



Congress of the United States
House of Representatives

April 23, 2009

The Honorable Timothy Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, Nw
Washington, D.C. 20220-0002

Dear Secretary Geithner:

I am greatly concerned by recent news reports that the Administration is considering converting the government's preferred stock in some of our nation's largest banks – investments acquired through the TARP program – into common equity shares in these publicly-held companies.

As you are aware, these investments were originally made to their recipients at fixed rates for a fixed period of time – signaling that their intent was to provide these banks with short-term capital for the purpose of improving our financial system's overall position during a time of crisis. Converting these shares into common equity, however, signals a drastic shift away from the Administration's original purpose for these investments to a new strategy of long-term ownership of and involvement in these companies.

I am concerned that converting these preferred shares into common equity would have two serious and negative effects. First, it would bring the banks whose shares are converted closer to **de facto nationalization by creating the potential for the government to play an increasingly activist role in their day-to-day operations and management.**

Second, I am concerned that moving these investments further down the bank's capital structure into a riskier **position puts American taxpayer dollars at increased risk of being lost in the event of a recipient's insolvency.**

To date, no Administration official has provided the House Republican Leadership with any comprehensive answers to the serious questions raised in our February 2, 2009 letter to you about the Administration's exit strategy for the government's growing involvement in the financial markets.

In absence of the Administration's response to that letter, **I would appreciate your prompt assurance that converting these preferred shares to common equity – thereby taking these companies closer to nationalization and putting taxpayers' money at increased risk – is not**

a part of the Administration's yet-to-be-articulated strategy on getting out of the bailout business.

Thank you in advance for your prompt attention to this issue of critical importance to me, the residents of Texas' 32nd District and the entire taxpaying American public. If you have any questions regarding this letter, please feel free to have your staff contact my Chief of Staff Josh Saltzman at Josh.Saltzman@mail.house.gov or 202.225.2231.

Sincerely,



Pete Sessions
Member of Congress

PSJLS