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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
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WASHINGTON, DC 20515–6143

Majority (202) 225–5051
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April 7, 2009

The Honorable Timothy Geithner
Secretary of the Treasury
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

As Ranking Member of the House Oversight and Government Reform Committee, the House's main investigative committee with jurisdiction to investigate federal programs and any matter with federal policy implications, I am writing to request your assistance with information regarding the Public Private Investment Program (PPIP) that you released on March 23. It is essential that we get our banking system back on track by providing a framework through which a market for toxic (in your words, "legacy") assets can be restarted.

I was troubled to learn that the PPIP designates a select few "fund managers" and restricts participation in the plan to an elite group of industry titans. Your plan restricts applications to firms that already have a minimum of $10 billion in toxic assets under management. As you know, most firms are trying to get these assets off their books, rather than trying to double down on these investments. Thus, as the *Wall Street Journal* reported in an April 1st editorial, your restriction limits the number of fund managers in the plan to only those firms that are both big enough to hold such a substantial portfolio and healthy enough to be willing to take on the additional risk of adding to their portfolios of toxic assets.[1] In today's economic environment, the number of firms that meet both of these requirements is quite small and is likely limited to firms such as BlackRock, Pimco, Goldman Sachs, Legg Mason, and Bridgewater.[2]

I am puzzled that given the goal to "maximize the inflow of private capital into the market in an expeditious manner" and create a liquid market for the toxic assets,[3] you would so drastically limit the number of potential participants in the program. While it is encouraging that

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[1] *See* "Treasury's Very Private Asset Fund." *Wall Street Journal*, April 1, 2009.
[2] *Id.*
[3] *See* "Legacy Securities Public-Private Investment Funds (PPIFs) Additional Frequently Asked Questions." Department of the Treasury, April 6, 2009.

you released revised guidance indicating that these criteria "will be viewed on a holistic basis, and it is anticipated that failure to meet any one criteria will not necessarily disqualify a proposal,"[4] the revised guidance does not provide an adequate explanation for your creation of such significant roadblocks to participation in the program.

In addition, while you encourage small, veteran-, minority-, and women-owned businesses to participate in the program by "partnering" with the elite fund managers,[5] these businesses can only participate in the program if they buy in to the funds at the exclusive manager's terms. Thus, your plan not only selects a favored group of fund managers, but it also gives this favored group the ability to collect fees and profit-sharing from anyone else that wants to participate in the program.

The restrictions in your plan create the unfortunate appearance that Treasury may be playing favorites with investors to the benefit of friends of the Administration. As Joshua Rosner, an independent research analyst, pointed out:

> As long as they are experienced, there is no rational reason for creating limitations on who becomes a bidder and manager of assets. It doesn't serve the public good, though it may serve those few large firms that appear to have a privileged relationship with Treasury.[6]

As the *Wall Street Journal* speculated, "some of these big players may have consulted informally with the Obama Administration as it was writing the plan."[7] This speculation is supported by a report in the *New York Times* that an "informal brain trust" of hedge fund managers and other financial professionals are regularly consulted on policy matters by your colleague Lawrence Summers at the White House.[8] This elite circle of people influencing the Administration's economic policies and plans includes Laurence Fink, the chairman and CEO of BlackRock, who "hopes to play a potentially lucrative role in the administration's bank rescue plan."[9]

The combination of the significant restrictions in the PPIP that serve to anoint a select group of fund managers to make significant profits, and reports that at least one of the potential beneficiaries of the plan consults directly with the White House on economic policy matters, raises serious questions about the Administration's decision making process in developing the plan. I am troubled by the lack of transparency in the PPIP development and decision making process, which contradicts the Administration's pledge of an "unprecedented level of openness in Government."[10] The American people have a right to know why taxpayer dollars are being put

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[4] *See* "Treasury Department Provides Updated Guidance on Legacy Securities Public-Private Investment Program." Press Release. Department of the Treasury, April 6, 2009.
[5] *See* note 3, *supra.*
[6] *See* note 1, *supra.*
[7] *Id.*
[8] *See* "A Rich Education for Summers (After Harvard)." *The New York Times*, April 6, 2009.
[9] *Id.*
[10] *See* Barack Obama, Memorandum for the Heads of Executive Departments and Agencies on Transparency and Open Government, available at http://www.whitehouse.gov/the_press_office/TransparencyandOpenGovernment.

at risk for the potential benefit of such a small group of investors, and whether the plan to do so was influenced by friends of the Administration who stand to make huge profits if they are selected as beneficiaries.

Thus, I would like to give you the opportunity to set the record straight by providing to this Committee the following information by close of business on Monday, April 20, 2009:

1. A full and complete explanation of why the PPIP restricts applications to firms that already have a minimum of $10 billion in toxic assets under management given the goal of the plan to "maximize the inflow of private capital into the market in an expeditious manner."

2. All records of communications you or Treasury staff have had referring or relating to the development of the PPIP with any representative of the following companies: BlackRock, Pimco, Goldman Sachs, Legg Mason, and Bridgewater.

3. The names of all outside advisors from the business and/or finance community that you consult with for advice on policy matters.

4. All records of any decision to recuse yourself from participation in any discussion related to the PPIP due to a conflict of interest.

5. Any and all predecisional records of communications referring or relating to the PPIP, including but not limited to any drafts, comments, notes, or memoranda.

Please note that, for purposes of responding to this request, the terms "records," "communications," and "referring or relating" should be interpreted consistently with the attached Definitions of Terms.

Thank you for your cooperation in this matter. If you have any questions regarding this request, please contact Senior Counsel Christopher Hixon of the Committee staff at 202-225-5074.

Sincerely,

Darrell E. Issa
Ranking Member

cc: The Honorable Edolphus Towns, Chairman
cc: The Honorable Lawrence Summers, Director, National Economic Council

Attachment

Definition of Terms

1. The term "record" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term.

2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.

3. The terms "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.