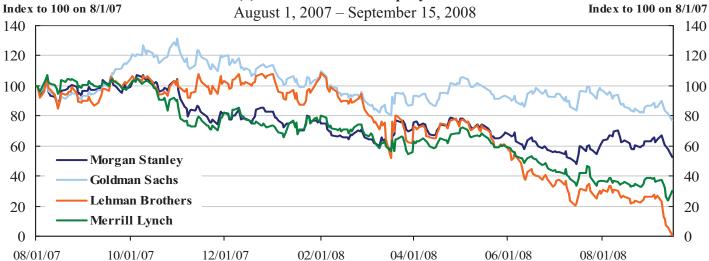
Appendix 1: Materials used by Mr. Dudley

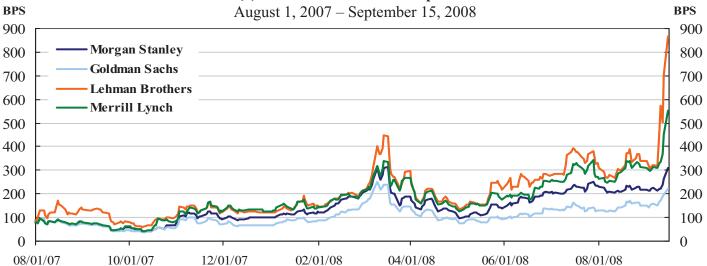
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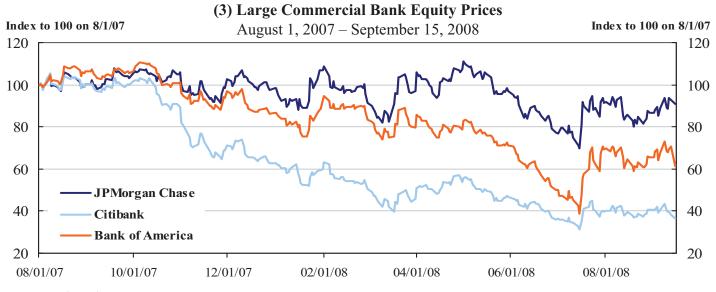
Source: Bloomberg

