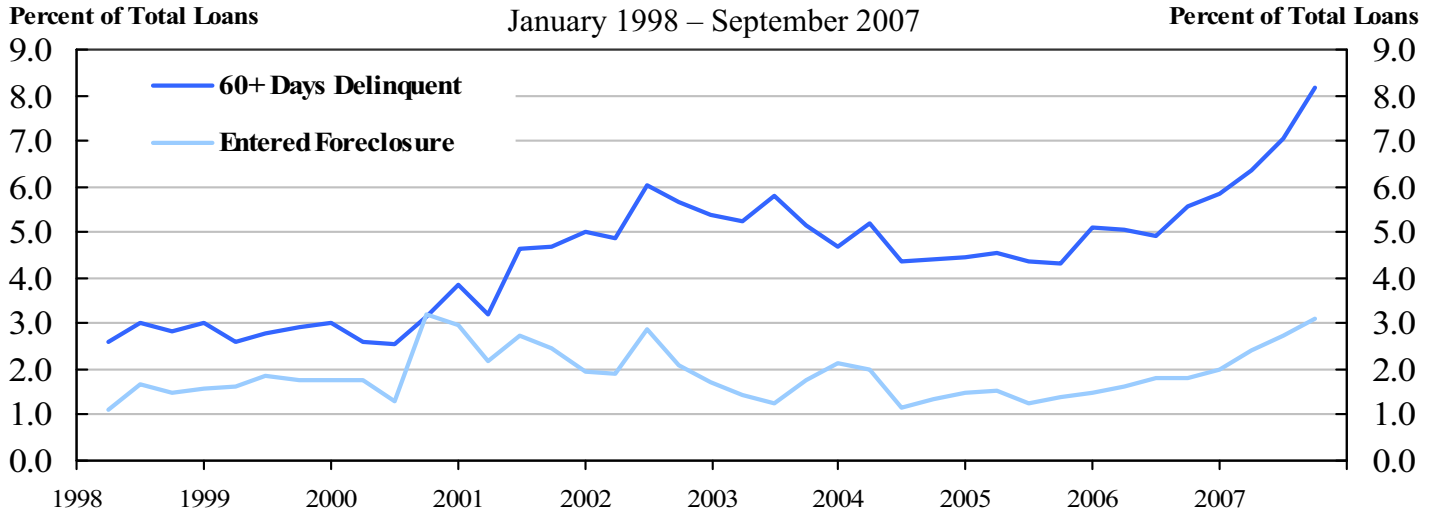


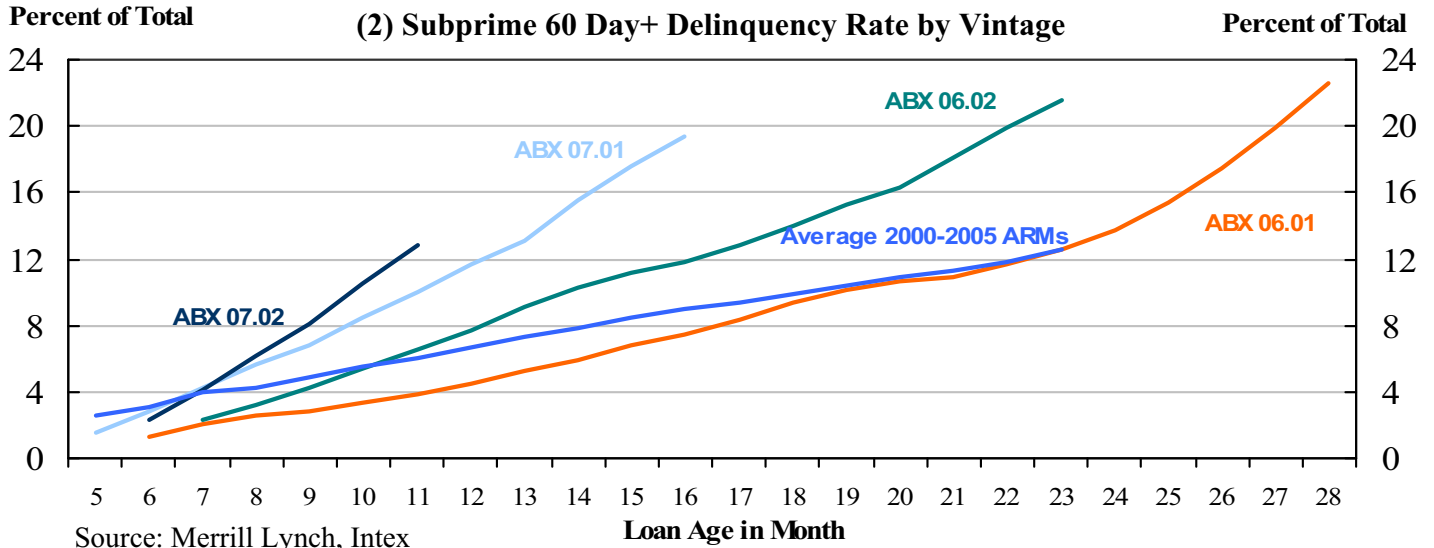
Appendix 1: Materials used by Mr. Dudley

(1) Subprime Mortgage Performance Continues to Worsen



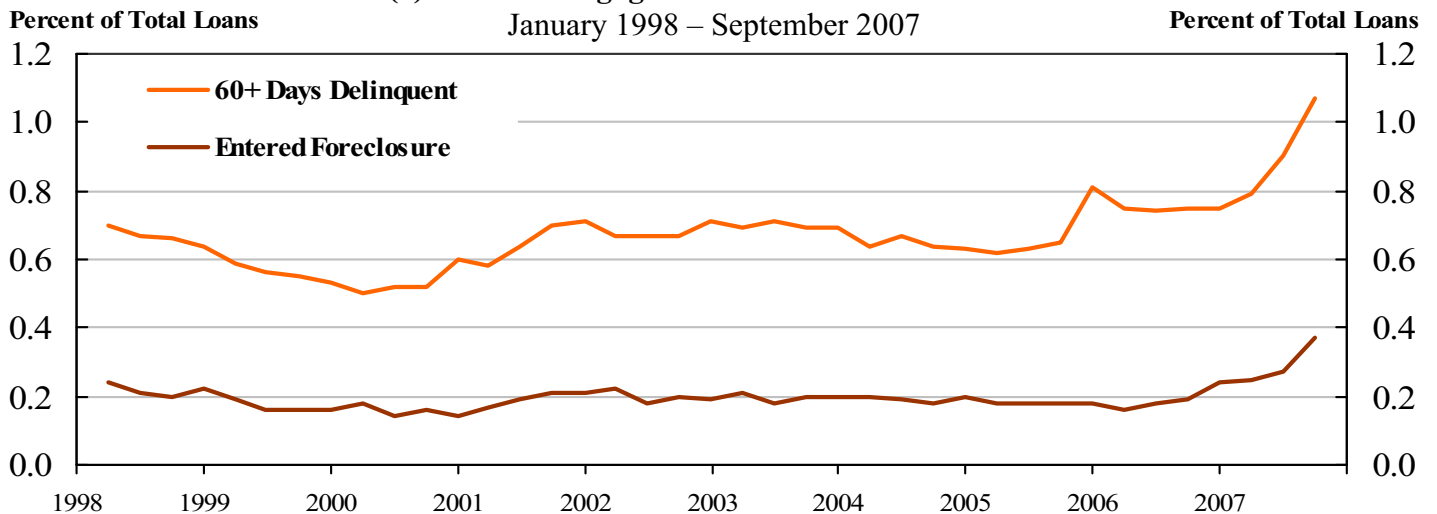
Source: Mortgage Bankers Association and Economy.com

