



November 7, 2008

The Honorable Henry M. Paulson, Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Paulson,

We are writing to you with a great sense of urgency regarding the Troubled Asset Recovery Program (TARP) and request you exercise your authority under Section 103(7) of the recently passed *Emergency Economic Stabilization Act of 2008* to purchase the troubled assets held by local governments.

As you know, local governments provide critical services and programs that every American family and business relies on to protect public safety, provide healthcare services, respond to emergencies and educate our children. While these essential services are often taken for granted, our country cannot properly function without them.

Like businesses and governments at every level, county governments, city governments, and school districts have been hit hard by tightening economic conditions, a shrinking tax base and reduced federal support. Nineteen California counties and cities recently wrote to you with an exposure of \$250 million, and many of these governments invested in corporate bonds and notes issued by Lehman Brothers Inc. The catastrophic losses of these localities will result in massive job losses, termination of ongoing construction projects, and elimination or reduction in critical services. Hospitals will reduce services and staff. Schools will lay off teachers. Police and fire departments will have to reduce patrols and limit services.

The *Emergency Economic Stabilization Act of 2008* was signed into law to stabilize our financial system, protect taxpayers, and mitigate the current losses to our economy. If local governments are forced to bear catastrophic losses, local economies will be severely impacted, which in turn will further exacerbate the ongoing problems with our economy and our financial system.

The Honorable Henry M. Paulson

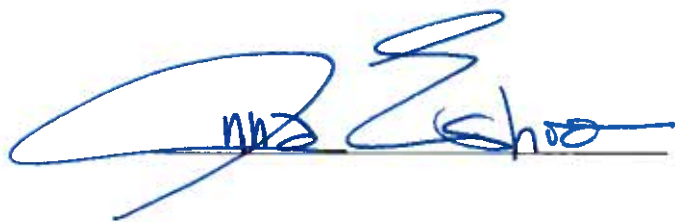
November 7, 2008

Page 2

The Act in Sec. 103(7) explicitly provides you with the authority to purchase the troubled assets of local governments "that may have suffered significant increased costs or losses in the current market turmoil." It is clear that you have the authority to purchase troubled assets from local governments and such a purchase would also fulfill the Act's purpose.

We strongly urge you to use your authority to protect taxpayer funds and purchase the troubled assets held by local institutions. We would like to meet with you to discuss this matter, and our staff will follow up with your office to schedule a meeting as soon as possible.

Sincerely,


Mark E. Shook



Jackie Spier

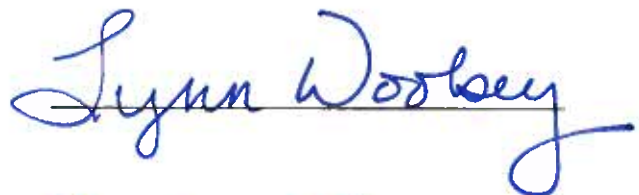

Jane Harman


Ellen Tauscher


Bob Filner


Laura Richardson


George Miller


Lynn Woobey


Barbara Lee


Michael G. Pittman

Loretta Sanchez

Sam Fara

Luis Cuper

Ch. Fara

Mel Shomym

Paula

Diane E. Watson

Donis O. Watson

Jerry McRay

Mary Bono Mack

cc: The Honorable Benjamin S. Bernanke, Chairman of the Board of Governors of the Federal Reserve System
The Honorable James B. Lockhart III, Director the Federal Housing Finance Agency
The Honorable Charles Christopher Cox, Chairman of the Securities Exchange Commission
The Honorable Steve Preston, Secretary of Housing and Urban Development