

LIDDY'S LIES TO CONGRESS: MEET AIG'S \$6.4 MILLION MAN

As I noted this morning, Doug Poling was the guy whom AIG decided last year should get a \$6.4 million "retention" bonus for sticking around a year. (He has since turned down the bonus.)

The WSJ has some details on what Poling has done to be worth so much money.

In August 2007, Douglas Poling sat in on a meeting at which Joseph Cassano, then-head of American International Group Inc.'s financial-products unit, berated an in-house auditor for raising questions about the accounting for a joint venture Mr. Poling led.

The auditor, Joseph St. Denis, resigned the next month after his reporting lines were changed to limit his communications with auditors at the parent company, according to an account of AIG's dealings he detailed in a letter he wrote to Congress last October.

[snip]

A former Wall Street lawyer who joined the AIG unit in the early 1990s, **Mr. Poling oversaw legal work on the contracts that sat at the core of the unit's business – such as customized insurance-like swaps and other derivative contracts that generated a steady stream of fees, according to former colleagues.**

[snip]

In May 2007, as AIG's swaps problems began developing, Mr. Poling expressed confidence about the business approach of AIG's financial unit toward one of

its products, in an investor presentation with Mr. Cassano.

"We are very careful and disciplined and rigorous in the way in which we structure and document these transactions, and are very sensitive to ensuring that we have early termination rights so that if the rules change, we're able to unwind those transactions and move on to other segments of the business that are more attractive," Mr. Poling said, according to a transcript of the investor presentation.

[snip]

The Poling-led joint venture discussed at the meeting preceding Mr. St. Denis' resignation was a partnership announced in March 2007 between AIG's financial-products unit and closely held Tenaska Energy in Omaha, Neb. AIG began unwinding the partnership in January.

[my emphasis]

So, our \$6.4 million man was one of the people cheering the safety of AIG's CDS business, and one of the guys in charge of an energy deal that seemed to be based on dicey accounting. (For more on Tenaska, see page 6-7 of this).

Now, when he testified before Congress the other day, Edward Liddy repeatedly assured the Committee that the people who had put together the CDS business were gone. He stated clearly that the people left over were the good guys, people tied to "traditional" derivatives business. For example, here's Liddy telling Bill Posey that the guys managing the derivatives—who are distinct from the guys who brought the company to its knees—are getting the bonuses.

Posey: We wouldn't care about the bonuses if it weren't for the bailout money. A big bonus for these people is that they're not in jail, and that they still have jobs. I can't imagine that

the demand is that great for someone who can screw up an entire company. Have you seen any signs of what someone might normally consider criminal activity.

Liddy: Nothing has come to light that I am aware of. It really is easy to paint with one brush. There are people who worked on one piece called CDS. Another regulatory capital. Derivatives book. **For the most part those are separate people. Those are the ones that brought our company to our knees.** In the derivatives book those are the ones we're asking to please wind this down. **Those are the ones that got the bonuses.** [my emphasis]

Here's Liddy telling Don Manzullo we're not paying the architects of this collapse bonuses.

Liddy: Top people in AIGFP. Top people in AIG are receiving no bonus.

Manzullo: When Kashkari testified, he said the top people who were responsible had been removed.

Liddy: I think he meant AIG.

Manzullo: I was questioning \$4 million bonus. His statement that the key people who made it go sour had been removed. Those people getting bonuses were people in charge when it collapsed.

Liddy: **We're not paying Cassano and other architects.** [my emphasis]

And yet, Liddy had to know that we were, in fact, paying the legal architect of the CDS contracts. We were, in fact, paying the top bonus to one of the guys who brought the company to its knees. We were paying the guy whose title has varied from AIGFP General Counsel to Chief Administrative Officer (I wonder if his current title, EVP for infrastructure and energy investments, is a way to hide that he's still

there) a \$6.4 million bonus, all the while pretending that we weren't paying any of the guys who were in charge when AIGFP went under!!

Just for fun, consider the fact that Liddy knew that Poling, one of the guys who sat in on a meeting where Cassano basically dismissed a risk manager, was getting the biggest bonus, when he answered this question from Gary Peters.

Peters: Where was your company's risk management?

Liddy: Risk management practices in place. Not allowed to go into FP business. You need to get those who ran AIG before my arrival and ask that question.

Poling, our \$6.4 million man, could well answer where the company's risk management was.

And for a heap of fun, consider Liddy's refusal to answer Grayson's demand for names of the 20-25 people who ruined the company.

Grayson: What are the names of the 20-25 people.

Liddy: I don't have their names at my disposal.

Grayson: Names please? I'm asking for the names of the people that caused your company to lose 100 billion dollars.

Liddy: I don't know them.

Grayson: Not a single one.

There's a reason Liddy didn't want to answer that question. One of those 20-25 people led the list of bonus recipients.

Liddy deliberately hid this fact when he testified on Thursday. Not only did Liddy lie when he said all the CDS people were gone. But he was hiding the fact that the US taxpayer was being asked to pay \$6.4 million to one of the

geniuses who wrecked our economy.