(2) Subprime 60 Day+ Delinquency Rate by Vintage



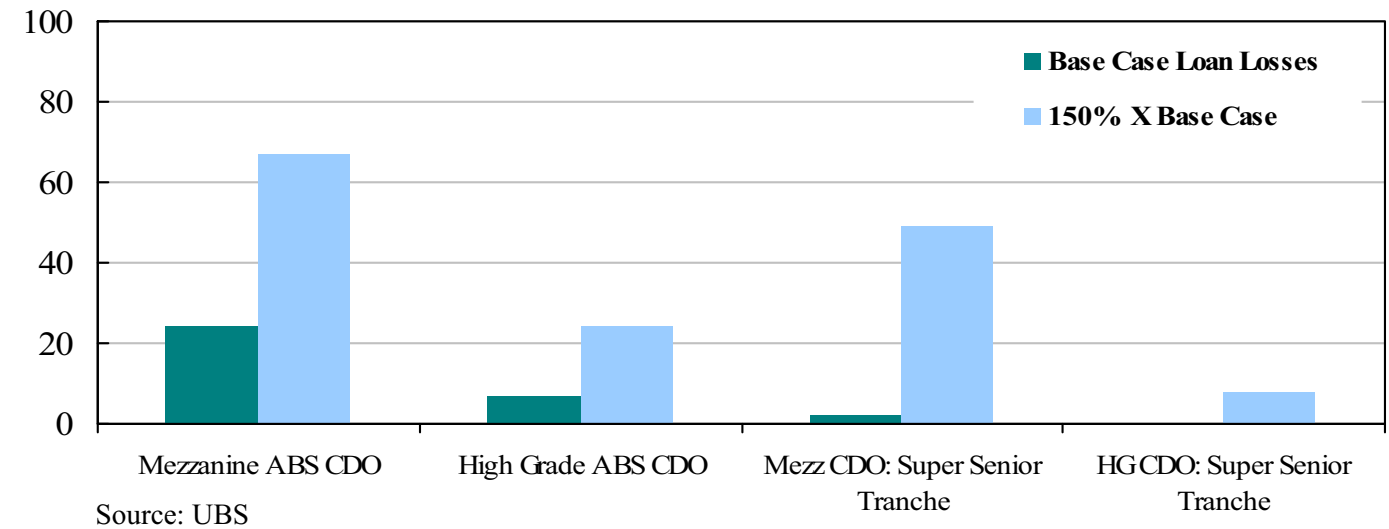
Source: Merrill Lynch, Intex

(3) Prime Mortgage Performance Also Worsens

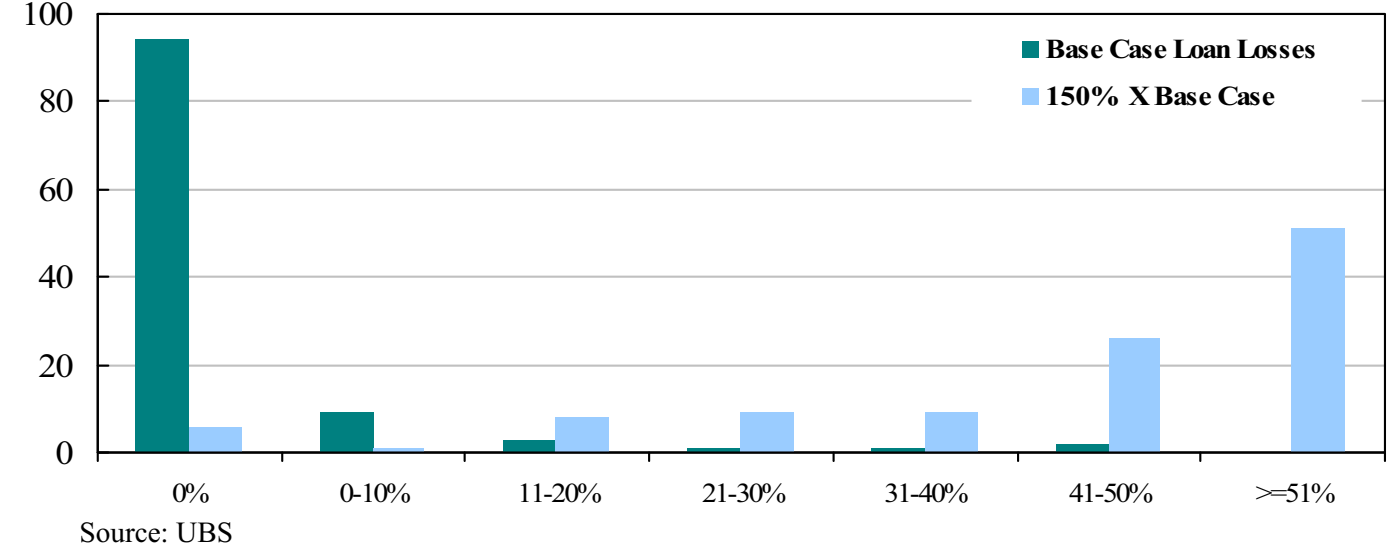


Source: Mortgage Bankers Association and Economy.com

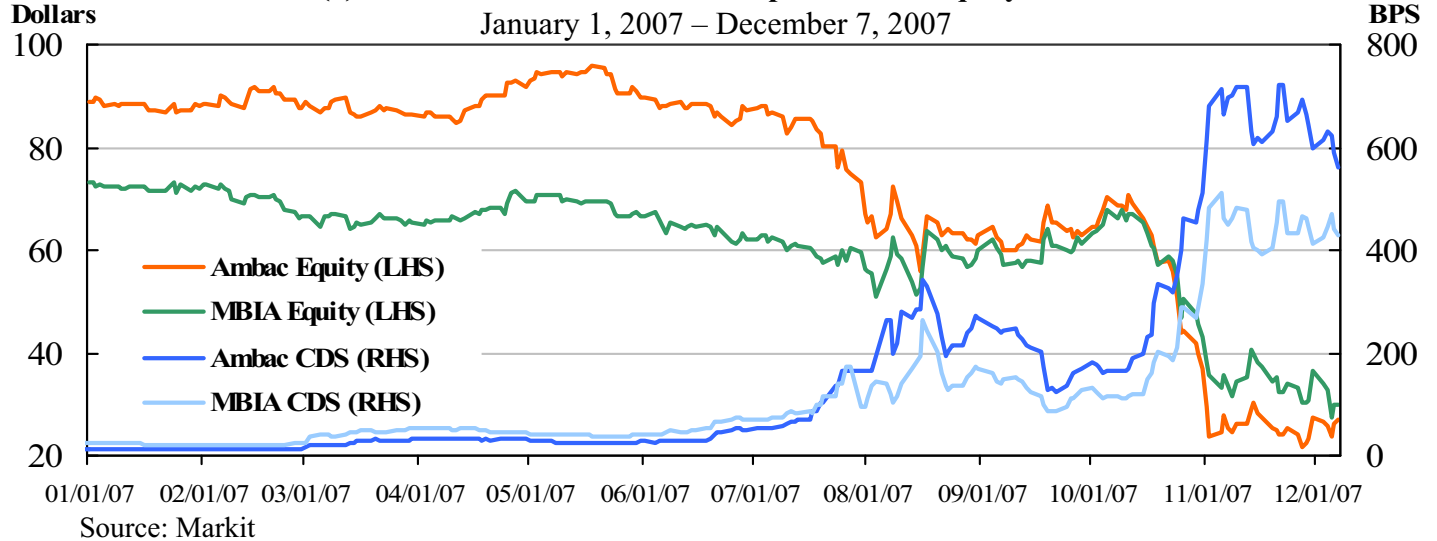
(4) Average Loss Estimates for 2006/07 ABS CDOs Based on Underlying Mortgage Loan Losses



