. I mean there was a lot of volatility,
10 and across the street, and by that I mean across the
11 investment banking industry particularly, it was clear
12 that there was a lot of pain being suffered.

13 Q. How was the determination made of what
14 information to provide in the trading update?

15 A. The process answer.

16 Q. I guess it has been a while since I have
17 heard the process answer, other than the process --
18 I don't necessarily want to hear it again.

19 A. I think you are asking to hear it again.
20 I know it is a good one.

21 Q. I am going to attempt to break it down
22 a little bit. Do you recall specifically with respect
23 to the November trading update, was there a meeting of
24 the Board of Directors or -- let me ask it this way.
25 Was there a Board decision to issue the November 15

1 issuance of preference capital.

2 Q. Excuse me, the equity ratio was not.
3 Was the capital ratio affected by the issuance of
4 preferred shares?

5 A. There were various capital ratios that
6 were used, and at the highest level preference capital
7 would contribute. But by this stage, as I have
8 explained, the equity ratio was becoming a determining
9 factor in the view of the market and in the view of
10 the FSA, which is why we were concentrating on it.

11 Q. So I guess I will ask it this way. Why
12 did Barclays issue preferred shares in 2008?

13 A. Oh, because --

14 MR. TOMAINO: Excuse me, objection to the
15 form of the question. You are referring to the series
16 5 offering or something more broad?

17 MR. OLTS: I was asking generally, but we
18 can be more specific if you want. Do you recall that
19 Barclays issued preferred shares in April 2008?

20 A. Yes, I do.

21 Q. What was the purpose of issuing those
22 shares?

23 A. Banks have capital plans stretching out
24 over a period of years, and they are regular accessors
25 of the capital markets to ensure that they can manage

1 MR. TOMAINO: Objection, form.

2 A. In answer to one of your earlier
3 questions I made reference to the fact that we were
4 managing our regulatory capital ratios carefully, and
5 that the intention was to take those ratios higher
6 over time.

7 Q. But in reaction to hearing this from
8 Mr. McCarthy, was there anything additional that you
9 did, or was it already within your plans and within
10 your process to increase those capital ratios?

11 A. I think we saw some earlier written
12 evidence indicating that we were managing the risk
13 weighted assets energetically and that we were trying
14 to ensure that our profitability levels were such as
15 to in each case have a positive impact on the equity
16 ratio through time. In addition to that, as this note
17 records and an earlier email records, there was some
18 preliminary dialogue taking place with potential
19 investors.

20 Q. Did those investors end up actually
21 investing in Barclays?

22 A. In one case, yes, in one case, no.

23 Q. In which case did --

24 A. In the case of Japanese investor, yes.
25 In the case of the Korean investor, no.

1 Q. Who was the Japanese investor.

2 A. Sumitomo Mitsui Banking Corporation.

3 Q. When did that investment take place?

4 A. It took place as part of our capital
5 raising at the end of June of 2008.

6 Q. June 2008, okay. After the capital
7 raising in June 2008, did you continue to raise
8 capital after June 2008?

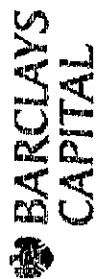
9 A. We continued to strengthen our capital
10 ratio, for the reasons that I have described. We had
11 a further equity capital raising in October/November,
12 2008.

13 Q. What was the purpose of that capital
14 raising?

15 A. The purpose of that capital raising was
16 to address new minimum capital ratio requirements
17 which were introduced by the tripartite authorities,
18 being the Bank of England and the Treasury and the
19 Financing Services Authority in the middle of October,
20 2008. In other words, they moved the goalposts. At
21 this point, as you can see, Tier 1 ratio was 300 basis
22 points or 3 percent higher than -- at least 3 percent
23 higher than the minimum, so we had a big margin, but
24 later in the year the FSA changed the minimum capital
25 requirements for banks.

