

Minutes of the Financial Stability Oversight Board Meeting January 8, 2009

A meeting of the Financial Stability Oversight Board (“Board”) was held at 4:15 p.m. (EST) on Thursday, January 8, 2009, at the offices of the Department of the Treasury (“Treasury”).

MEMBERS PRESENT:

Mr. Bernanke, Chairperson
Mr. Paulson
Mr. Cox
Mr. Preston
Mr. Lockhart

STAFF PRESENT:

Mr. Treacy, Executive Director
Mr. Fallon, General Counsel
Mr. Gonzalez, Secretary

AGENCY OFFICIALS PRESENT:

Mr. Kashkari, Interim Assistant Secretary of the Treasury for Financial Stability and Assistant Secretary of the Treasury for International Economics and Development

Mr. Hoyt, General Counsel,
Department of the Treasury

Mr. Albrecht, Counselor to the General Counsel, Department of the Treasury

Mr. Lambright, Chief Investment Officer,
Office of Financial Stability,
Department of the Treasury

Mr. Morse, Chief Counsel,
Office of Financial Stability,
Department of the Treasury

Mr. Wolfeich, Chief Compliance Officer,
Office of Financial Stability,
Department of the Treasury

Mr. Alvarez, General Counsel,
Board of Governors of the
Federal Reserve System

Ms. Liang, Associate Director,
Division of Research & Statistics,
Board of Governors of the Federal
Reserve System

Mr. Slifman, Senior Associate Director,
Division of Research & Statistics,
Board of Governors of the Federal
Reserve System

Mr. Scott, Senior Advisor to the
Chairman, Securities and Exchange
Commission

Mr. Vollmer, Deputy General Counsel,
Securities and Exchange Commission

Mr. Montgomery, Assistant Secretary for
Housing and Commissioner of the
Federal Housing Administration,
Department of Housing and Urban
Development

Mr. Borchert, Senior Advisor to the
Secretary of the Department of
Housing and Urban Development

Mr. DeMarco, Chief Operating Officer
and Deputy Director for Housing
Mission and Goals, Federal Housing
Finance Agency

GUESTS PRESENT:

Mr. Barofsky, Special Inspector General,
Troubled Asset Relief Program

Mr. Puvalowski, Chief of Staff, Office of
the Special Inspector General,
Troubled Asset Relief Program

Chairperson Bernanke called the meeting to order at approximately 4:15 p.m. (EST).

At the invitation of the Board, Mr. Barofsky and Mr. Puvalowski from the Office of the Special Inspector General (“OSIG”) for the Troubled Asset Relief Program (“TARP”) joined the meeting. Mr. Barofsky briefed the Board concerning the mission and operations of the OSIG, including the recent actions taken by the OSIG in furtherance of the OSIG’s three principal areas of focus: coordination, transparency, and oversight. Members and Mr. Barofsky also discussed ways of coordinating the activities of the Board and OSIG, interactions between OSIG and Treasury and the Office of Financial Stability, and methods of coordinating the roles and activities of the General Accountability Office (“GAO”) and the Congressional Oversight Panel (“COP”). Members and Mr. Barofsky also discussed how the OSIG could use its investigative and other powers most effectively to prevent fraud by contractors or institutions that receive TARP funds. Following this briefing and discussion, Mr. Barofsky and Mr. Puvalowski departed.

The Board then considered the minutes for the meeting of the Board held on December 19, 2008. After discussion of the minutes and potential modifications

thereto, the Members agreed to circulate the minutes for approval by notation vote.

Members then received a briefing from, and engaged in a discussion with, Treasury officials concerning the programs, policies and financial commitments of the TARP. Members and officials discussed, among other things, the manner in which the terms and conditions of the TARP’s programs and investments had been tailored to the specific objectives, nature and circumstances of the program or investment, the current level of funding committed to TARP programs, the resources currently available to the TARP, and the controls that Treasury has established to monitor the amount of TARP funds requested and disbursed.

As part of this discussion, officials from the Treasury provided the Board with an update on the capital purchase program (“CPP”). Officials and Members reviewed and discussed, among other things, the number of applications received and approved by Treasury under the CPP, recently closed transactions, and the steps that Treasury has taken to promote transparency, including by publicly disclosing the standard forms of agreements for CPP transactions.