(5) Estimated Losses for the Super Senior Tranches of 2006/07 Mezzanine ABS CDOs

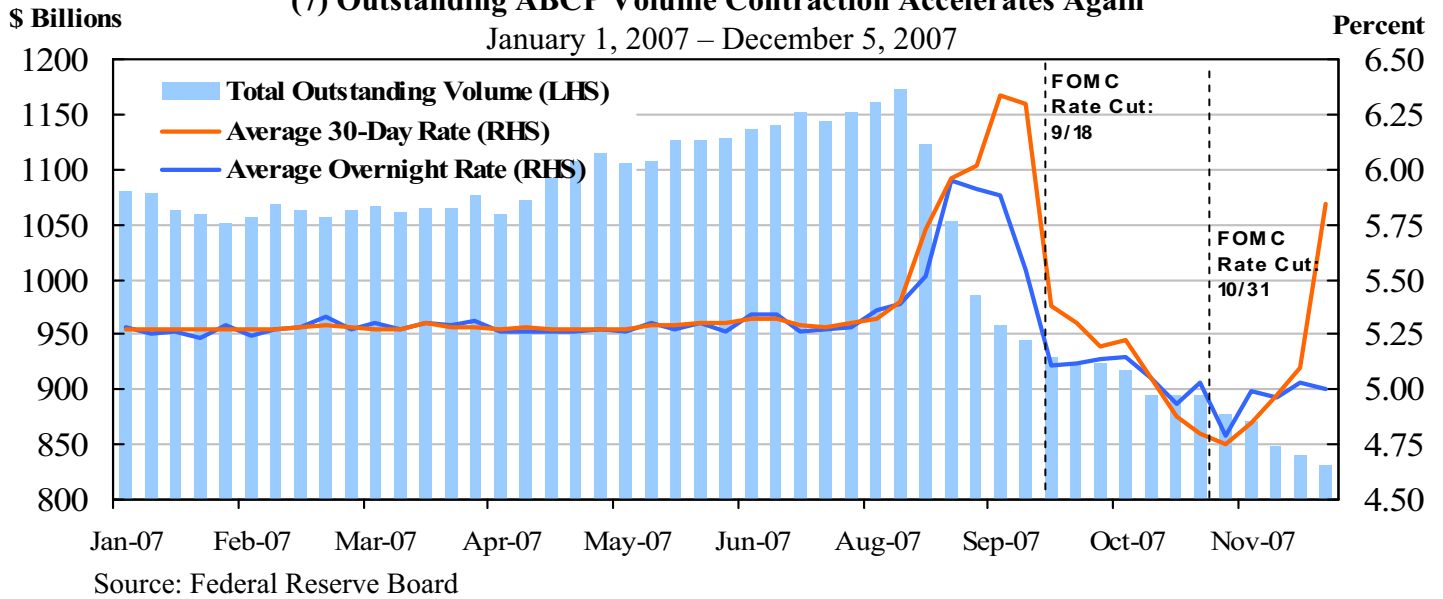


(6) Financial Guarantors' CDS Spreads and Equity Prices



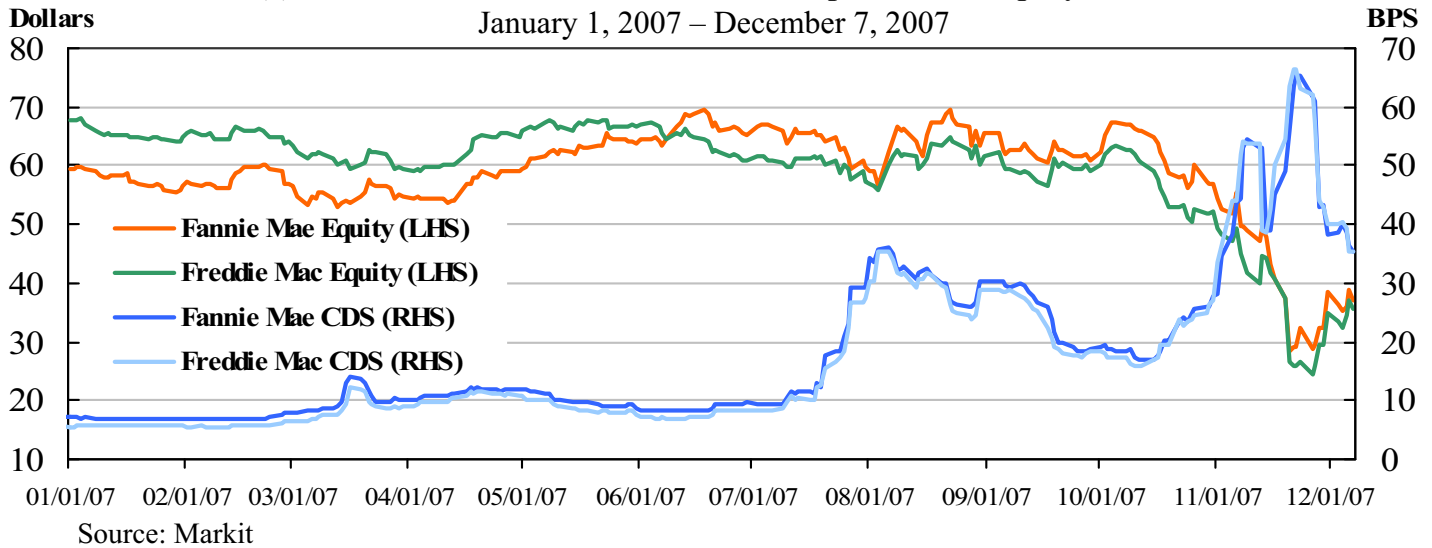
(7) Outstanding ABCP Volume Contraction Accelerates Again

January 1, 2007 – December 5, 2007



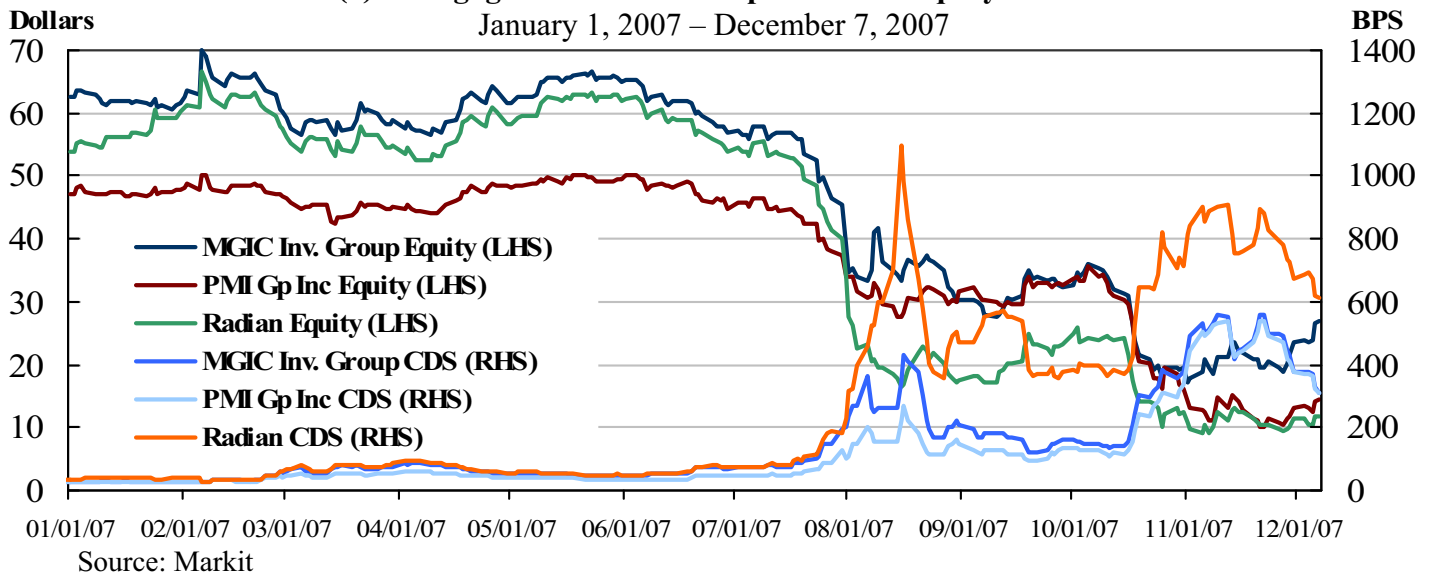
(8) Fannie Mae and Freddie Mac's CDS Spreads and Equity Prices

