


OFFICE OF THE SPECIAL INSPECTOR GENERAL  
TROUBLED ASSET RELIEF PROGRAM  
1500 Pennsylvania Ave., N.W., Suite 1064  
Washington, D.C. 20220

March 20, 2009

MEMORANDUM FOR      Neel Kashkari, Interim Assistant Secretary for  
   Financial Stability, Department of the Treasury

   Stephen R. Malphrus, Chief of Staff, Board of Governors,  
   Federal Reserve

FROM:                      Neil M. Barofsky, Special Inspector General Troubled  
   Asset Relief Program 

SUBJECT:                 Engagement memo – Review of Federal Oversight of  
   Executive Compensation Requirements including Bonus  
   Payments to AIG and Other TARP Recipients

Recent news and congressional hearings surrounding large bonus payments to employees of insurance firm AIG raise questions regarding compliance with executive compensation requirements imposed as a condition of financial assistance under the Troubled Asset Relief Program. There are also questions about the extent of coordination between the Department of the Treasury and the Federal Reserve which also has provided considerably larger assistance to AIG. The objectives of the review include determining:

1. To what extent the Department of the Treasury has imposed executive compensation restrictions on TARP program recipients and has processes in place to monitor and ensure compliance with those requirements? More specifically, SIGTARP's focus on AIG will include determining:
  - a. To what extent are the recently announced AIG bonus payment/recipients affected by restrictions contained in the Emergency Economic Stabilization Act (EESA), TARP agreements, or the new requirements included in the American Recovery and Reinvestment Act of 2009? Also, to what extent did Treasury understand the full range of AIG's executive compensation and bonus contracts and decisions, and the extent to which they fell under compensation restrictions?
  - b. To what extent have Treasury officials monitored AIG's compliance with TARP restrictions? In completing this objective we are also interested in determining what role, if any, has been played by the Federal Reserve in assisting the

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Treasury with oversight given the Federal Reserve's separate financial assistance and monitoring of AIG?

We plan to start work on this engagement immediately. This work will be performed under engagement code 0005. We expect to perform this work at the Office of Financial Stability, AIG, and Federal Reserve offices overseeing assistance to AIG. SIGTARP's audit efforts at the Federal Reserve will be coordinated with the Inspector General's office of the Board of Governors of the Federal Reserve System.

In the meantime, if you have any questions, please contact Barry W. Holman, SIGTARP Deputy Inspector General for Audit, at (202) 622-4633.

cc:



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Eric M. Thorson, Inspector General, Department of the Treasury  
Elizabeth A. Coleman, Inspector General, Board of Governors of the Federal Reserve System