

CITI AND AIG DIDN'T STILL DON'T GET IT

Fox Business News has an article describing what it got in response to a FOIA request for Treasury documents on the bailout. While most of the interesting details were redacted because of attorney-client privilege, the documents do reveal the extent to which Citi and AIG were as arrogant when Treasury was negotiating this stuff as they have been in recent weeks.

While the documents lack many specifics, the broad tone conveys a sense of urgency. For instance, though the details of what specifically held up an agreement with Citigroup at the end of last year are muddy, it's clear from the documents it dealt with compensation. What's also clear is that government officials were amazed that, even at the eleventh hour, **Citi officials still didn't seem to understand that they would have to make concessions.**

"Unbelievable," wrote Stephen Albrecht, the counselor to the general counsel at Treasury, summing up the situation.

There was also obvious tension between AIG and the government – at least from Treasury's standpoint. For example, an outside counsel, Marshall Huebner, an attorney at Davis Polk representing the government, was trying to clarify a meeting time for a conference call on Nov. 9. But AIG "rudely never replied to last night's timing question," the lawyer wrote. Another lawyer that same day said "I agree and I note that some of them do not have a sense of timeline."

AIG's tone appeared to be casual, even cavalier. Anastasia Kelly, executive vice president and general counsel at

AIG, responding on behalf of herself and Paula Reynolds, AIG's chief restructuring officer, told Huebner later that day: "Paula and I love you (in the most appropriate way)."

The volume of emails that cover compensation issues shows that **from the very beginning, Treasury wanted to clamp down on executive pay and bonuses for workers at AIG and Citigroup.** But in the end, Treasury bent (one email shows officials saying they are "trying to leave open as much flexibility as possible"), a decision that ultimately seems to have led to last week's controversy over bonuses paid to AIG executive. [my emphasis]

Meanwhile, Obama's still trying to get the bankers to get it.