January 1, 2007 – December 7, 2007



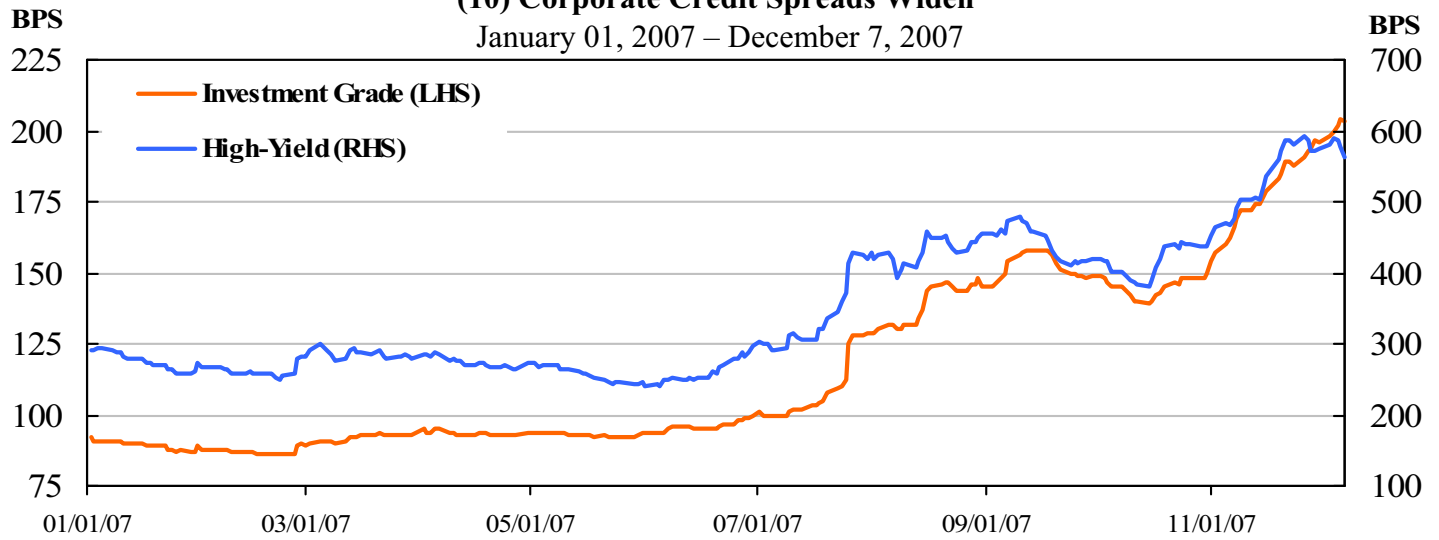
(9) Mortgage Insurers' CDS Spreads and Equity Prices

January 1, 2007 – December 7, 2007



(10) Corporate Credit Spreads Widen

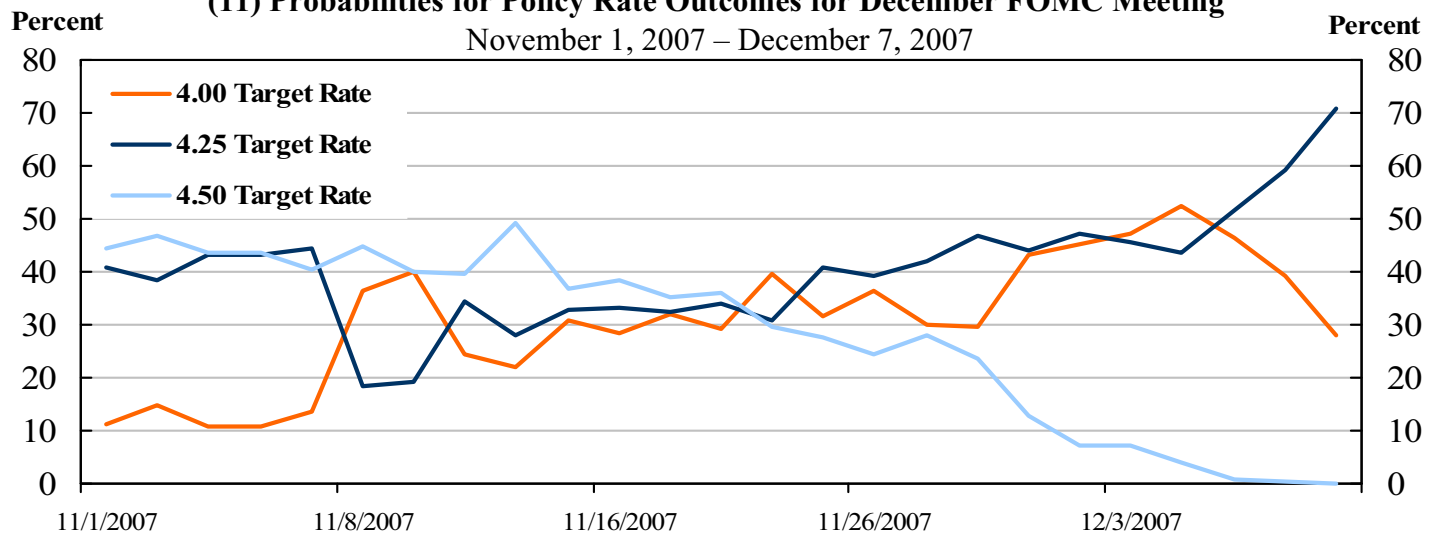
January 01, 2007 – December 7, 2007



Source: Bloomberg

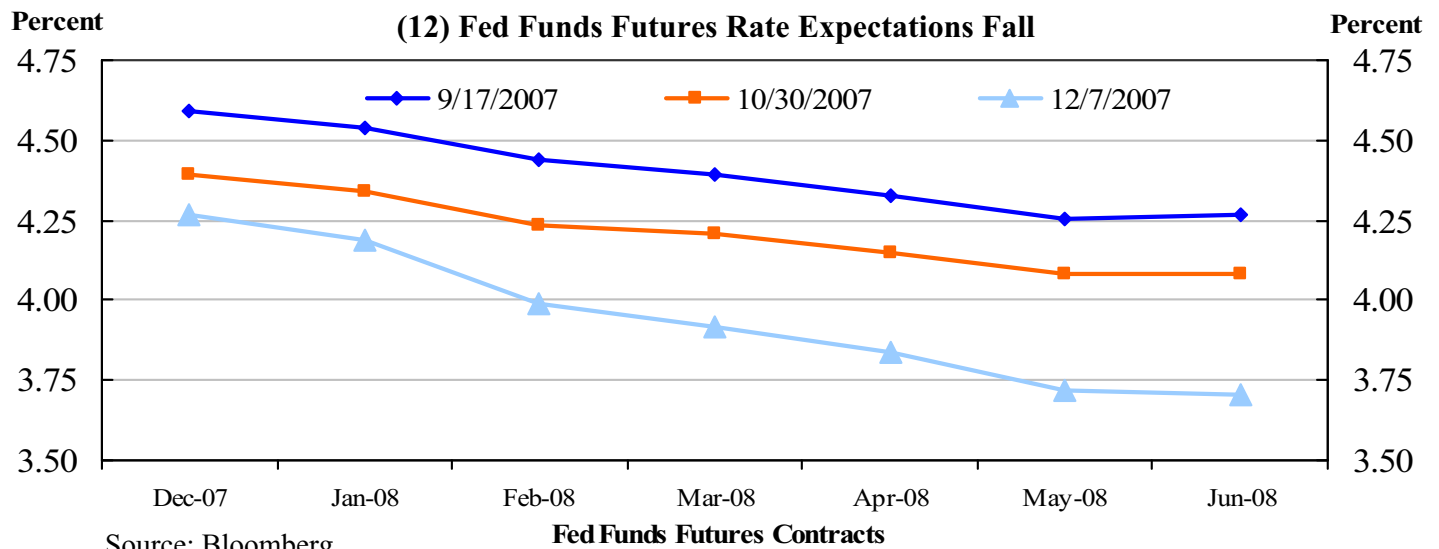
(11) Probabilities for Policy Rate Outcomes for December FOMC Meeting

