

State of Connecticut

DENISE L. NAPPIER
TREASURER



Hartford

October 1, 2008

Re: Emergency Economic Stabilization Act of 2008

Dear Connecticut Congressional Delegation:

Given the imminence of Senate action on the revised Emergency Economic Stabilization Act of 2008, I urge you to advocate for the strongest possible provisions concerning executive compensation. I do so recognizing that this Act is only the first of a more comprehensive package of reforms to be considered by Congress as this country begins to meaningfully address the challenges to our nation's economy.

A recent draft of the legislation contains provisions for executive compensation that, in my view, inadequately prevent unjust enrichment of the executives of the very companies at the heart of this market turmoil. Specifically, the draft bill does not aggressively target profits that more properly ought to be returned to taxpayers. While mention is made of setting limits on executive compensation, there remains a gaping loophole that permits executives to receive enormous compensation in accordance with existing contractual arrangements.

Specifically, the shortcomings of the bill include the following:

- The bill is silent about existing golden parachute provisions which could allow executives to reap undeserved payments at taxpayers' expense. For companies with assets that are sold via auction, the bill merely prevents a company from entering into new contracts that have golden parachutes.
- In a measure that could potentially harm shareholders, the bill would prevent a company from deducting executive pay in excess of \$500,000. So while excessive pay would still be allowed, the bill's prohibition of deducting executive pay as an ordinary business expense would benefit taxpayers, but at the expense of the investing public – many of whom are one and the same.

I respectfully urge you to consider a stronger measure which would better balance the interests of taxpayers and the investing public. This measure would impose a 70% capital gains tax (or a percentage rate greater than the prevailing capital gains rate) on incomes of covered executives that exceeds \$500,000. This would discourage companies that benefit from the bailout from squandering taxpayer dollars with golden parachutes for their executives, while minimizing the harm to shareholder value. There should be no unjust reward when we, as a nation, have to work so hard to hold our economy together.

Letter to Connecticut Congressional Delegation

October 1, 2008

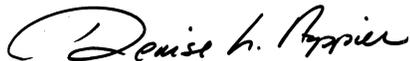
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We all recognize that this legislation is just the beginning of Congress' tough job to comprehensively address the ills of our economy. Once this bailout bill is passed, I encourage you and your colleagues to return to Congress as soon as practical to get to work on the necessary reforms. When you consider those reforms, please be mindful that a reasonably regulated market can, indeed, work. Reforms must recognize the reality that ownership of our nation's companies has shifted from management to institutional shareholders who manage assets for the benefit of millions of American citizens. These shareholders ought to have some "Say on Pay" and, especially where members of corporate boards of directors fail to listen to shareholders, access to the proxy vote. Addressing these critical corporate governance issues, coupled with the important reform work Congress has before it, will go a very long way toward rebuilding a world class economy for American citizens today and tomorrow.

I wish you the very best as you tackle these important issues. Thank you for your consideration of these matters and for your leadership on behalf of our State and our nation.

Sincerely,



Denise L. Nappier  
State Treasurer