(2) Investment Bank CDS Spreads

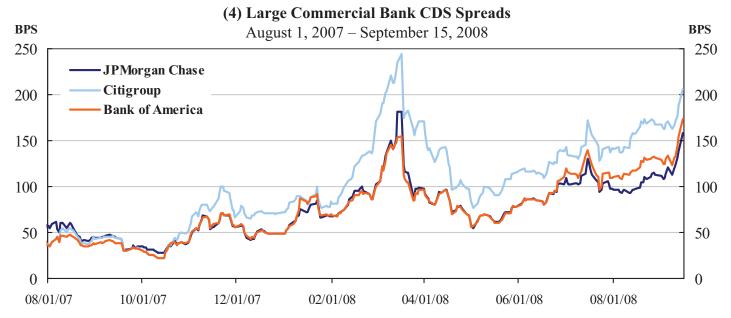


Source: Markit

September 16, 2008 Class II FOMC – Restricted FR



Source: Bloomberg



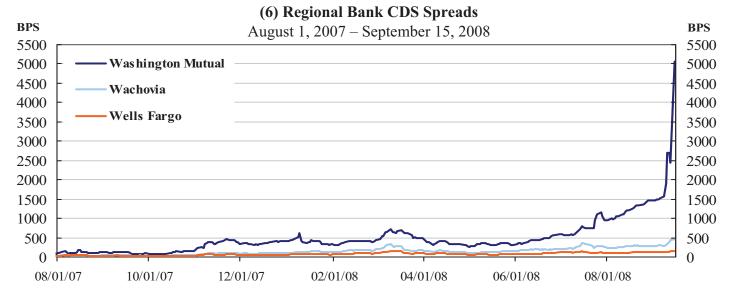
Source: Markit

Class II FOMC – Restricted FR

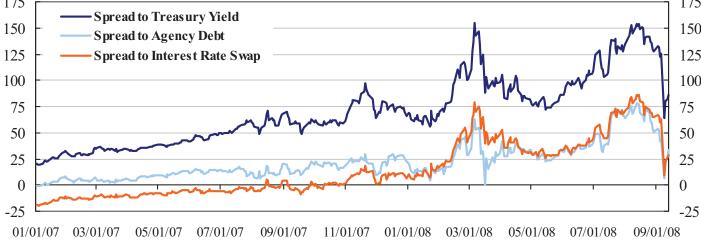
(5) Regional Bank Equity Prices



Source: Bloomberg



Source: Markit



Source: Lehman Brothers

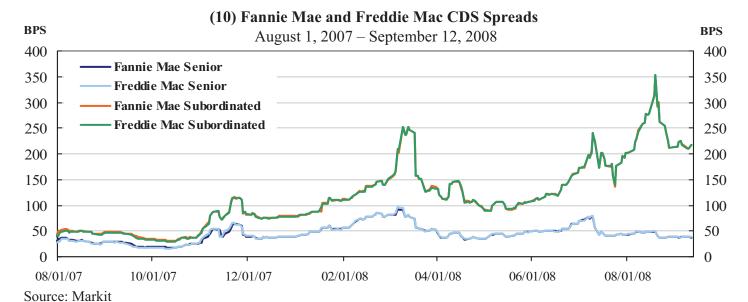
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Class II FOMC – Restricted FR

(9) Fannie Mae and Freddie Mac Equity Prices



Source: Bloomberg



(11) Changes in Financial Conditions

1989 - 2008

	Changes Across Monetary Policy Easing Cycles*			
	2007-2008	2001-2002	1989-1992	
Fed Funds Target Rate (bps)	-325	-525	-675	
Interest Rate Levels (bps)				
3-Month LIBOR	-254	-529	-694	
30-Year Fixed Conforming Mortgage	-76	-152	-301	
Moody's Baa-Rated Corporate Index	52	-66	-199	
Interest Rate Swap Spreads (bps)				
3-Month LIBOR - OIS	75	-12	-2	
30Y Fixed Mortgage - 5Y Treasury	85	64	76	
Moody's Baa Corporate Index - 10Y Treasury	154	60	71	
Exchange Rate (%)				
Nominal Trade-Weighted Dollar	-2	-8	-17	
Household Wealth (%)				
S&P 500	-14	-29	35	
Case-Shiller 10-City Home Price Index	-17	25	-3	
Lending Standards (%)**				
Change in Net % Tightening	58	-6	-30	

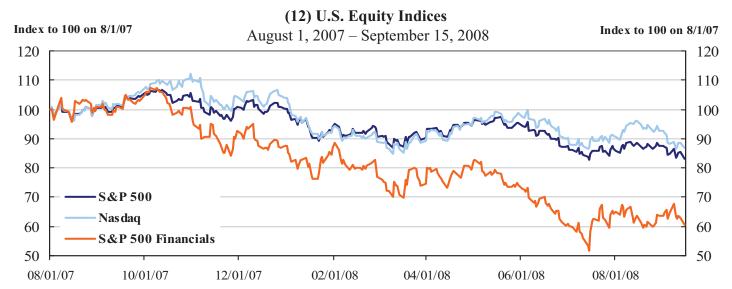
^{*}Dates for the cycles are: 09/2007-present, 01/2001-11/2002, and 06/1989-09/1992. All data is end-of-month.

