

It has been reported that AIG was seeking the government's consent to pay out \$2.4 million in executive bonuses on July 15. This is in addition to \$235 million that is evidently scheduled to be paid out next year. Please answer the following questions.

After consulting with others at Treasury, I am pleased to offer the following responses:

Were \$2.4 paid out this past week in bonuses to AIG executives?

I have been advised that AIG did not make any bonus payments to its senior executives on or around July 15, 2009.

Did the Treasury Department approve these bonuses in any way, and if so, who specifically made the decision that the bonuses were appropriate and how was that determined?

I have been advised that the Treasury Department did not approve bonus payments for AIG, and as stated above, no payments were made.

Please break down the amounts individual executives received as a bonus, and explain how those amounts were calculated.

To the best of my knowledge, AIG did not make any bonus payments to its senior executives on or around July 15, 2009.

How involved has Kenneth Feinberg, "pay tsar" to the Obama Administration, been in any determinations concerning the \$2.4 million in bonuses scheduled for this past week, and what exactly is his involvement in examining the \$235 million AIG reportedly will still owe employees?

Pursuant to the TARP Compensation and Corporate Governance Interim Final Rule published by Treasury on June 15, 2009, Kenneth Feinberg, as the Special Master for TARP Executive Compensation, is required to review certain payments and payment structures for the executive officers and the top 100 most highly compensated employees of all recipients of exceptional TARP assistance, including AIG. The Special Master will be reviewing their compensation for consistency with the Rule. In addition, as the Special Master has previously stated, he has met with all seven exceptional assistance firms including AIG to discuss a variety of compensation issues including what AIG asserts to be pre-existing bonus and retention programs.

The Rule does not require the Special Master to approve all compensation matters at these firms, but it does grant him the authority to issue advisory opinions on broad compensation matters at his discretion. To date, the Special Master has not issued any advisory opinions.

With regards to the \$235 million payments, it is my understanding that this is part of a retention program designed by AIG Financial Products in early 2008 prior to government intervention at the company. In March 2009, Secretary Geithner reported that he requested that AIG CEO Edward Liddy renegotiate these payments that AIG claimed were contractually obligated to its employees. I understand that AIG has informed the Special Master of its efforts in this renegotiation process, but that this process is still underway and no resolution between AIG and its employees has been reached.

Please explain how these bonus payments are an appropriate use of taxpayers' money.

Like all TARP recipients, taxpayer funds are used by AIG to support its continued operations, including payments of appropriate salaries and bonuses. With regards to compensation payments that fall under the jurisdiction of the Special Master, the Interim Final Rule requires that the Special Master consider a variety of standards when determining whether payments are appropriate. These standards include incentives created related to risk, the effect on facilitating return of taxpayer funds, an appropriate allocation among various types of pay, performance based metrics to support compensation, comparable compensation paid to similar firms in similar circumstances, and the specific contributions of each employee. These standards require specific inquiry into payments to specific employees to determine whether they are appropriate.