EXHIBIT 60

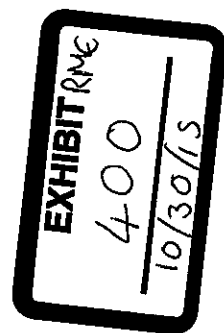
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Q3 Trading Update – Possible disclosure options

November 2007



BARC-ADS-01024466

Proposed Barclays Capital disclosure

£ bn	Net Exposure Jun 2007	Net Exposure Oct 2007	Writedown July - Oct
ABS CDO Super Senior Exposure			
High Grade	x	3.4	0.8
Mezzanine	x	1.4	0.2
Total	x	4.8	1.0
Other subprime exposure			
Whole loans & residuals	x	3.5	0.1
Retained and Warehouse exposures	x	1.7	0.3
SIVs / SIV-lites	x	0.0	0.1
Other	x	0.2	0.1
Total	x	5.4	0.6
Gross writedowns			1.6
Gains on own credit and other hedges			(0.6)
Net writedowns (July-Oct 2007)			1.0

Appendix: example peer disclosure

- UBS – Q3 Trading Update presentation
- Morgan Stanley – Q3 Subprime Update Summary Slide
- Merrill Lynch – Q3 Trading Update and Q3 10Q
- Citi – Q3 10Q narrative approach

UBS Disclosure – 30 October 2007

USD	Communicated on	Net exposure 30.09.2007	Net impact in 30	30 Oct	30 Oct
Residential mortgage-backed securities		16.8	19.0	1.3	1.0
CBDO warehouse/retained		20.2 ²	n/a	1.6	1.8
Super senior					
Negative revenues FICC (CHF bn)				4.2	4.0

- 1 Net impact includes realised losses and write-downs
- 2 Reflects aggregate notional values, not risk exposure. Includes securities with a range of subordination levels, maturities and rights in the event of default. For example, the total includes USD 3 bn notional securities with substantial first loss protection.

Morgan Stanley Disclosure – 7 November 2007

	Statement of Financial Condition 8/31/07	Statement of Financial Condition 10/31/07	8/31/07		10/31/07		Net Exposure ⁽¹⁾ 08/31/07	Net Exposure ⁽²⁾ 10/31/07
			Profit and (Loss) Three Months Ended	Profit and (Loss) Nine Months Ended	Profit and (Loss) Two Months Ended	Profit and (Loss) Eleven Months Ended		
(in billions)								
Super Senior Exposure								
High-Grade	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Mezzanine	(\$1.8)	(\$5.2)	(\$1.9)	(\$2.2)	(\$3.4)	(\$5.6)	\$11.4	\$8.3
CDO-Squared	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
Total ABS CDO Super Senior Exposure	(\$1.8)	(\$5.2)	(\$1.9)	(\$2.2)	(\$3.4)	(\$5.6)	\$11.4	\$8.4
Other Retained and Warehouse Exposure								
ABS CDO CDS	\$1.1	\$1.7	\$0.8	\$1.0	\$0.5	\$1.5	(\$2.9)	(\$3.1)
ABS CDO Bonds	\$1.6	\$1.7	(\$0.4)	(\$0.3)	(\$0.0)	(\$0.3)	\$1.6	\$1.7
CDO Warehouse	\$0.0	\$0.0	(\$0.0)	(\$0.0)	\$0.0	(\$0.0)	\$0.0	\$0.0
Total Other Retained and Warehouse Exposure	\$2.7	\$3.4	\$0.4	\$0.7	\$0.5	\$1.2	(\$1.3)	(\$1.4)
Subtotal ABS CDO Related Exposure (2)	\$0.9	(\$1.8)	(\$1.5)	(\$1.5)	(\$2.9)	(\$4.4)	\$10.1	\$7.0
U.S. Subprime Mortgage Related Exposure								
Loans	\$2.9	\$1.5	(\$0.0)	(\$0.1)	(\$0.0)	(\$0.1)	\$2.9	\$1.5
Total Rate of Return Swaps	\$0.1	(\$0.0)	\$0.0	\$0.1	\$0.0	\$0.1	(\$0.7)	(\$0.0)
ABS Bonds	\$4.2	\$3.0	(\$0.7)	(\$0.9)	(\$1.9)	(\$2.8)	\$4.0	\$3.0
ABS CDS	\$4.2	\$6.6	\$2.3	\$3.4	\$1.1	\$4.5	(\$2.9)	(\$5.5)
Subtotal U.S. Subprime Mortgage Related Exposure (3)	\$11.4	\$11.1	\$1.6	\$2.5	(\$0.8)	\$1.7	\$0.3	(\$1.0)
Total ABS CDO / Subprime Exposure	\$12.3	\$9.3	\$0.1	\$1.0	(\$3.7)	(\$2.7)	\$10.4	\$6.0