Source: Federal Reserve Bank of New York

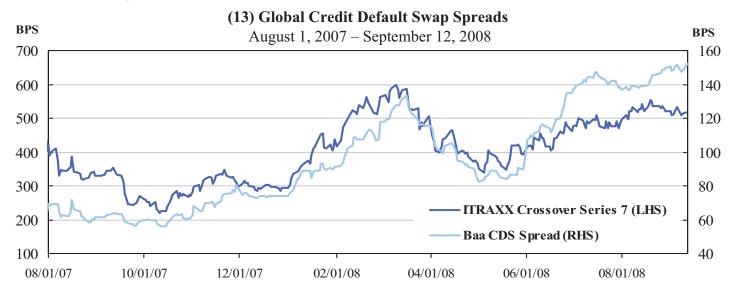
^{**}Lending standards are the simple average of the net % of respondents to the Senior Loan Officer Survey reporting tightening standards on C&I, commercial real estate, mortgage, credit card, and other consumer loans. Changes for 1989-1994 are based on a start-date of July 1990, when the data is first available.

Class II FOMC – Restricted FR

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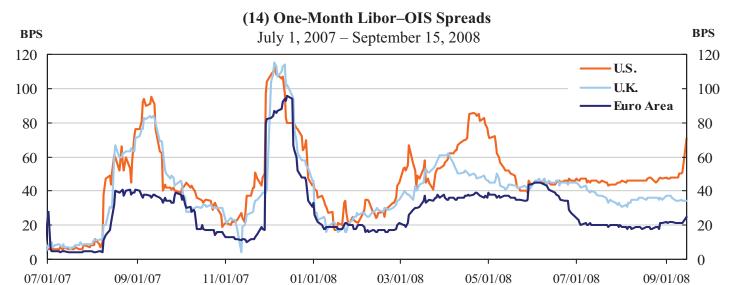


Source: Bloomberg

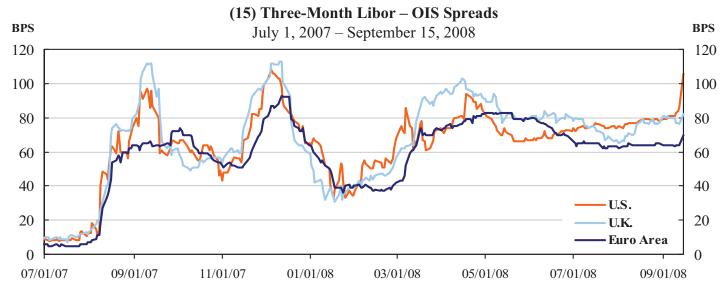


Source: Bloomberg, Lehman Brothers

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Source: Bloomberg



Source: Bloomberg

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(16) TAF Auction Results

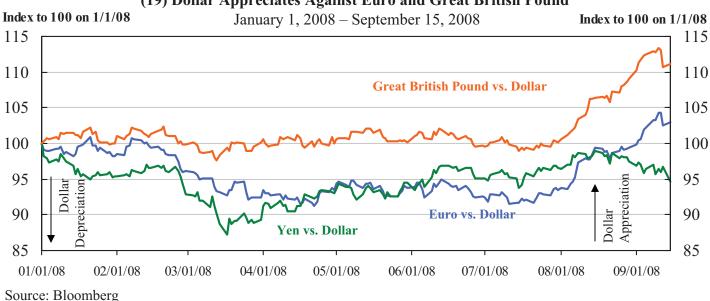


(17) Federal Reserve Term Securities Lending Facility Options Program Results

August 27, 2008 – September 10, 2008

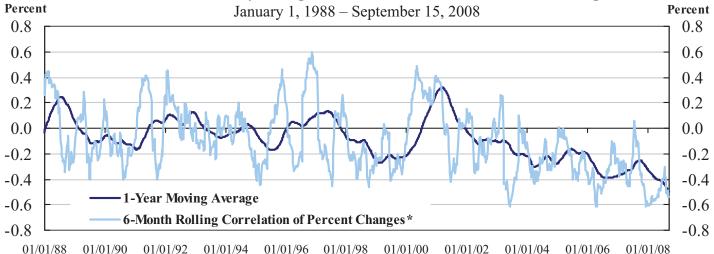
Auction	<u>Auction</u>				<u>Minimum</u>	Stop-out		
<u>Date</u>	<u>Settlement</u>	<u>Term</u>	<u>Collateral</u>	<u>Amount</u>	Fee Rate	<u>Rate</u>	<u>Propositions</u>	<u>Bid/Cover</u>
8/27/2008	9/25/2008	7 Days	Schedule 2	\$50 b	0.01%	0.02%	\$51.0 b	2.04
9/10/2008	9/25/2008	7 Days	Schedule 2	\$50 b	0.01%	0.03%	\$54.5 b	2.18

