



State of New Jersey
OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
PO Box 080
TRENTON NJ 08625-0080

JON S. CORZINE
Governor

ANNE MILGRAM
Attorney General

June 19, 2009

The Honorable Neil M. Barofsky
Office of the Special Inspector General for the
Troubled Asset Relief Program
1500 Pennsylvania Avenue, NW, Suite 1064
Washington, DC 20220

Dear Inspector General Barofsky:

On March 19, 2009, 18 state Attorneys General endorsed our open letter to American International Group Chairman Edward M. Liddy, questioning the legitimacy of bonus payments made to executives within AIG's Financial Products Unit — the division responsible for the company's catastrophic derivatives losses. These bonus payments were made, moreover, after AIG received a staggering \$180 billion in taxpayer TARP funding to keep the company afloat. Since that time, AIG's responses to various regulatory inquiries about these bonus payments, including its responses to New Jersey, create a growing concern about the propriety of its actions.

Despite a pledge to Congress of cooperation and transparency, it remains unclear how much of the \$165 million in bonuses will be returned to the company and thus the taxpayers who now own AIG. It likewise remains unclear as to how much in additional bonus payments AIG will make next year to executives in the failed Financial Products Unit.

In addition to concerns about the propriety of its bonus and retention payments to employees in the Financial Products Unit, we question the candor of some of AIG's responses about the proportion of its TARP payments allocated to its compensation program more broadly. AIG's evolving responses to Congress about its compensation practices are illustrative. AIG told Rep. Elijah Cummings in March that it paid \$120 million in company-wide bonuses; in May, it quoted a figure of \$454 million. AIG claims the discrepancy is explained by Congress's failure to pose the March compensation question with sufficient precision. Such half-truths, which investors may have relied upon, obviously raise serious questions about the completeness of AIG's characterizations of its financial condition.



Statements by your Office published after we launched our investigation — including the Engagement Memo regarding executive compensation issued the day following our Open Letter, along with additional inquires about counterparty payments (*see* SIG TARP Quarterly Report, April 21, 2009) — indicate that your investigation includes similar concerns. I would like to meet with you to discuss ways state regulators can assist in assuring that its investors' interests are addressed, while avoiding regulatory duplication that might drain federal taxpayer dollars. Such state-federal collaboration is especially important here, given that the American taxpayer owns most of AIG. I thank you, in advance, for your consideration of our request, and I look forward to discussing ways that we can collaborate in achieving our common goals.

Very Truly Yours,



Anne Milgram
Attorney General of New Jersey



Terry Goddard
Attorney General of Arizona



Joseph R. Biden, III
Attorney General of Delaware



Lisa Madigan
Attorney General of Illinois



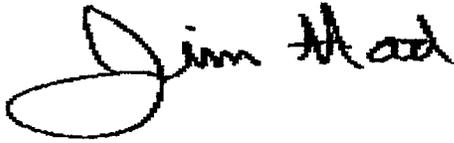
Jack Conway
Attorney General of Kentucky



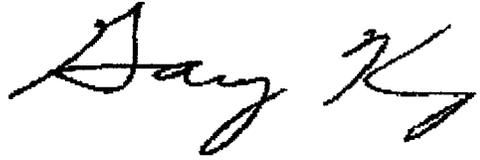
Janet T. Mills
Attorney General of Maine



Mike Cox
Attorney General of Michigan



Jim Hood
Attorney General of Mississippi



Gary King
Attorney General of New Mexico



Richard Cordray
Attorney General of Ohio



Greg Abbott
Attorney General of Texas