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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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April 6, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

I am writing to express my deep concern over recent reports that the Treasury Department may be attempting to circumvent statutory restrictions on executive pay at companies receiving federal bailout funds.

According to an article that appeared in the Washington Post on April 4, 2009, the Treasury Department "is engineering its new bailout initiatives in a way that it believes will allow firms benefiting from the programs to avoid restrictions imposed by Congress, including limits on lavish executive pay" Allegedly, Treasury has set up special entities to serve as middlemen, which would receive federal bailout funds and then channel the money to corporate recipients, thereby avoiding restrictions on executive pay and requirements that the U.S. obtain an ownership interest in the bailout firms.

I hope these allegations are not true. We now know that extraordinary compensation was paid to bank executives even as they led their companies to the brink of collapse and later sought and received billions of dollars in federal funding. It would be unconscionable and irresponsible for the Treasury Department to permit excessive pay practices to continue at companies that have been rescued by the taxpayers.

As you are no doubt aware, Congress sought to protect taxpayer funds used to bail out banks and other struggling companies by imposing conditions designed to prevent excessive compensation and to ensure that taxpayer funds will be repaid in the future. The Emergency Economic Stabilization Act of 2008 first imposed such conditions. These were strengthened in February of this year by the American Recovery and Reinvestment Act of 2009, and will soon be strengthened even further by the Pay for Performance Act of 2009, which passed the House last

week. I will strongly oppose any attempt to weaken or bypass these restrictions, or to violate the spirit, if not the intent, of these laws.

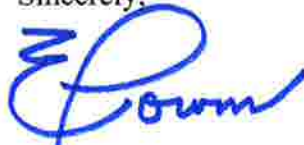
The House Committee on Oversight and Government Reform is the principal oversight committee in the U.S. House of Representatives. Under Rules X and XI of the House Rules, the Committee is investigating the collapse and federal rescue of banks and other financial services firms and what it means for the United States economy. To aid in our investigation, we request that you provide this Committee with the following information and records:

1. Is it your position that the executive compensation limits and federal ownership requirements imposed by Congress on bailout funding do not apply to the ultimate recipients of that funding if it is passed through special entities or special-purpose vehicles? If so, please explain the basis for this position.
2. Has the Treasury Department conducted or obtained from another federal agency or other entity an analysis of the limits on the executive compensation restrictions and other conditions Congress placed on the use of bail out funds? If so, please describe and provide copies of any such analysis.
3. Has the Treasury Department considered establishing or established any special entities or special-purpose vehicles through which it has funneled or plans to funnel bailout funds to banks or other companies? If so, please identify and describe in detail all such special entities or special-purpose vehicles.
4. American International Group, Inc. (AIG) has now received more than \$180 billion in bailout funding, of which at least \$40 billion was apparently funneled directly to the largest counterparties to AIG transactions. It is still unclear as to why these payments were made at 100 cents on the dollar, far more than these counterparties would likely have received had AIG filed for bankruptcy. Was AIG a "special entity" or "special-purpose vehicle" that permitted these payments to be made without imposition of the executive pay restrictions and federal ownership requirements required by law?
5. Has the Treasury Department received from the Department of Justice any advice or opinion to the effect that the executive pay limits and other conditions Congress placed on the use of bailout funds do not apply to payments funneled through special entities or special-purpose vehicles? If so, please provide copies of all records of such advice or opinions.
6. Has the Treasury Department advised or directed the Federal Reserve that the executive pay limits and other conditions Congress placed on the use of bailout funds do not apply to payments made to special entities or special-purpose vehicles? If so, please explain and provide copies of all records of such advice or direction.

Please deliver the requested information and records to the Committee on Oversight and Government Reform, room 2157 Rayburn House Office Building, no later than 4:00 p.m. on Thursday, April 16, 2009. In responding to this request, please be advised that the terms "records" and "relating to" are defined in the attachment to this letter.

Should you have any questions regarding this request, please contact me or John Arlington of the Committee staff at 202-225-5051.

Sincerely,

A handwritten signature in blue ink, appearing to read "Edolphus Towns". The signature is stylized with a large, looping initial "E" and a cursive "Town".

Edolphus Towns
Chairman

ATTACHMENT

1. The term “records” is to be construed in the broadest sense and shall mean any written or graphic material, however produced or reproduced, of any kind or description, consisting of the original and any non-identical copy (whether different from the original because of notes made on or attached to such copy or otherwise) and drafts and both sides thereof, whether printed or recorded electronically or magnetically or stored in any type of data bank, including, but not limited to, the following: correspondence, memoranda, records, summaries of personal conversations or interviews, minutes or records of meetings or conferences, opinions or reports of consultants, projections, statistical statements, drafts, contracts, agreements, purchase orders, invoices, confirmations, telegraphs, telexes, agendas, books, notes, pamphlets, periodicals, reports, studies, evaluations, opinions, logs, diaries, desk calendars, appointment books, tape recordings, video recordings, e-mails, voice mails, computer tapes, or other computer stored matter, magnetic tapes, microfilm, microfiche, punch cards, all other records kept by electronic, photographic, or mechanical means, charts, photographs, notebooks, drawings, plans, inter-office communications, intra-office and intra-departmental communications, transcripts, checks and canceled checks, bank statements, ledgers, books, records or statements of accounts, and papers and things similar to any of the foregoing, however denominated.
2. The terms “relating,” “relate,” or “regarding” as to any given subject means anything that constitutes, contains, embodies, identifies, deals with, or is in any manner whatsoever pertinent to that subject, including but not limited to records concerning the preparation of other records.