Source: Federal Reserve Bank of New York



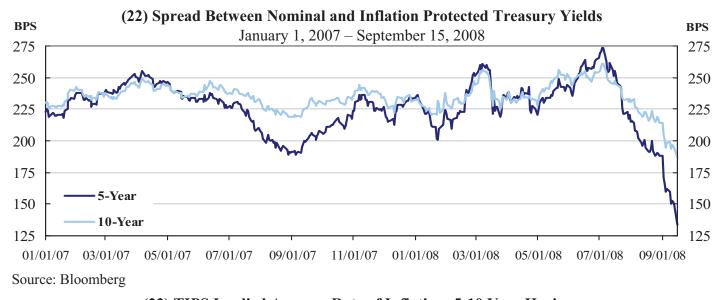
(20) Dollar Strengthens Against Euro Despite Worsening Interest Rate Differentials January 1, 2007 – September 15, 2008 **BPS** Dollars per Euro 1.70 150 Euro/USD (LHS) Dec-09 3-Month Euribor-Eurodollar Futures Spread (RHS) 1.60 100 1.50 50 1.40 0 1.30 -50 1.20 -100 -150 1.10 01/01/07 03/01/07 05/01/07 07/01/07 09/01/07 11/01/07 01/01/08 03/01/08 05/01/08 07/01/08 09/01/08 Source: Bloomberg





* Six-month rolling correlation of percentage changes in the weekly average of daily closing prices of the S&P GSCI Spot Index and the Trade-Weighted Dollar Spot Index

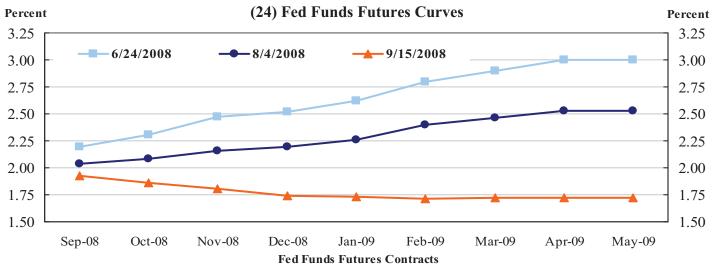
Source: Bloomberg



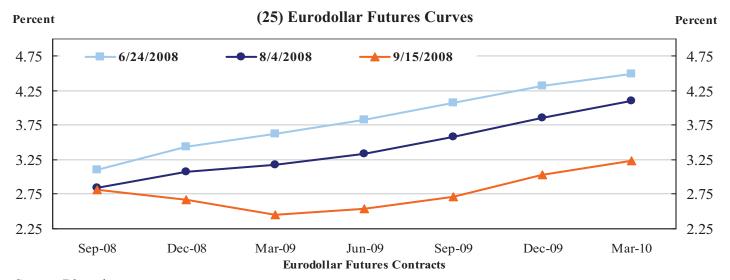


Source: Federal Reserve Board, Barclays Capital

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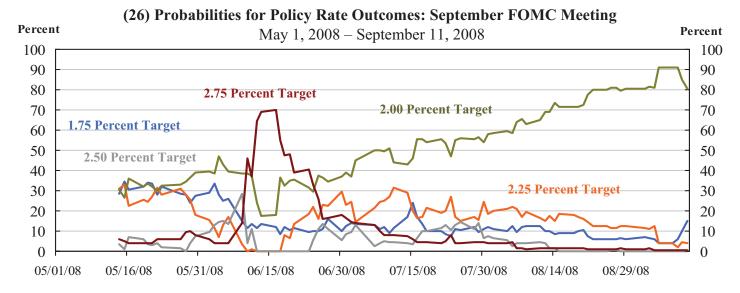
Source: Bloomberg