Notes:

(1) Net Exposure is defined as potential loss to the Firm in an event of 100% default, assuming zero recovery. Positive amounts indicate potential loss (long position) in a default scenario. Negative amounts indicate potential gain (short position) in a default scenario.

(2) In determining the fair value of the Firm's ABS CDO-related exposures – which represent the most senior tranches of the capital structure of subprime ABS CDOs – Morgan Stanley took into consideration observable data for relevant benchmark instruments in synthetic sub prime markets. Deterioration of value in the benchmark instruments as well as the market developments referred to above have led to significant declines in the estimates of fair value. These declines reflect increases in implied losses across this portfolio. These implied loss levels are consistent with the losses in the range between 11% - 19% implied by the ABS indices. These cumulative loss levels, at a severity rate of 50%, imply defaults in the range of 40 - 50% for 2005 and 2006 outstanding mortgages.

(3) In calculating the fair value of the Firm's U.S. sub-prime mortgage related exposures – including loans, total rate-of-return swaps, ABS bonds (including subprime residuals) and ABS CDS – Morgan Stanley took into consideration observable transactions, the continued deterioration in market data, as reflected by the sharp decline in the ABS indices, and other market developments, including updated cumulative loss data. The fair value of the ABS Bonds declined significantly, which were driven by increases in implied cumulative losses for subprime residuals to levels equivalent to those now seen in the market.

Merrill Lynch Disclosure – Q3 Trading Update 24 October 2007

	Net Exposures at Period End:		Percent Inc / Dec
	Sept. 28, 2007	June 29, 2007	
(\$ Billions)			
Total ABS CDO-related exposures	\$15.2	\$32.1	(53) %
Total U.S. sub-prime mortgage-related exposures	5.7	8.8	(35)
		Net Write-downs For the Three Months Ended	
	Net Exposures at Sept. 28, 2007	Sept. 28, 2007	
AAA-rated super senior exposures:			
High-grade	\$8.3	(\$1.9)	
Mezzanine	5.3	(3.1)	
CDO-squared	0.6	(0.8)	
Total ABS CDO super senior exposures	14.2	(5.8)	
Other retained and warehouse exposures	1.0	(1.1)	
Total ABS CDO-related exposures	\$15.2	(\$6.9)	
Total U.S. sub-prime mortgage-related exposures	5.7	(1.0)	
Total Net Write-down:		(\$7.9)	

Merrill Lynch Disclosure – 10Q Q3 2007

(Amounts in millions)

	Net Exposures as of June 29, 2007	Gain/(Loss) Included in Income ⁽¹⁾	Other Net Changes in Net Exposures ⁽²⁾	Net Exposures as of Sept. 28, 2007
Super senior CDO net exposures:				
High-grade	\$22,648	\$ (1,841)	\$ (1,882)	\$ 8,925
Mezzanine	8,022	(3,084)	299	5,337
CDO-squared	<u>1,454</u>	<u>(826)</u>	<u>3</u>	<u>630</u>
Total super senior CDO net exposures	32,124	(5,751)	(11,581)	14,792
Other retained and warehouse net exposures	<u>1,740</u>	<u>(1,104)</u>	<u>390</u>	<u>1,026</u>
Total CDO-related net exposures	<u>\$33,864</u>	<u>\$ (6,855)</u>	<u>\$ (11,191)</u>	<u>\$15,818</u>

(1) Primarily represents unrealized losses on net exposures.

