



For Immediate Release
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BAUCUS WANTS FACTS, CRACKDOWN ON AIG “RETREAT”

Finance Chairman ‘outraged’ over lavish retreat for company taking Federal loans

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today condemned reports that American International Group (AIG) or one of its subsidiary companies threw a lavish retreat for insurance agents days after the U.S. government prevented AIG’s bankruptcy with \$85 billion in loans. In a sharply worded letter to Federal Reserve Chairman Ben Bernanke, Baucus demanded more details not only of the retreat at an expensive California resort, but also called for information on Federal Reserve oversight of AIG’s activities now that American taxpayers hold a 79 percent stake in the company. The Federal Reserve loaned AIG an additional \$38 billion dollars this week.

“This is precisely the kind of report that Congress will not tolerate regarding companies claiming to be in trouble and the government agencies charged to oversee them. If AIG was throwing money around for tee times and hot stone massages while begging for Federal Reserve dollars, it’s a scandal and an outrage and heads will roll,” said Baucus. **“I want to know who we can fire and how we can get this misspent money back, and I want both of those things to happen pronto.”**

Baucus also said that he would consider calling for a special investigation by the Federal Reserve Inspector General. The text of the Senator’s letter follows here:

October 9, 2008

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Dear Mr. Chairman:

I was outraged by the report that American International Group (AIG) spent over \$400,000 at a five star luxury hotel in California days after the Federal Reserve committed \$85 billion of taxpayer dollars to keep AIG out of bankruptcy. Just yesterday, the Federal Reserve announced it would provide another \$37.8 billion to AIG.

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According to documents obtained by Congress, the \$442,000 in expenses at the St. Regis Resort in Monarch Beach, California reportedly included \$150,000 for food, \$23,000 in spa charges, and \$7,000 for golf.

This kind of behavior is an insult to taxpayers, whose dollars are used to protect and preserve private companies. Provisions must be in place to end frivolous expenses, limit executive compensation, and protect taxpayers from unnecessary risks.

These reports raise questions concerning (I) whether the Fed reviewed and authorized explicitly or implicitly, the AIG retreat and, more generally, (II) the Federal Reserve's rights and role regarding the Federal government's relationship to AIG. Please provide detailed written responses to the following:

I. Federal Response to the AIG retreat

1. Describe the procedures in place at the Federal Reserve to assess activities of senior management of AIG.
2. Describe what, if any, the control Federal Reserve has over limiting compensation of AIG executives.
3. Describe the circumstances under which the Federal Reserve has the authority to fire AIG employees. Include whether this authority may be exercised in the case of inappropriate use of funds, mismanagement, or waste.
4. A list of Federal Reserve employees who authorized, either explicitly or implicitly, the expenditures related to the AIG retreat.
5. A list of Federal Reserve employees who knew about the AIG retreat to the St. Regis Resort in Monarch Beach, California.
6. Describe the Federal Reserve investigation into the AIG retreat to the St. Regis Resort in Monarch Beach, California and any actions that have been taken to recoup the unauthorized expenditures.

II. The Federal Government's Relationship to AIG

7. The terms and conditions of the AIG loans.
8. Describe the Federal Reserve plan for oversight, monitoring, and recourse to ensure taxpayer dollars are spent wisely. Especially detail the plan for AIG, the names of the Federal Reserve officials in charge of AIG oversight, and the number of Federal Reserve employees working exclusively on overseeing and auditing AIG.
9. Describe how taxpayer funds have been used so far.

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10. Explain why it was necessary to loan AIG an additional \$37.8 billion yesterday.

11. Describe the control over AIG management the Federal Reserve can exercise.

Please respond by the close of business on October 23, 2008. The answers should be delivered to the committee office and addressed to Russ Sullivan, Staff Director. Please provide electronic copies of all responses, as well as, a log of any responsive documents being withheld including a detailed description of the document and the reason for withholding it.

I appreciate your cooperation on this matter.

Sincerely,

Max Baucus

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