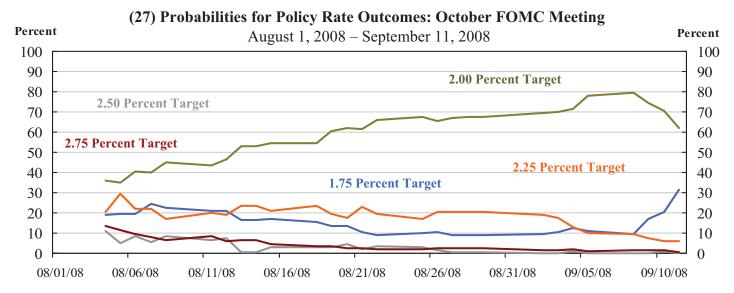
Source: Bloomberg

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Class II FOMC – Restricted FR



Source: Federal Reserve Bank of Cleveland



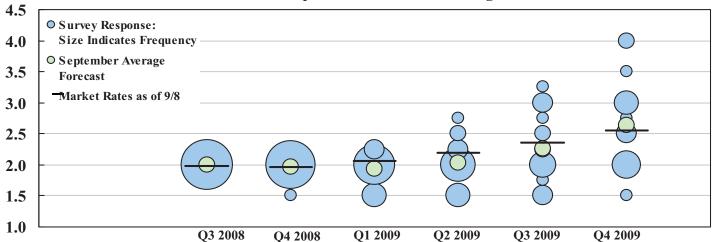
Source: Federal Reserve Bank of Cleveland

Class II FOMC – Restricted FR

Percent

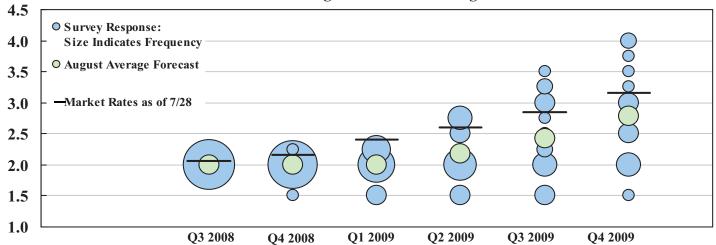
Percent

(28) Distribution of Expected Policy Target Rate Among Primary Dealers Prior to September 16 FOMC Meeting



Source: Dealer Policy Survey

(29) Distribution of Expected Policy Target Rate Among Primary Dealers Prior to August 5 FOMC Meeting

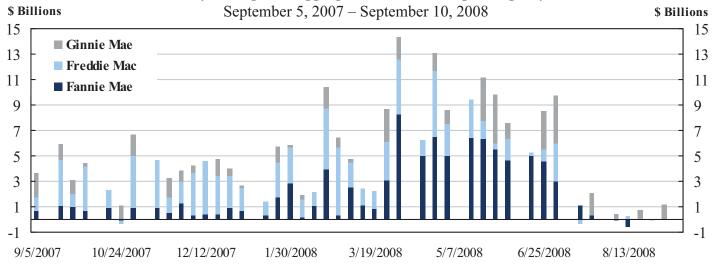


Source: Dealer Policy Survey

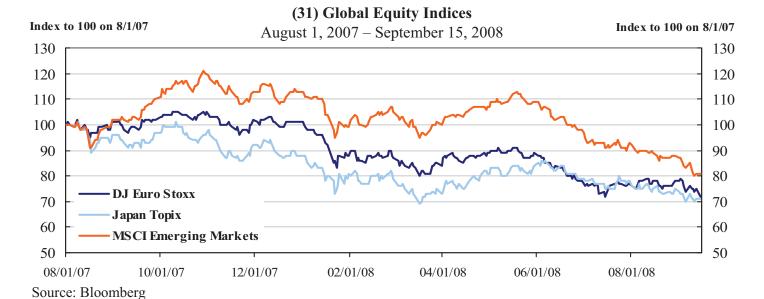
APPENDIX: Reference Exhibits

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(30) Weekly Changes in Aggregate FIMA Holdings of Agency MBS