November 1, 2007 – December 7, 2007

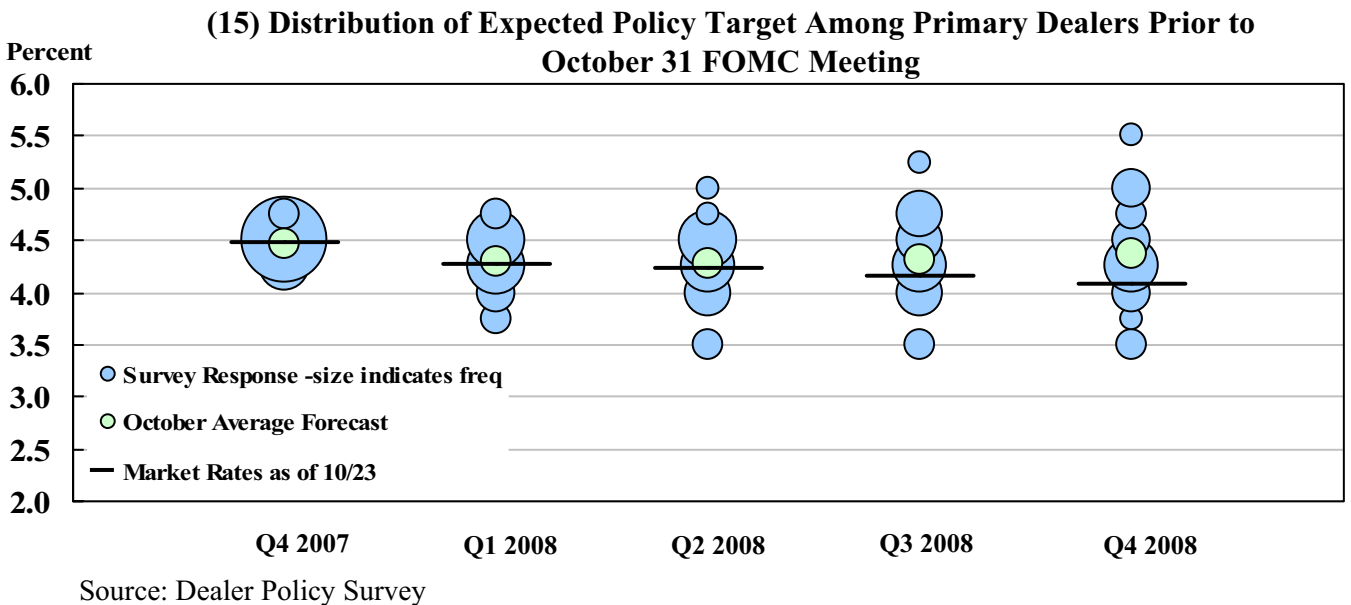
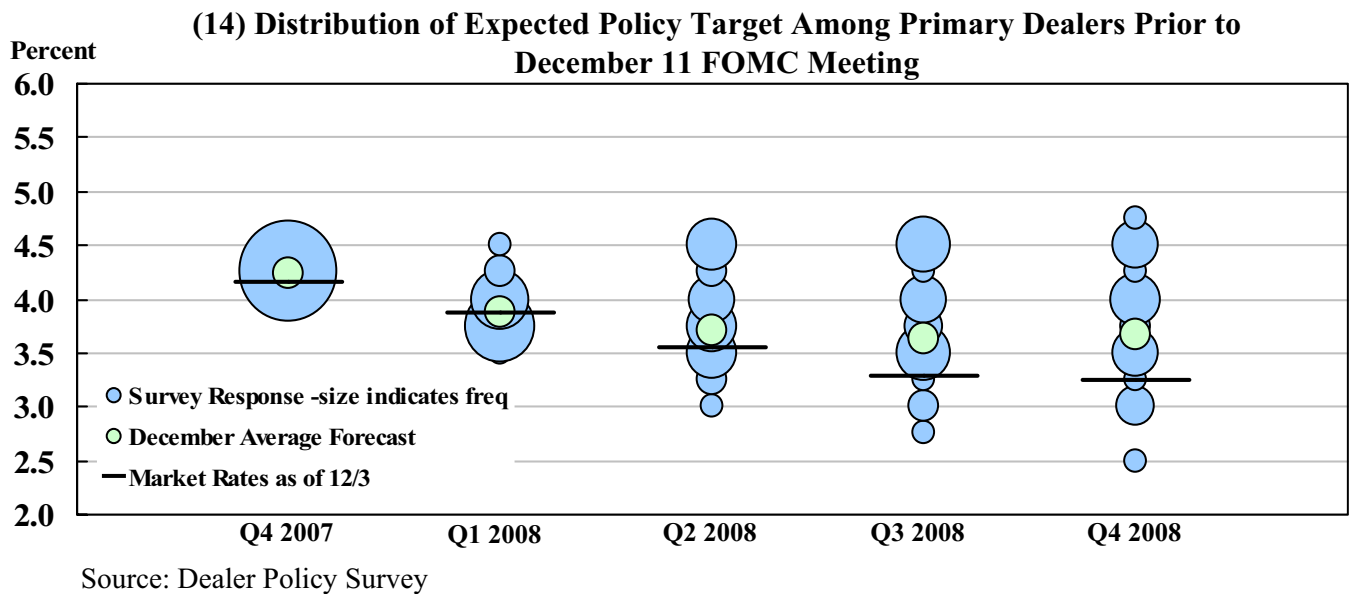
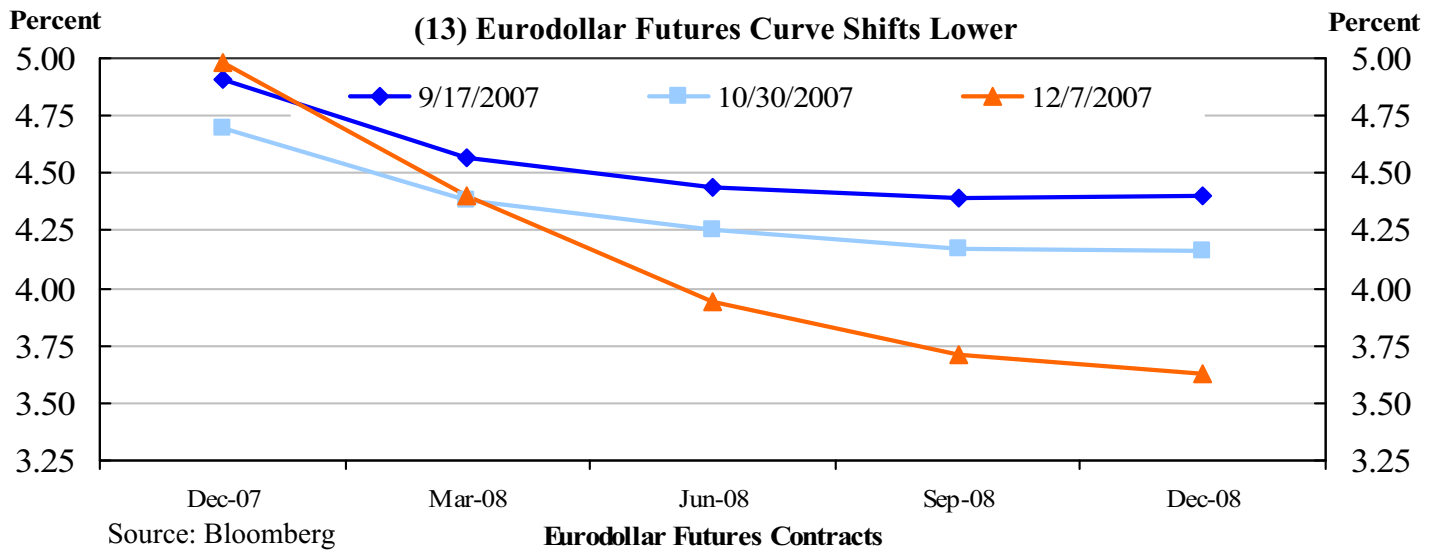


