



From Subprime To Primetime

Jack Lew Received A Bonus And West Wing Office After Profiting Off The Housing Crisis, Now Obama Wants Him To Run Treasury

Obama's Staff Has Been Instructed To Prepare For The Nomination Of Jack Lew For Treasury Secretary. "President Barack Obama may choose White House Chief of Staff Jack Lew to replace Treasury Secretary Timothy F. Geithner as soon as this week, according to two people familiar with the matter. The selection of Lew would trigger a White House shuffle for Obama's second term as he replaces his chief of staff and moves senior aides into new roles, said the people, who requested anonymity to discuss personnel matters. While Obama hasn't made a final decision to pick Lew, the president's staff has been instructed to prepare for his nomination, said one of the people." (Hans Nichols, "Obama Said Close To Choosing Lew For Treasury Secretary," [Bloomberg](#), 1/8/13)

BEFORE GETTING A JOB IN THE OBAMA ADMINISTRATION, LEW RAN CITIGROUP'S LUCRATIVE ALTERNATIVE INVESTMENTS ARM

Jack Lew Was Chief Operating Officer Of Citigroup's Alternative Investments Arm In 2008. "Don't take his liberalism to mean that Lew is a wild-eyed socialist though. In fact, he's a former banker. In 2008, he served as chief operating officer of Citigroup Alternative Investments, a division of the Wall Street behemoth. That group was involved in controversial practices like proprietary trading, and was involved in shorting the housing market as the economy lurched toward collapse." (David A. Graham, "Who Is The New White House Chief Of Staff Jack Lew?," [The Atlantic](#), 1/9/12)

- **Lew's Alternative Investments Group Was A \$54 Billion Proprietary Trading, Hedge Fund And Private Equity Unit.** "Though Lew is a longtime public servant who's spent nearly 30 years in various positions throughout government, it is his few years at Citi -- in particular the one year he spent at its then-\$54 billion proprietary trading, hedge fund and private equity unit -- that's likely to raise the most eyebrows in the coming weeks as Lew faces a Senate confirmation hearing." (Shahien Nasiripour, "Jack Lew: Obama's OMB Pick Oversaw Citigroup Unit That Shorted Housing Market," [The Huffington Post](#), 7/14/10)

UNDER LEW, THE GROUP INVESTED IN AND PROFITED OFF THE HOUSING COLLAPSE

Lew Was At Citigroup's Alternative Investments Unit When It "Profited Off The Housing Collapse And Financial Crisis..." "President Barack Obama's choice to lead the White House budget office oversaw a Citigroup unit that profited off the housing collapse and financial crisis by investing in a hedge

fund king who correctly predicted the eventual subprime meltdown and now finds himself involved in the center of the U.S. government's fraud case against Goldman Sachs." (Shahien Nasiripour, "Jack Lew: Obama's OMB Pick Oversaw Citigroup Unit That Shorted Housing Market," [The Huffington Post](#), 7/14/10)

- **Lew's Division At Citi Invested In Hedge Funds Including One Which Made Billions Predicting "Homeowners Would Not Be Able To Make Their Mortgage Payments."** "The Obama pick worked at Citi from 2006 until he joined Hillary Clinton's State Department in January 2009, rising to chief operating officer of the bailed-out bank's Alternative Investments unit, a Citi division that engaged in proprietary trading and invested in hedge funds and private equity groups. The Huffington Post reported in July that Lew's unit invested in a hedge fund king who made billions correctly predicting that U.S. homeowners would not be able to make their mortgage payments." (Shahien Nasiripour, "Jacob Lew, Obama Nominee And Former Citigroup Executive, Doesn't Believe Deregulation Led To Financial Crisis," [Huffington Post](#), 9/21/10)

Due To The Nature Of Its Investments, Lew's Unit "Profited From Betting Against The Subprime Mortgage Market." "If Mr. Lew gets the Treasury job, the business world will not be unhappy. He is not a creature of Wall Street, but before joining the Obama administration, he spent three years in high-level (and high-paying) jobs at Citigroup, where he oversaw a unit that lost money but also profited from betting against the subprime mortgage market. Mr. Lew was chief operating officer; in testimony before Congress, he has said he did not make investment decisions." (Sheryl Gay Stolberg, "Trusted Aide To Obama Faces Test In Budget Showdown," [The New York Times](#), 12/1/12)

When Lew Came Aboard, "Multi-Adviser Hedge Fund Portfolios LLC Was A Unit Of Alternative Investments' Hedge Fund Management Group, The 36th-Largest Such 'Fund Of Hedge Funds' In The World..." "One part of the entity invested in hedge funds. Multi-Adviser Hedge Fund Portfolios LLC was a unit of Alternative Investments' Hedge Fund Management Group, the 36th-largest such 'fund of hedge funds' in the world when Lew came aboard, according to a ranking by *Alpha* magazine, a publication that covers the hedge fund industry." (Shahien Nasiripour, "Jack Lew: Obama's OMB Pick Oversaw Citigroup Unit That Shorted Housing Market," [The Huffington Post](#), 7/14/10)

