

United States Senate  
WASHINGTON, DC 20510-3905

March 17, 2009

The Honorable Timothy Geithner  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue  
Washington, DC 20220

Dear Mr. Secretary:

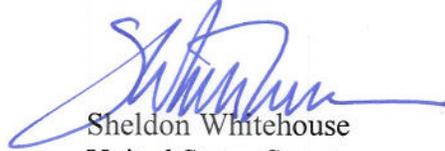
As I travelled across Rhode Island today, I was greeted at every stop by constituents enraged over AIG's recent payment of \$165 million in bonuses to the very scoundrels in its financial products division who brought the company to the brink of collapse and helped bring about such a large share of our current economic woes. I too am outraged and believe that the Administration must take forceful action to convey to AIG and other firms that received federal assistance during our economic downturn that such indefensible excesses will not be tolerated. This action should include efforts to abrogate the contracts between AIG and its executives under which these payments were made.

Although I understand that there are limits to the government's power to modify or abrogate contracts, I have introduced, and provided you with, legislation that addresses this problem. There would be no such problem in bankruptcy court. Your decision to protect these firms from bankruptcy is what caused the problem. S. 431, the "Economic Recovery Adjustment Act of 2009," would create a separate judicial mechanism through which the government, after notice and a hearing, would be able to abrogate excessive executive compensation obligations at financial institutions that have received or will receive taxpayer assistance. The legislation would create an "Office of the Taxpayer Advocate" in the Department of Justice to examine the executive compensation arrangements in question, negotiate for reductions, and, if necessary, propose its own. The reductions would have to be confirmed by the "Temporary Economic Recovery Oversight Panel," composed of bankruptcy judges. Since this mechanism would offer all parties due process, I believe the vested compensation reductions would meet Constitutional scrutiny.

It would also replicate what would have happened if the firms had not received government assistance, and been forced into bankruptcy. In bankruptcy, executive compensation obligations would be converted to unsecured claims which are most often paid out at pennies on the dollar. The use of taxpayer funds to preserve the important public utility functions of the recipient firms does not justify continuing to award themselves outrageous pay on the public's dime.

I hope you, Director Summers and others in the Administration tasked with addressing this problem will seriously consider my proposal. I stand ready to help you in any way I can.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sheldon Whitehouse', with a long horizontal flourish extending to the right.

Sheldon Whitehouse  
United States Senator