Source: Cleveland Fed

(12) Fed Funds Futures Rate Expectations Fall

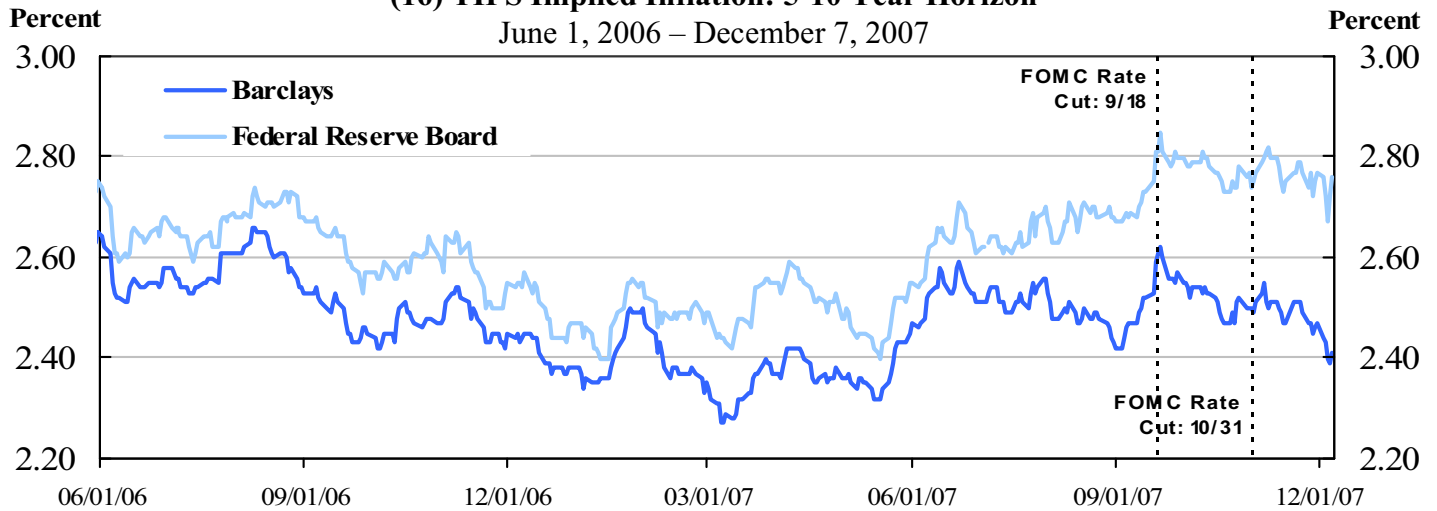


Source: Bloomberg



(16) TIPS Implied Inflation: 5-10 Year Horizon

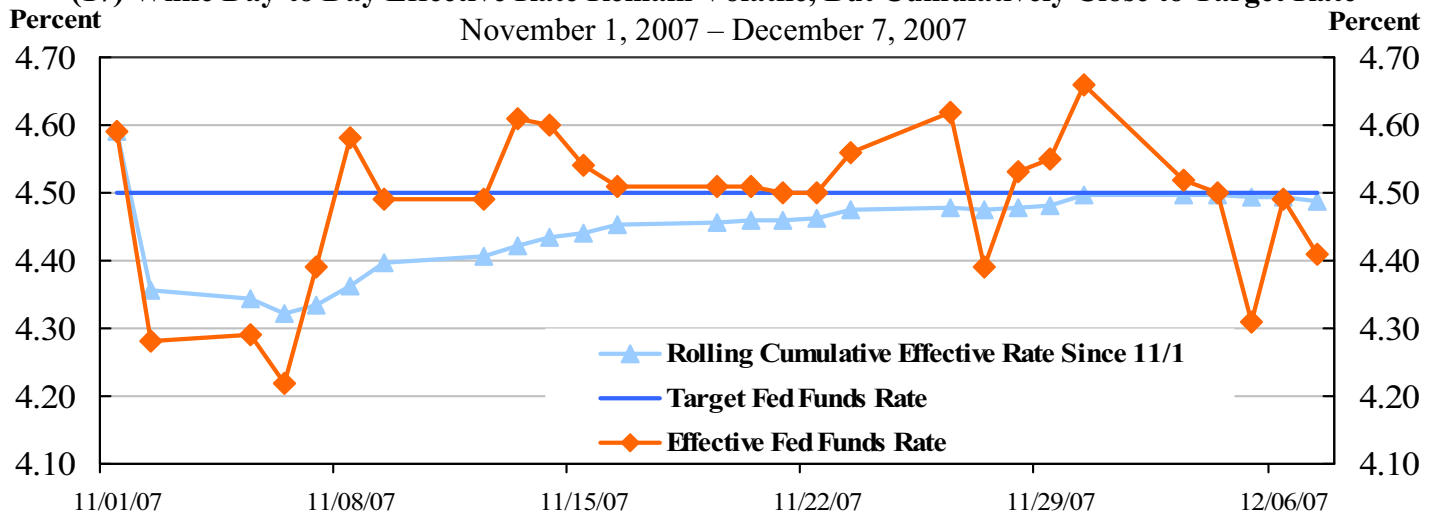
June 1, 2006 – December 7, 2007



Source: Federal Reserve Board and Barclays Capital

(17) While Day-to-Day Effective Rate Remain Volatile, But Cumulatively Close to Target Rate