- **The Multi-Adviser Fund Had \$18 Million Invested In Paulson Advantage Plus, Run By A Hedge Fund King "Who Made Billions Off The Deterioration Of The Housing Industry By Making Bearish Bets On Securities Tied To Home Mortgages -- Particularly Subprime Home Mortgages."** "That Multi-Adviser fund in particular had \$407 million by the end of 2007, a week before Lew was named as Alternative Investments' chief operating officer, according to SEC filings. At that time, it had \$18 million invested in Paulson Advantage Plus LP, worth \$26.4 million, comprising about 6.5 percent of the Multi-Adviser fund's total capital. The Paulson fund was run by hedge fund king John Paulson, the man who made billions off the deterioration of the housing industry by making bearish bets on securities tied to home mortgages -- particularly subprime home mortgages." (Shahien Nasiripour, "Jack Lew: Obama's OMB Pick Oversaw Citigroup Unit That Shorted Housing Market," [The Huffington Post](#), 7/14/10)
- **By December 2008 – When Lew Was COO – Citi's Investment In Paulson Advantage Plus Grew To \$57.3 Million, "Reflecting The Declining Fortunes Of Homeowners And Other Investors, And The Economy At Large."** "By the end of September, the Citi fund, realizing some of its profits, took money out of Paulson's hedge fund. It's investment was down to \$31.5 million, a \$10 million decrease from June, but it was still worth \$57.3 million, a mere \$3 million less than June's appraisal, according to filings with the SEC. By December 31, the value of Citi's investment jumped to \$57.3 million, reflecting the declining fortunes of homeowners and other investors, and the economy at large. It now comprised 10 percent of the Multi-Adviser fund, making it the fund's

biggest holding.” (Shahien Nasiripour, “Jack Lew: Obama’s OMB Pick Oversaw Citigroup Unit That Shorted Housing Market,” [The Huffington Post](#), 7/14/10)

Lew’s Alternative Investments Arm Invested In Firms Located In The Cayman Islands That Also Sought To Profit From The Subprime Mortgage Crisis

Citigroup’s Alternative Investments Was Spread Among Four Different Locations Of Incorporation, Including The Cayman Islands, Delaware, Ireland, And The Netherlands. (“Subsidiaries Of The Company,” [Securities And Exchange Commission](#), Accessed 1/7/13)

- **Alternative Investments MGR, Ltd. Is A Subsidiary Of Citigroup Incorporated In The Cayman Islands.** (“Subsidiaries Of The Company,” [Securities And Exchange Commission](#), Accessed 1/7/13)

Under Lew, Citigroup Alternative Investments Multi-Adviser Hedge Fund Portfolios LLC Also Invested In Marathon Distressed Subprime Fund (Cayman) LTD Class A-B. (“Quarterly Schedule Of Portfolio Holdings Of Registered Management Investment Company,” [Securities And Exchange Commission](#), Accessed 1/8/13)

- **Marathon Distressed Subprime Fund (Cayman) LTD’s Principal Place Of Business Was In The Cayman Islands.** (“Notice Of Exempt Offering Of Securities,” [Securities And Exchange Commission](#), Accessed 1/8/13)
- **Marathon Distressed Subprime Fund Was A Fund That Bought “Distressed Mortgage-Related Assets To Take Advantage Of ‘Carnage’ In The Subprime Home Loan Business.”** “Marathon Asset Management LLC, a \$9 billion hedge fund firm focused on debt markets, is planning a new fund that will buy distressed mortgage-related assets to take advantage of ‘carnage’ in the subprime home loan business. The new fund, the Marathon Distressed Sub-Prime Fund, will begin taking commitments from investors in August, according to a letter sent to clients by Marathon President Bruce Richards.” (Alistair Barr, “Marathon Plans New Subprime Fund,” [The Wall Street Journal’s MarketWatch](#), 7/30/07)
- **The Fund Was Incentivized By A Number Of Hedge Funds Having “Generated Huge Returns Betting Against The Market.”** “The subprime mortgage business, which caters to less creditworthy home buyers, has been hit hard by a jump in delinquencies this year. Hedge funds have been big players in the market for securities that are backed by subprime home loans. Some have generated huge returns betting against the market, while others have collapsed.” (Alistair Barr, “Marathon Plans New Subprime Fund,” [The Wall Street Journal’s MarketWatch](#), 7/30/07)

LEW WAS AWARDED A BONUS AFTER CITIGROUP RECEIVED A TAXPAYER BAILOUT

“After Citigroup Received Its \$45 Billion Taxpayer Bailout, Lew — Two Weeks Before Joining The Obama Administration — Received Another \$900,000 From Citigroup As A Bonus.” “For his work at Citigroup, work that included betting on the housing collapse, Lew received a salary of \$1.1 million. After Citigroup received its \$45 billion taxpayer bailout, Lew — two weeks before joining the Obama administration — received another \$900,000 from Citigroup as a bonus. This was revealed only in 2010; in 2009, when Lew first joined the administration as a State Department official, both he and the administration refused to say if he had received a post-bailout bonus from Citigroup (at the time, there was a huge political scandal over Wall Street executives receiving large bonuses despite needing taxpayer bailouts).” (Glenn Greenwald, “The New WH Chief Of Staff And Citigroup,” [Salon](#), 1/10/12)

- **Salon’s Glenn Greenwald: “There’s Certainly Nothing Illegal About Betting On A Housing Market Collapse, But It’s Quite Symbolic That Those Who Made Millions Of Dollars From The Crisis Are Now Running Government Policy.”** (Glenn Greenwald, “The New WH Chief Of Staff And Citigroup,” [Salon](#), 1/10/12)