



OFFICE OF THE SPECIAL INSPECTOR GENERAL

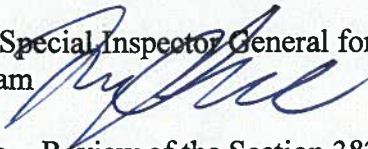
FOR THE TROUBLED ASSET RELIEF PROGRAM

**1801 L STREET, NW, 4TH FLOOR
WASHINGTON, D.C. 20220**

AUG 10 2010

MEMORANDUM FOR: Herbert M. Allison, Jr., – Assistant Secretary for Financial Stability, Department of Treasury

Douglas H. Shulman – Commissioner of Internal Revenue

FROM: Neil M. Barofsky, Special Inspector General for the Troubled Asset Relief Program 

SUBJECT: Engagement Memo – Review of the Section 382 Limitation Waiver for Financial Instruments Held by Treasury

As part of our continuing oversight of the Troubled Asset Relief Program (“TARP”), and at the request of Representative Dennis Kucinich, we are initiating an evaluation to assess the decision-making process regarding the waiver to Revenue Code Section 382 (IRS Notice 2010-2, hereafter the “Waiver”) for institutions, such as Citigroup Inc., whose securities are acquired or disposed of by the Department of the Treasury (“Treasury”) under TARP.

Our specific objectives are to determine (1) the rationale behind Treasury’s decision to issue the Waiver; (2) whether Treasury was aware of any tax effect that may result from the issuance of the Waiver; (3) determine the principal decision makers involved in issuing the Waiver; and (4) the extent to which Treasury’s policy to timely dispose of TARP investments factored into the decision to issue the Waiver.

We plan to start work on this engagement immediately. This work will be conducted under evaluation engagement code 002. We expect to perform audit work at both the Internal Revenue Service and Office of Financial Stability. A member of my staff will contact you shortly to arrange an entrance conference. At that time, we will discuss our scope, methodology, and timeframes in more detail. If you have any questions in the meantime, please contact Mr. Kurt Hyde, Deputy Special Inspector General for Audit, at 202-622-4633.

cc: Timothy Massad, Chief Counsel, Office of Financial Stability
Jennifer Williams, Oversight Liaison, Office of Financial Stability
Michael Phillips, Deputy Inspector General for Audits, Treasury Inspector General for Tax Administration