

United States Senate
WASHINGTON, DC 20510

October 24, 2008

The Honorable Henry Paulson
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Ben Bernanke
Federal Reserve Chairman
Federal Reserve System
Twentieth and Constitution Avenue, NW
Washington, DC 20551

Dear Secretary Paulson and Chairman Bernanke:

We are seeking your assistance to address a critical issue facing many of the nation's large public transit agencies in the wake of the current financial crisis. As discussed in yesterday's hearing before the Senate Committee on Banking, Housing and Urban Affairs, if the Treasury and Federal Reserve do not act quickly, public transit agencies around the nation could become financially crippled and several banks could enjoy unjustified windfalls.

As you may know, from the late 1980's to 2003 mass transit agencies (and other public agencies) entered into Lease-In/Lease-Out and Sale-in/Lease Out (LILO/SILO) Transactions with several banks. The transactions provided these agencies with much needed resources for capital intensive projects and the banks were able to gain tax benefits. In 2003, the tax benefits from these transactions were prohibited.

AIG was used as a go between in many of these transactions. Now the banks that are parties to these transactions are using AIG's credit downgrading to terminate these transactions in terms favorable to them. As a result, the banks may have the opportunity to gain 100 percent of the tax benefits which have been disallowed, and in turn devastate transit agencies. Any reduction or degradation in transit service could mean that our constituents will struggle getting to work or school, squeezing our state economies and family budgets even further. This is a time when we should encourage mass transit use and a financial blow to our transit agencies such as this one is a major setback to that effort.

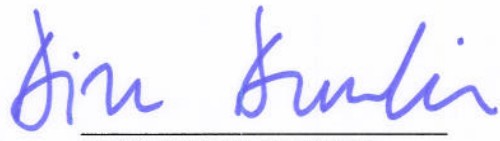
We believe such dire consequences can be avoided without significant cost or risk to the bailout program and we urge you to take measures to address this critical issue. In particular, we ask you to immediately delegate a senior Treasury and a senior Federal

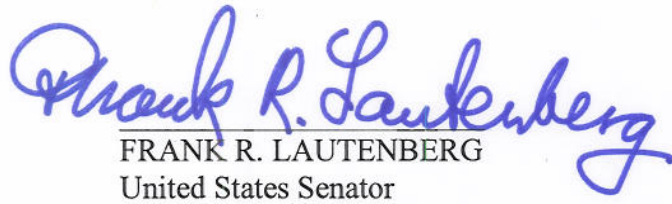
Reserve official to work with the Department of Transportation and a small number of the large transit agencies to develop a solution to this pressing problem thus avoiding a financial catastrophe for those least able to pay.

Thank you in advance for your consideration.

Sincerely,


ROBERT MENENDEZ
United State Senator


RICHARD J. DURBIN
United State Senator


FRANK R. LAUTENBERG
United States Senator


BARBARA BOXER
United States Senator