November 1, 2007 – December 7, 2007

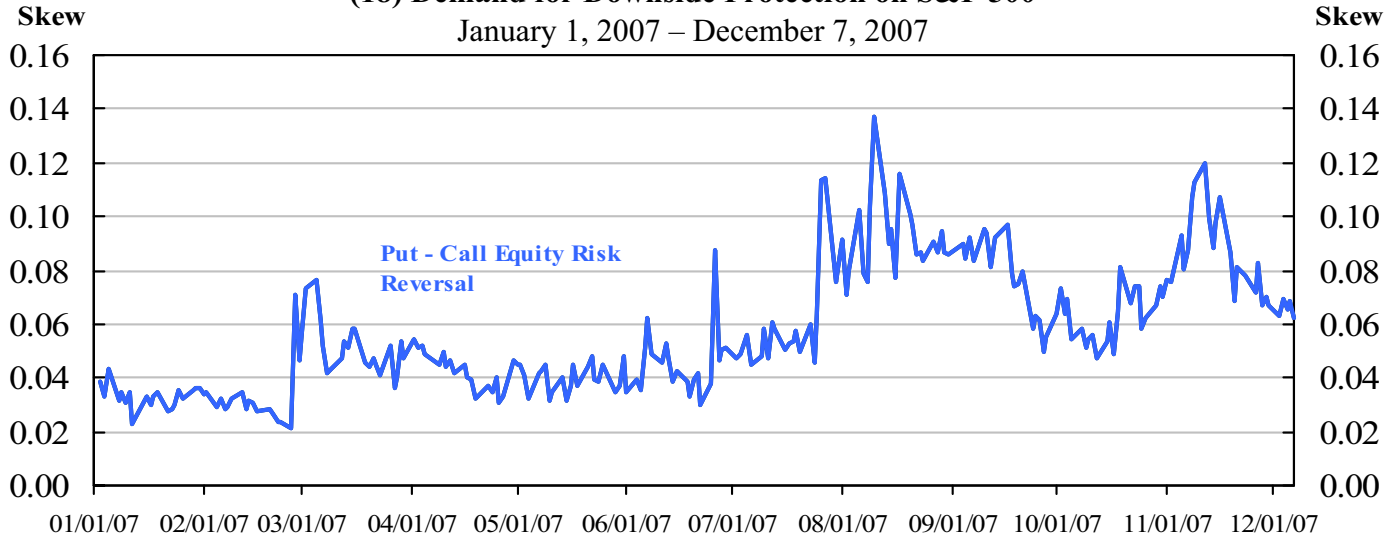


Source: Federal Reserve Bank of New York

APPENDIX: Reference Exhibits

(18) Demand for Downside Protection on S&P 500

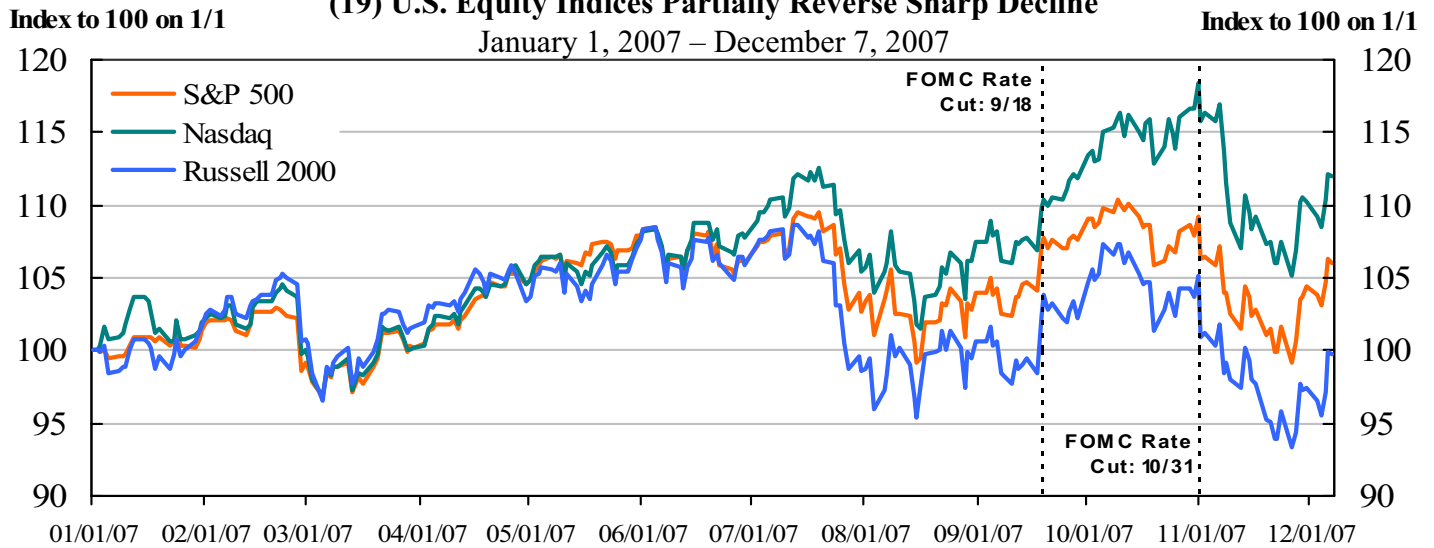
January 1, 2007 – December 7, 2007



Source: OptionMetrics

(19) U.S. Equity Indices Partially Reverse Sharp Decline

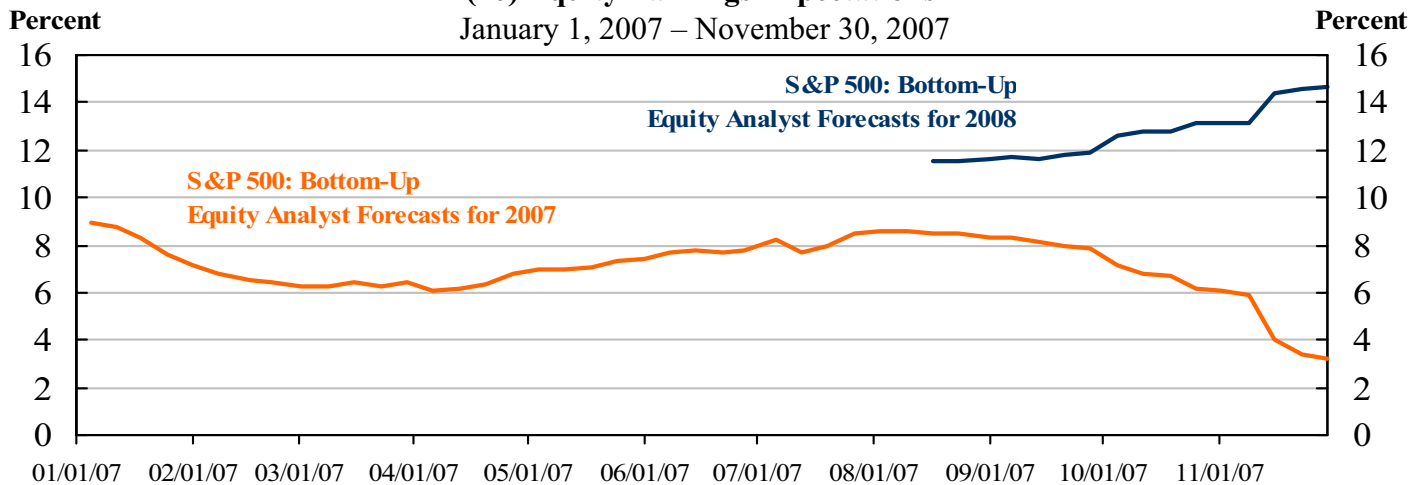
January 1, 2007 – December 7, 2007



Source: Bloomberg

(20) Equity Earnings Expectations

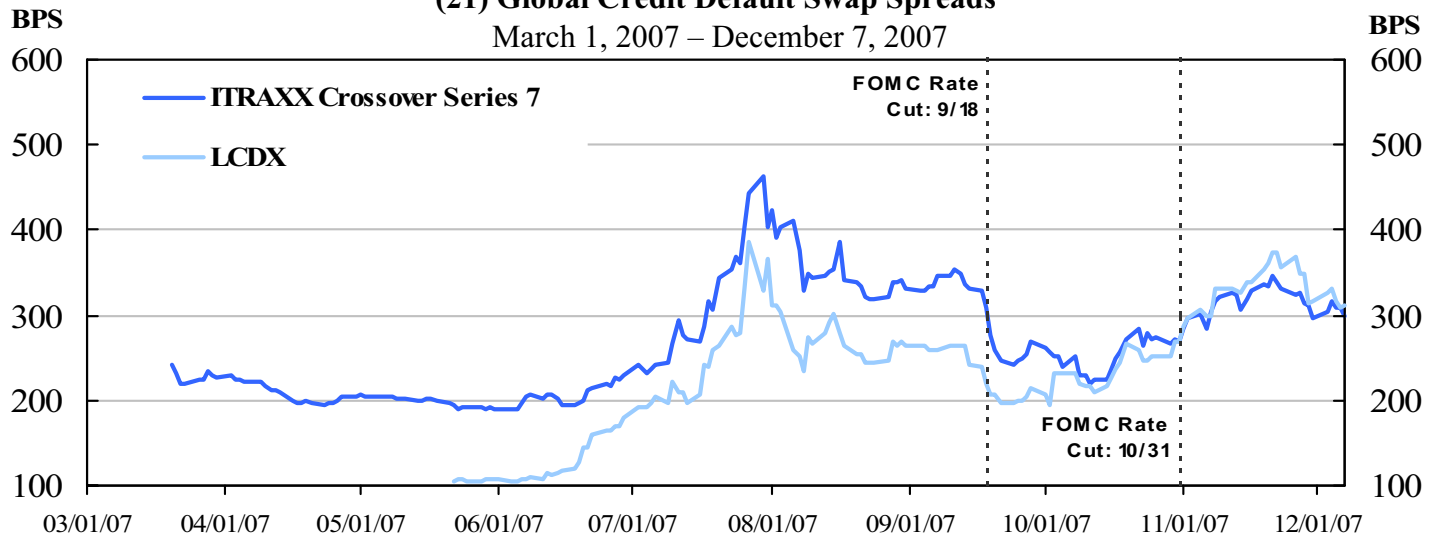
January 1, 2007 – November 30, 2007



Source: Thompson Financial

(21) Global Credit Default Swap Spreads

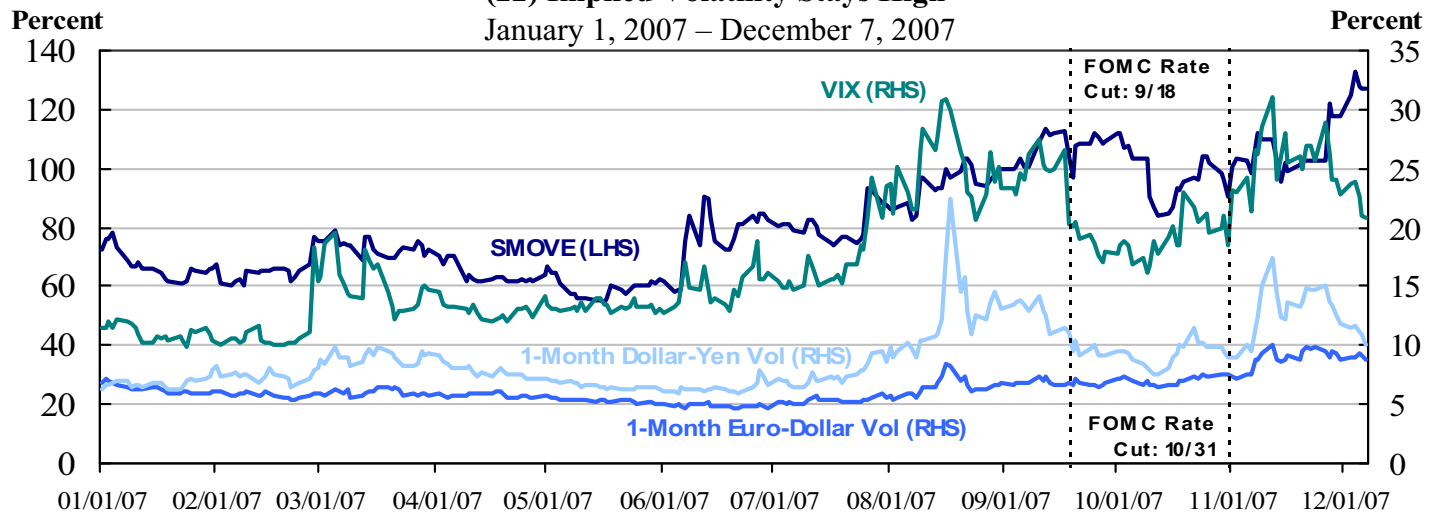
March 1, 2007 – December 7, 2007



Source: Bloomberg

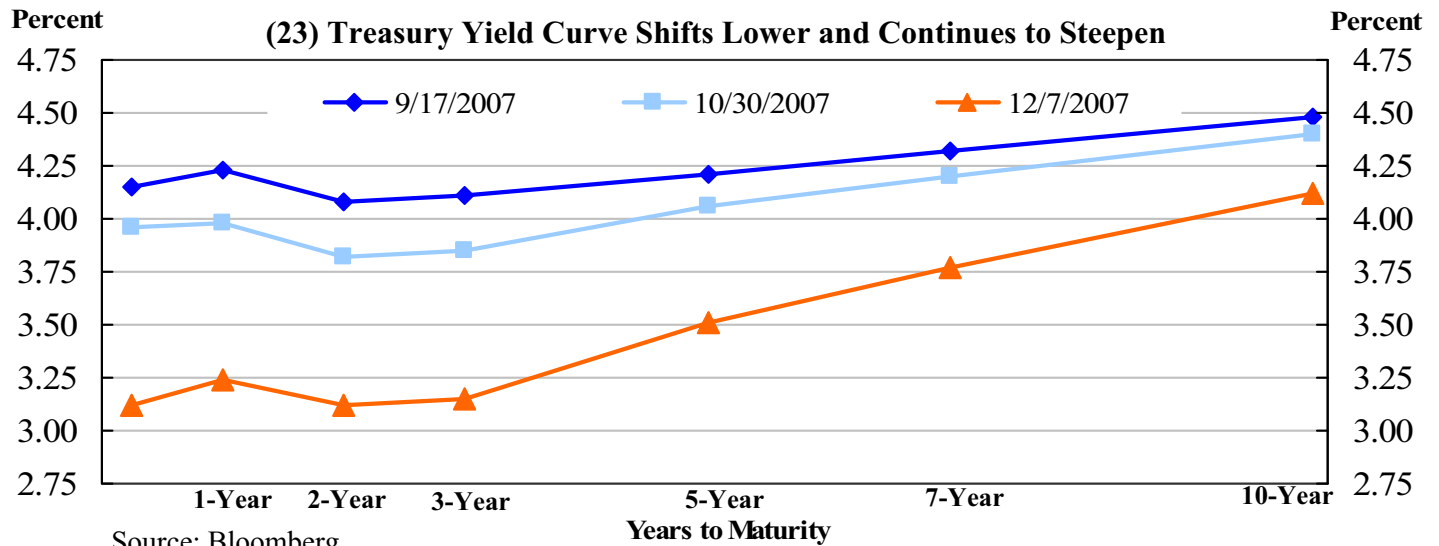
(22) Implied Volatility Stays High

January 1, 2007 – December 7, 2007



Source: Bloomberg

(23) Treasury Yield Curve Shifts Lower and Continues to Steepen



Source: Bloomberg

Appendix 2: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

*Material for
FOMC Briefing on Monetary Policy Alternatives*

Brian Madigan
December 11, 2007

Class I FOMC – Restricted Controlled (FR) Table 1: Alternative Language for the December 2007 FOMC Announcement Bluebook version: December 6, 2007				
	October FOMC	Alternative A	Alternative B	Alternative C
Policy Decision	1. The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/2 percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to 4 percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/4 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-1/2 percent.
Rationale	2. Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. Today’s action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.	Incoming information suggests that the housing correction has intensified and that growth in business and consumer spending is softening. Moreover, strains in financial markets have increased in recent weeks. Overall, the outlook for the economy has weakened somewhat, and downside risks to growth have increased. Today’s action, combined with the policy actions taken earlier, should help promote moderate growth over time.	Incoming information suggests that economic growth is slowing, reflecting the intensification of the housing correction and some softening in business and consumer spending. Moreover, strains in financial markets have increased in recent weeks. Today’s action, combined with the policy actions taken earlier, should help promote moderate growth over time.	As the Committee had anticipated, economic growth appears to be slowing, partly reflecting the intensification of the housing correction. Although strains in financial markets have increased in recent weeks and now pose greater downside risks to growth, the monetary policy actions taken earlier are expected to help promote moderate growth over time.
	3. Readings on core inflation have improved modestly this year, but recent increases in energy and commodity prices, among other factors, may put renewed upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year, but elevated energy and commodity prices, among other factors, may put upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year, but elevated energy and commodity prices, among other factors, may put upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year, but elevated energy and commodity prices, among other factors, may put upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.
Assessment of Risk	4. The Committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	The Committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	Recent developments, including the deterioration in financial market conditions, have increased the uncertainty surrounding the outlook for economic growth and inflation. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	The Committee views the downside risks to growth as the predominant policy concern. Future policy adjustments will depend on the outlook for both inflation and economic growth, as implied by incoming information.