Treasury officials then provided a briefing on the Targeted Investment Program (“TIP”) recently established under the TARP to foster financial market stability and thereby strengthen the economy and protect American jobs, savings, and retirement security. Members and officials discussed, among other things, the guidelines and eligibility requirements for the program and the recent actions taken under the TIP to provide financial assistance to Citigroup,

Inc. (“Citigroup”) through the purchase of an additional \$20 billion in preferred stock. In addition, officials and Members reviewed the dividends payable on the preferred stock, the warrants that would be received by TARP in connection therewith, and the additional executive compensation, lobbying and corporate expense limitations applicable to Citigroup under the program.

Treasury officials then provided a briefing on the Asset Guarantee Program (“AGP”) recently established under the TARP to promote financial stability by guaranteeing certain assets, in accordance with section 102 of the Emergency Economic Stabilization Act (“EESA”), held by systemically significant financial institutions that face a high risk of losing market confidence due to a portfolio of distressed assets. Members and officials reviewed and discussed, among other things, the principal terms of the program and the recent actions taken by the Treasury, in conjunction with the Federal Deposit Insurance Corporation (“FDIC”) and the Federal Reserve, to provide Citigroup with protection against the possibility of unusually large losses on a designated pool of approximately \$306 billion in assets. In addition, Members and officials discussed the efforts by Treasury, its financial advisers and the Federal Reserve and FDIC to finalize the structure of the program and the asset pool that will be guaranteed, and the potential timeline for consummating the arrangements.

Treasury officials then provided a briefing on the Automotive Industry Financing Program (“AIFP”) recently established by the Treasury to promote financial stability by preventing significant disruption in the automotive

industry. Members and officials reviewed and discussed, among other things, the terms and eligibility requirements under the program, the recent actions taken by the Treasury under the AIFP to provide financial assistance to General Motors Corp. (“GM”), Chrysler Holding LLC (“Chrysler”) and GMAC LLC (“GMAC”), and the standards for reviewing requests from the automotive or other industries for assistance under the TARP. Treasury officials reported, among other things, that the TARP had fully funded the \$4 billion loan to Chrysler and the first \$4 billion of the \$13.4 billion facility established for GM. Members and officials also discussed the objectives, structure and timing of TARP’s purchase of \$5 billion in senior preferred equity with an 8 percent dividend from GMAC and an additional loan of up to \$1 billion to GM in support of GMAC’s reorganization as a bank holding company. Members and officials also reviewed the collateral for the loan of up to \$1 billion to GM, which will be secured by the GMAC equity acquired by GM in the rights offering that GMAC will conduct, and which will be exchangeable at any time, at Treasury’s option, for the GMAC equity acquired. In addition, the terms of the loan require that GM abide by substantially the same terms and conditions that apply under the \$13.4 billion loan facility, including the provisions restricting executive compensation and requiring GM to provide the OSIG with access to corporate books and records. Members and officials also discussed the financial and other challenges facing the auto companies, and the certification that the President’s Designee is required to make, within 30 days of March 31, 2009, under the terms of the loan agreements regarding the efforts of the auto

companies to achieve and sustain long-term viability, international competitiveness and energy efficiency in accordance with the restructuring plan that each company must submit.

Members and officials also considered potential future liquidity and funding needs of the domestic auto-related companies and other institutions, and the ways that additional TARP resources could most effectively be used to achieve the objectives of the EESA. Members and officials also reviewed and discussed staffing and continuity of operations within the Office of Financial Stability. During the discussion, Mr. Paulson noted that Mr. Kashkari and Mr. Lambright had been asked to serve in their current capacities on a temporary

basis to facilitate the transition that will occur following the inauguration of President-elect Obama.

Members and officials then engaged in a discussion regarding the first quarterly report to Congress that will be issued by the Board pursuant to section 104(g) of the EESA. As part of this discussion, officials from the Board provided an update on the progress of the report.

The meeting was adjourned at approximately 5:12 p.m. (EST).

[Electronically Signed]

Jason A. Gonzalez
Secretary