(2) Primarily consists of hedging activity such as entering into credit default swaps that are netted to specific CDO securities. This activity is conducted with various third parties, including monoline financial guarantors, insurers and other market participants.

Merrill Lynch Disclosure – 10Q Q3 2007

(dollars in millions)	Net Exposures as of June 29, 2007	Gain/(Loss) Included in Income (1)	Unrealized Gain/(Loss) Included in OCI (pre- tax) (2)	Other Net Changes in Net Exposures (3)	Net Exposures as of Sept. 28, 2007
Sub-prime Residential Mortgage-Related Net Exposures					
Loans and residential mortgage-backed securities	\$3,892	\$ (546)	\$ -	\$ 62	\$3,410
Residuals	2,361	(483)	(100)	(44)	1,635
Unfunded commitments and warehouse lending	2,681	-	-	(2,053)	618
Total sub-prime residential mortgage-related net exposures	\$8,835	\$(1,027)	\$(100)	\$(2,045)	\$5,663

(1) Primarily represents unrealized losses on net exposures.

(2) Represents write-downs on SFAS 113 investment securities, which are reported net of taxes in Other Comprehensive (Loss) Income ("OCI").

(3) Represents purchases, sales, hedges, provisions, as well as changes in loan commitments and related funding.

Citibank – 10Q Q3 2007 – the narrative approach

Sub-prime Related Exposure in *Securities and Banking*

The Company has approximately \$55 billion in U.S. sub-prime related direct exposures in its *Securities and Banking* (S&B) business.

The \$55 billion in U.S. sub-prime direct exposure in S&B as of September 30, 2007 consisted of (a) approximately \$11.7 billion of sub-prime related exposures in its lending and structuring business, and (b) approximately \$43 billion of exposures in the most senior tranches (super senior tranches) of collateralized debt obligations which are collateralized by asset-backed securities (ABS CDOs).

Lending and Structuring Exposures

The \$11.7 billion of sub-prime related exposures includes approximately \$2.7 billion of CDO warehouse inventory and unsold tranches of ABS CDOs, approximately \$4.2 billion of actively managed sub-prime loans purchased for resale or securitization at a discount to par primarily in the last six months, and approximately \$4.8 billion of financing transactions with customers secured by sub-prime collateral. (See Note 1 below.) These amounts represent fair value determined based on observable transactions and other market data. Following the downgrades and market developments discussed on page 9, the fair value of the CDO warehouse inventory and unsold tranches of ABS CDOs has declined significantly, while the declines in the fair value of the other sub-prime related exposures in the lending and structuring business have not been significant.

ABS CDO Super Senior Exposures

Citi's \$43 billion in ABS CDO super senior exposures as of September 30, 2007 is backed primarily by sub-prime RMBS collateral. These exposures include approximately \$25 billion in commercial paper principally secured by super senior tranches of high grade ABS CDOs and approximately \$18 billion of super senior tranches of ABS CDOs, consisting of approximately \$10 billion of high grade ABS CDOs, approximately \$8 billion of mezzanine ABS CDOs and approximately \$0.2 billion of ABS CDO-squared transactions.

Although the principal collateral underlying these super senior tranches is U.S. sub-prime RMBS, as noted above, these exposures represent the most senior tranches of the capital structure of the ABS CDOs. These super senior tranches are not subject to valuation based on observable market transactions. Accordingly, fair value of these super senior exposures is based on estimates about, among other things, future housing prices to predict estimated cash flows, which are then discounted to a present value. The rating agency downgrades and market developments referred to above have led to changes in the appropriate discount rates applicable to these super senior tranches, which have resulted in significant declines in the estimates of the fair value of S&B super senior exposures.