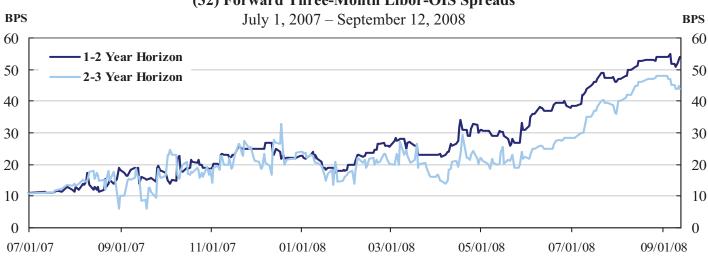


Source: Federal Reserve Bank of New York

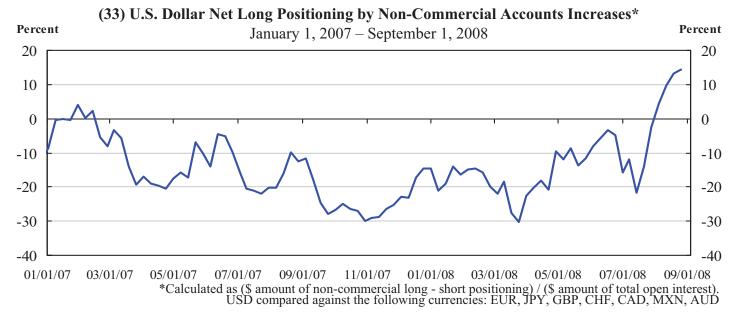


Class II FOMC - Restricted FR

(32) Forward Three-Month Libor-OIS Spreads



Source: Reuters



Source: Bloomberg, Chicago Mercantile Exchange

Appendix 2: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

Material for

FOMC Briefing on Monetary Policy Alternatives and Trial Run Survey Results

Brian Madigan September 16, 2008

Authorized for Public Release Exhibit 1

Class I FOMO	ass I FOMC – Restricted Controlled (FR) Table 1: Alternative Language for the September 2008 FOMC Announcement September 15, 2008					
	August FOMC	Alternative A	Alternative B	Alternative C		
Policy Decision	1. The Federal Open Market Committee decided today to keep its target for the federal funds rate at 2 percent.	The Federal Open Market Committee decided today to <u>lower</u> its target for the federal funds rate <u>25 basis points</u> to <u>1¾</u> percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 2 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate 25 basis points to 21/4 percent.		
Rationale	2. Economic activity expanded in the second quarter, partly reflecting growth in consumer spending and exports. However, labor markets have softened further and financial markets remain under considerable stress. Tight credit conditions, the ongoing housing contraction, and elevated energy prices are likely to weigh on economic growth over the next few quarters. Over time, the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.	Strains in financial markets have increased significantly and labor markets have weakened further. Overall economic growth appears to have slowed considerably, and tight credit conditions and the ongoing housing contraction are among the factors likely to weigh on growth over the next few quarters. Today's policy action, combined with those taken earlier, including the ongoing measures to foster market liquidity, should help to promote moderate economic growth over time.	Economic growth appears to have slowed recently, partly reflecting a softening of household spending. In addition, strains in financial markets have intensified and labor markets have weakened further. Tight credit conditions, the ongoing housing contraction, and some slowing in export growth are likely to weigh on economic growth over the next few quarters. Over time, the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.	Economic growth appears to have slowed recently, partly reflecting a softening of household spending. In addition, strains in financial markets have intensified and labor markets have weakened further. Tight credit conditions, the ongoing housing contraction, and some slowing in export growth are likely to weigh on economic growth over the next few quarters. Nonetheless, the accommodative stance of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.		
