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Inglis says feds must end bailout 'loopholes'

Congressman questions package for former South Financial CEO

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U.S. Rep. Bob Inglis on Wednesday joined the governor in questioning the financial package The South Financial Group will pay its former chief executive and asked the U.S. treasury secretary to close loopholes in the government's bank bailout plan.

Gov. Mark Sanford earlier this week asked Treasury Secretary Henry Paulson to investigate the timing of an "\$18 million golden parachute" from South Financial to retired CEO Mack Whittle. Top bank officials have said they are "proceeding with applying" for federal bailout funds.

"It's certainly an example of an abuse that I think we should try to avoid," Inglis, a Republican from Travelers Rest, told The Greenville News.

Inglis said in a letter to Paulson that he should close loopholes in a federal bailout plan that would allow banks and other companies to receive taxpayer-supported rescue funds while paying compensation otherwise disallowed by the Emergency Economic Stabilization Act.

Whittle and a Treasury spokeswoman couldn't be reached for comment.

The new chairman of the South Financial board said earlier the Greenville-based bank holding company didn't have the rights to unilaterally limit the money to be paid to Whittle under a long-standing agreement.

In writing to Paulson, Inglis referred to an earlier letter from Sanford that expressed concerns about South Financial, the parent company of Carolina First Bank, and the governor's apprehension that "the federal government, and by extension taxpayers, are being gamed" by paying out such levels of compensation before applying for rescue plan funds.

Inglis suggested that Paulson use a "look back" mechanism to prevent an executive from cashing out just before a bank applied for rescue funds.

Medicaid's "look back" provision prevents applicants from unloading personal assets in order to meet Medicaid qualification standards for government assistance, Inglis wrote.

He suggested Paulson use his authority to institute a similar requirement for banks receiving rescue funds "to prevent abuses of the system."

Inglis told The News, "It's shocking to think than an executive in an organization that's going to be bailed out could be paid such a huge sum of money."

A South Financial shareholder has filed a lawsuit against Whittle, the company and its board members that challenges Whittle's retirement agreement.

The shareholder is seeking a temporary restraining order to block any payments.

Sanford said Monday at a Columbia press conference that he has asked Paulson to investigate the timing of Whittle's retirement, following suspicions by some who believed the bank was trying to avoid having Whittle retire after it might apply for a bailout and endanger the retirement package.