	3. Inflation has been high, spurred by the earlier increases in the prices of energy and some other commodities, and some indicators of inflation expectations have been elevated. The Committee expects inflation to moderate later this year and next year, but the inflation outlook remains highly uncertain.	Inflation has been high, but the Committee expects that the recent decline in energy and other commodity prices and increased slack in resource utilization will foster a moderation of inflation later this year and next year. Nevertheless, the inflation outlook remains highly uncertain.	Inflation has been high, spurred by the earlier increases in the prices of energy and some other commodities. The Committee expects inflation to moderate later this year and next year, but the inflation outlook remains highly uncertain.	Inflation has remained high, and some indicators of inflation expectations have been elevated. Although the Committee expects inflation to moderate later this year and next year, the possibility that inflation may fail to decline as anticipated is of significant concern.		
Assessment of Risk	4. Although downside risks to growth remain, the upside risks to inflation are also of significant concern to the Committee. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.	The downside risks to growth have intensified, but the upside risks to inflation remain a concern to the Committee. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.	The downside risks to growth and the upside risks to inflation are both of significant concern to the Committee. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.	The Committee took this action to provide additional assurance that inflation will abate as desired. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.		

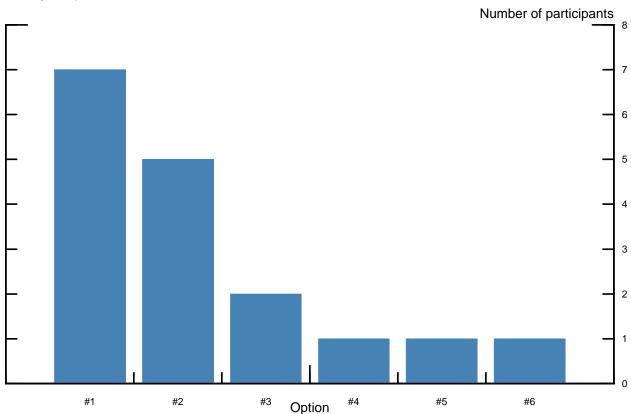
Authorized for Public Release **Exhibit 2**

Trial Run of Longer-Term Projections

Survey Options

- 1. I prefer that the trial run encompass both Alternative 1 and Alternative 2.
- 2. I prefer that the trial run encompass only Alternative 1 (projections of long-run values, say 5 to 6 years ahead, absent further shocks).
- 3. I prefer that the trial run encompass only Alternative 2 (steady-state values).
- 4. I agree that a trial run should be conducted but have no preference regarding the two alternatives.
- 5. I propose that the following alternative approach to longer-term projections be considered (please explain)
- 6. Other (please explain).

Survey Responses



Appendix 3: Materials used by Chairman Bernanke

FEDERAL RESERVE press release



For immediate release September 16, 2008

The Federal Open Market Committee decided today to keep its target for the federal funds rate at 2 percent.

Strains in financial markets have increased significantly and labor markets have weakened further. Economic growth appears to have slowed recently, partly reflecting a softening of household spending. Tight credit conditions, the ongoing housing contraction, and some slowing in export growth are likely to weigh on economic growth over the next few quarters. Over time, the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.

Inflation has been high, spurred by the earlier increases in the prices of energy and some other commodities. The Committee expects inflation to moderate later this year and next year, but the inflation outlook remains highly uncertain.

The downside risks to growth and the upside risks to inflation are both of significant concern to the Committee. The Committee will monitor economic and financial market developments closely and will act as needed to promote sustainable economic growth and price stability.

Voting for the FOMC monetary policy action were: