YPFS Resource Library

9-29-2008

Minutes of the Meeting of the Board of Directors of Federal Deposit Insurance Corporation

United States: Federal Deposit Insurance Corporation (FDIC)

https://elischolar.library.yale.edu/ypfs-documents/273

This resource is brought to you for free and open access by the Yale Program on Financial Stability and EliScholar, a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ydfs@yale.edu.
Minutes
of
The Meeting of the Board of Directors
of the
Federal Deposit Insurance Corporation
By Conference Call
Closed to Public Observation
September 29, 2008 - 6:04 A.M.

At 6:04 A.M. on Monday, September 29, 2008, the Chairman called a special meeting of the Board of Directors of the Federal Deposit Insurance Corporation which was held by means of a telephone conference call.

Sheila C. Bair, Chairman of the Board of Directors; Martin J. Gruenberg, Vice Chairman of the Board of Directors; Thomas J. Curry, Director (Appointive); John C. Dugan, Director (Comptroller of the Currency); John M. Reich, Director (Director, Office of Thrift Supervision); John F. Bovenzi, Deputy to the Chairman and Chief Operating Officer; Jason C. Cave, Acting Deputy to the Chairman; Jesse O. Villarreal, Chief of Staff; Barbara A. Ryan, Deputy to the Vice Chairman; Lisa K. Roy, Deputy to the Director (Appointive); Claude A. Rollin, Deputy to the Director (Director, Office of Thrift Supervision); Sandra L. Thompson, Director, Division of Supervision and Consumer Protection; Arthur J. Murton, Director, Division of Insurance and Research; Mitchell L. Glassman, Director, Division of Resolutions and Receiverships; Andrew S. Gray, Director, Office of Public Affairs; and Robert E. Feldman, Executive Secretary, participated in the meeting.

Also participating in the meeting were: Christopher J. Spoth, John H. Corston, Donald R. Hamm, and Patricia A. Colohan, from the Division of Supervision and Consumer Protection; John V. Thomas, Richard T. Aboussie, and David N. Wall, from the Legal Division; Miguel D. Browne, from the Division of Insurance and Research; James R. Wigand, Herbert J. Held, and Sharon L. Yore, from the Division of Resolutions and Receiverships; and William F. Harral, from the Division of Information Technology.
Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency, also participated in the meeting.

Chairman Bair presided at the meeting; Mr. Feldman acted as Secretary of the meeting.

Chairman Bair called the meeting to order. Vice Chairman Gruenberg then moved that the Board of Directors determine that Corporation business required its consideration of the matters which were to be the subject of the meeting on less than seven days' notice to the public; that no earlier notice of the meeting was practicable; that the public interest did not require consideration of the matters which were to be the subject of the meeting in a meeting open to public observation; and that the matters could be considered in a meeting closed to public observation by authority of subsections (c)(4), (c)(6), (c)(8), (c)(9)(A)(ii), and (c)(9)(B) of the "Government in the Sunshine Act" (5 U.S.C. 552b((c)(4), (c)(6), (c)(8), (9)(A)(ii), and (c)(9)(B)). Chairman Bair seconded the motion and, with Director Dugan, Director Curry, and Director Reich concurring, the motion was carried.

James R. Wigand, Deputy Director, Franchise and Asset Marketing Branch, Division of Resolutions and Receiverships ("DRR"), advised the Board that the prospective failure of Wachovia Corporation, Charlotte, North Carolina, and its affiliate banks and thrifts—Wachovia Bank, National Association, Charlotte, North Carolina ("Wachovia Bank, N.A."); Wachovia Mortgage, FSB, North Las Vegas, Nevada; Wachovia Bank of Delaware, National Association, Wilmington, Delaware; Wachovia Bank, FSB, Houston, Texas; and Wachovia Card Services, National Association, Atlanta, Georgia—would have serious adverse effects on economic conditions and financial stability. He continued, observing that Wachovia Corporation's failure would seriously and negatively affect already disrupted credit markets, including short-term interbank lending, counterparty relations in Qualified Financial Contract markets, and bank senior and subordinated debt markets, and would further disrupt the related markets in derivative products and other markets. As a consequence, Mr. Wigand set forth staff's recommendation that the Board accept the bid of Citigroup Inc. as the least costly available method of dealing with this systemic risk, and that the Board authorize staff to take all steps needed to implement the decision. He indicated to the Board that, based on preliminary information, staff estimates no loss to the Deposit Insurance Fund as a result of the transaction.

September 29, 2008 (Closed)
John H. Corston, Associate Director, Large Institutions and Analysis Branch, Complex Financial Institutions, Division of Supervision and Consumer Protection, informed the Board that Wachovia Bank, N.A. is a nationally chartered bank founded in 1879 that is wholly owned by Wachovia Corporation, a financial holding company regulated by the Board of Governors of the Federal Reserve System; that Wachovia Bank, N.A., is the fourth largest bank in the country and the predominant legal entity within Wachovia Corporation, representing 83 percent of consolidated holding company assets; that the insured legal entities of Wachovia Corporation consist of three national banks and two Federal savings banks; that other significant holding company subsidiaries include Wachovia Capital Markets, LLC, and Wachovia Securities, LLC; that Wachovia Bank, N.A., operates approximately 3,400 banking centers in 21 states, primarily along the eastern and gulf coasts and in California, and engages in foreign activities; that the risk profile of Wachovia Bank, N.A., is declining rapidly because of deteriorating liquidity and poor quality assets; that liquidity has reached crisis proportions, such that the Wachovia Bank, N.A., is unable to meet its obligations; that, most recently, on Friday, September 26, 2008, Wachovia Bank, N.A., was unable to roll $1.1 billion of its asset-backed commercial paper; that more short-term obligations are due this week that Wachovia Bank, N.A., will likely be unable to pay; and that there are an estimated $157.1 billion in uninsured deposits. He concluded his portion of the presentation by informing the Board that the company’s rapidly deteriorating financial condition is due largely to its portfolio of pay-option ARM products, commercial real estate portfolio, and weakened liquidity position; and that, on Friday, September 26, 2008, market acceptance of Wachovia Corporation’s liabilities ceased as the company’s stock plunged, credit default swap spreads widened in excess of 1,400 points (to over 2,000 points), some parties declined to advance Wachovia Bank, N.A., overnight funds, and counterparties advised that they would require greater collateralization on any transactions with the Bank.

Next, Miguel D. Browne, Associate Director, Division of Information and Research, informed the Board that, given the forecasted size of the losses at Wachovia Bank, N.A., it appears likely that any transaction effected by the Corporation under a least-cost framework would require the Corporation to impose significant losses on the Wachovia Bank, N.A.’s subordinated debt-holders and, possibly, senior note holders. In addition, he said, absent invocation of the systemic risk exception
available under the Federal Deposit Insurance Act, the Corporation is prohibited from using deposit insurance funds to benefit senior or secured debt-holders of a company.

Mr. Browne then said, however, that staff believes that a least-cost resolution of Wachovia Bank, N.A., would have significant adverse effects on economic conditions and the financial markets; that term funding markets have been under considerable stress for more than a year, and these pressures have increased greatly following the failure of Lehman Brothers, the difficulties at AIG, and the closing of Washington Mutual Bank, Henderson, Nevada; that LIBOR rates have increased more than 100 basis points since early September; that commercial paper rates have also risen dramatically; and that the volume of financial paper outstanding has declined sharply. In both of these markets, Mr. Browne stated, the maturity of new issues has shortened a great deal as investors have become much less willing to lend beyond overnight. Mr. Browne continued, observing that concerns about actual and potential losses on financial institutions' obligations have caused outflows from prime money market mutual funds totaling nearly $400 billion over the past two weeks; that, since these funds are normally substantial purchasers of commercial paper and short-term bank obligations, these outflows have added to the pressures in those markets; and that, more generally, investors appear to have become more concerned about the outlook of a number of U.S. banking organizations, putting downward pressure on their stock prices and upward pressure on their collateralized debt security spreads.

Mr. Browne said that, in the current environment, a least-cost resolution of Wachovia Bank, N.A., with no assistance to creditors and the potential for meaningful losses imposed on Wachovia Bank, N.A.'s debt would be expected to have significant systemic consequences. A default by Wachovia Corporation and a partial payout to debtors of Wachovia Bank, N.A., he said, would intensify liquidity pressures on other U.S. banks, which are extremely vulnerable to a loss of confidence by wholesale suppliers of funds. Furthermore, Mr. Browne said that investors would likely be concerned about direct exposures of other financial firms to Wachovia Corporation or Wachovia Bank, N.A.; that the failure of Wachovia Corporation would lead investors to doubt the financial strength of other institutions that might be seen as similarly situated; and that Wachovia's sudden failure could also lead investors to reassess the risk in U.S. commercial banks more broadly, particularly given the current
fragility of financial markets generally and the term funding
markets for financial institutions.

In addition, Mr. Browne stated that, if a least-cost
resolution did not support foreign depositors (who are
considered non-deposit, general creditors under the Federal
Deposit Insurance Act), the resolution could imperil this
significant source of funding for other U.S. financial
institutions. More generally, he said that, given Wachovia's
international presence, global liquidity pressures could
increase and confidence in the dollar could decline. Further,
Mr. Browne said that losses on Wachovia Corporation and Wachovia
Bank, N.A., paper could lead more money market mutual funds to
"break the buck," accelerating runs on those and other money
funds. The resulting liquidations of fund assets, said Mr.
Browne, along with the further loss of confidence in financial
institutions, might well lead short-term funding markets to
virtually cease. Moreover, he said, the individuals and
businesses whose deposits have been swept into non-deposit
investments or foreign deposits (e.g., at a Cayman branch) would
find all or part of their funds unavailable and likely face
losses. In the current environment, such an event could shake
the public's confidence in bank deposits, Mr. Browne said, and,
as a consequence, all of these effects would likely cause
investors to sharply raise their assessment of the risks of
investing in similar (albeit smaller) regional banks, making it
much less likely that those institutions would be able to raise
capital and other funding.

Mr. Browne set out staff's belief that the consequences of
a least-cost resolution could extend to the broader economy.
The financial turmoil that could result from a least-cost
resolution of Wachovia Bank, N.A., and the likely consequent
failure of Wachovia Corporation, he said, would further
undermine business and household confidence. In addition, with
the liquidity of banking organizations further reduced and their
funding costs increased, Mr. Browne stated that banking
organizations would become even less willing to lend to
businesses and households, and that these effects would
contribute to weaker economic performance, further damage
financial markets, and have other material negative effects.

Then, Mr. Browne expressed to the Board staff's conclusion
that the imposition of a least-cost resolution on Wachovia Bank,
N.A., would almost surely have major systemic effects. He said
that both financial stability and overall economic conditions
would likely be adversely affected for the reasons discussed

September 29, 2008 (Closed)
above. Conversely, Mr. Browne stated that a resolution that protects all depository institution and holding company creditors would best mitigate the adverse effects of the failure on the financial markets and the broader economy.

Mr. Browne expressed the view that, in creating the systemic risk exception, Congress clearly envisioned that circumstances could arise in which the exception should be used. In view of the current intense financial strains, as well as the likely consequences to the general economy and financial system of a least-cost resolution of the fourth-largest commercial bank in the United States, he affirmed that staff believes that circumstances such as Congress envisioned are clearly present and that invocation of the systemic risk exception is justified. As a result, he said, staff further believes that the Citigroup Inc. proposal represents the least cost alternative available for dealing with this systemic risk.

Herbert J. Held, Assistant Director, Institution Sales Unit, Franchise and Asset Marketing Branch, DRR, then informed the Board that, on September 28, 2008, Corporation staff began discussions with Citigroup Inc., New York, New York, and Wells Fargo & Company (“Wells Fargo”), both of which submitted bids to the Corporation on the same day. Both bids, he said, sought open bank assistance from the Corporation. Mr. Held stated that the Wells Fargo bid would require that the Corporation cover potential losses on a pool up to $127.3 billion in assets (includes $80.7 billion funded); that Wells Fargo would assume the first $2 billion in losses on the pool of assets, following which the Corporation will share in the losses at the rate of 80 percent; and that total Corporation loss exposure be capped at $20 billion. He set out staff’s estimate that this proposal would cost the Corporation between $5.6 million to $7.2 billion.

The Citigroup Inc. bid, Mr. Held said, requests that the Corporation provide loss sharing on a $312 billion pool of assets, with losses to be shared as follows: (i) the first $30.0 billion of losses in the pool are to be assumed by Citigroup Inc. 100 percent, and (ii) Citigroup Inc. is to assume $4 billion a year of losses for three years. Additionally, Mr. Held said that the Corporation will receive face value of $12 billion in preferred stock and warrants.

Mr. Held said that Wachovia Corporation had submitted an open bank assistance proposal. Approximately $200 billion of the Wachovia Bank, N.A.’s loans, he stated, would receive credit protection from the Corporation, of which the Bank would provide

September 29, 2008 (Closed)
$25 billion of first loss protection. In return, Mr. Held said that Wachovia Corporation would issue to Corporation $10 billion of preferred stock and warrants on common shares. Considering current market conditions, Mr. Held informed the Board that staff estimates the Citigroup Inc. transaction could result in aggregate losses ranging from approximately $35 to $52 billion. However, based upon the terms of the Citigroup Inc. proposal, Mr. Held said that staff also held the view that these losses would be absorbed by Citigroup Inc. and result in no loss to the Deposit Insurance Fund.

Following staff's presentation, Vice Chairman Gruenberg noted the significance of the proposal and observed that this will be the Board's first exercise of the systemic risk exception provided by Congress to the Corporation in the Federal Deposit Insurance Corporation Improvement Act of 1991. He indicated that the staff proposal was the best of a set of undesirable options, but noted that approving the proposal would be an appropriate action in the face of extraordinary times. Director Curry agreed with Vice Chairman Gruenberg and observed that all of the elements for the systemic risk exception are amply supported in the case submitted by staff to the Board and by the circumstances both at Wachovia Corporation and external conditions within the economy at large.

Director Dugan also noted the extraordinary times and said that it was remarkable that this situation has been reached because the insured depository institution subsidiaries of Wachovia Corporation are, in many ways, a quite viable, attractive franchise. However, he said that they simply could not withstand the liquidity shock that it was facing because of the extraordinary circumstances in the markets. He indicated that the proposal sets out a clear example of the need for the systemic risk exception and that the views of the Board of Governors of the Federal Reserve System and the Department of the Treasury the prior two days confirmed that. Director Dugan commended staff for doing a very good job of developing the proposal over a very short time. As did Vice Chairman Gruenberg and Director Curry, he also observed that this was the best option among competing offers and would result in no cost to the Corporation.

Then, in response to a question from Director Reich, Mr. Wigand indicated that Citigroup Inc.'s proposal requires the approval of the shareholders of Wachovia Corporation, and that it is for a dollar per share purchase price of the stock.
John V. Thomas, Deputy General Counsel, Supervision Branch, Legal Division, then informed Director Reich that the Corporation may not benefit equity holders when resolving troubled financial institutions unless a systemic risk determination is made, and that is why such a determination is necessary in order to effectuate this transaction. In addition, Mr. Thomas said that all of the senior subordinated debt holders are being assumed in the transaction.

Director Reich then inquired whether litigation risk could come about from the fact that equity and debt holders were wiped out in the acquisition of Washington Mutual Bank, Henderson, Nevada, by JPMorgan Chase, National Association, Columbus, Ohio, facilitated by the Corporation just on September 25, 2008. Mr. Thomas responded that no one has a right to a systemic risk determination. Director Reich then asked whether there is any exposure to the depository institutions industry for a special assessment. Mr. Thomas responded that, if the current projection of no cost to the Corporation for the instant transaction holds up, there will be no special assessment. On the other hand, Mr. Thomas said that if it turns out that there is a cost from the transaction as a result of the systemic risk finding, then the industry would be assessed on assets minus equity rather than on deposits. Chairman Bair then added that the Department of the Treasury has already agreed that, if there are any losses attendant with the transaction, it will separately fund those so that the Corporation's cash balance would not be depleted in any way. She said that this was in contrast to the Department of Treasury's usual rule that the Corporation must spend down its entire cash balance before the Corporation can borrow from the Treasury. She expressed her thought that it would probably be remote that the Corporation would suffer any losses from the transaction, given the sizable first loss position that Citigroup Inc. has taken, but she said that it was especially important that the Department of the Treasury has agreed to fund the losses separately in that it has vigorously advocated the transaction.

In response to Director Reich's question whether any other large depositor institution failures might require resolution within the next several weeks, Chairman Bair responded that National City Bank, Cleveland, Ohio, is being watched closely. Director Dugan added that, if anything were to happen to National City Bank shortly, it would be a liquidity-based issued, not a capital-based issue as in the instant case. He added that it is difficult to predict what direction National...
City Bank will take given the current financial "storm" affecting the country.

Chairman Bair then agreed with Vice Chairman Gruenberg that the staff proposal was one of several not-very-good options. She noted the importance of the fact that the Board of Governors of the Federal Reserve System and the Department of the Treasury had acted quickly to find a systemic risk exception. She also observed how important that outcome was to the Office of the Comptroller of the Currency. She then said that she has acquiesced in the systemic risk exception decision based on the input of her colleagues and the fact that the Federal Deposit Insurance Act gives multiple decision makers a say in this process. She said, however, that she was not completely comfortable with that decision, but that the Corporation needed to move forward with it because of the tenuous position in which the insured depository institution subsidiaries of Wachovia Corporation find themselves. Chairman Bair commended staff for going above and beyond the usual challenges of the job in that staff did not know until approximately 5:00 p.m. the previous day that the transaction would be done on an open bank assistance basis. However, she noted that, while markets move quickly, the lack of time put staff in a bind, making for a very difficult night because of the requirement that a resolution was needed by morning.

Then, in accordance with the recommendation of staff and on motion of Vice Chairman Gruenberg, seconded by Director Dugan, concurred in by Director Curry, Director Reich, and Chairman Bair, the Board adopted the following resolution:

(1) finding, by the vote of at least two-thirds of the members of the Board, that the liquidation of the insured depository institution subsidiaries of Wachovia Corporation ("Banks"), as well as the likely consequent failure of Wachovia Corporation, would have serious adverse effects on economic conditions or financial stability and would create systemic risk to the credit markets;

(2) finding, by the vote of at least two-thirds of the members of the Board, that the proposal received from Citigroup Inc. which involves the merger or consolidation of the Banks with another insured depository institution or the sale of any or all of the assets of the Banks or the assumption of any or all of the Banks' liabilities by another insured

September 29, 2008 (Closed)
depository institution, or the acquisition of the stock of the Banks and which requires the provision of assistance under section 13(c)(2) of the Federal Deposit Insurance Act, 12 U.S.C. § 1823(c)(2), in the form of loans to, deposits in, the purchase of assets or securities of, the assumption of liabilities of, guarantees against loss to, or contributions to, the Banks or their acquirer will mitigate the serious adverse effects on economic conditions or financial stability that would be caused by the Banks' failure;

(3) finding that severe financial conditions exist which threaten the stability of a significant number of insured depository institutions or of insured depository institutions possessing significant financial resources and the Banks are insured depository institutions under such threat of instability and that the Board takes this action in order to lessen the risk to the Corporation, and systemic risks, posed by the Banks, and that the proposal by Citigroup Inc. will do so in the least costly of all available methods;

(4) authorizing the Chairman, or her designee, to provide the written recommendation to the Secretary of the Treasury specified under section 13(c)(4)(G)(i) of the Federal Deposit Insurance Act, 12 U.S.C. § 1823(c)(4)(G)(i); and

(5) authorizing the Director, DRR, or his designee, and all other Corporation staff to take all appropriate action to implement the provision of assistance authorized hereunder, including but not limited to: credit support in the form of loan guarantees, the purchase of warrants, and loss sharing, and to take any other action necessary and appropriate in connection with this matter:

WHEREAS, staff has advised the Board of Directors ("Board") of the Federal Deposit Insurance Corporation ("FDIC") that Wachovia Bank, National Association, Charlotte, North Carolina, Wachovia Mortgage, FSB, North Las Vegas, Nevada, Wachovia Bank of Delaware, National Association, Wilmington, Delaware, Wachovia Bank, FSB, Houston, Texas, and Wachovia Card Services, National Association, Atlanta, Georgia ("Banks"), are in danger of default; and

September 29, 2008 (Closed)
WHEREAS, the Division of Resolutions and Receiverships ("DRR") has solicited bids from financial institutions for the resolution of the Banks; and

WHEREAS, DRR has received no closed bank proposals for the resolution of the Banks from other financial institutions; and

WHEREAS, a proposal for the resolution of the Banks without the appointment of the FDIC as receiver has been received from Citigroup Inc., New York, New York ("Citi"), which involves the merger or consolidation of the Banks with another insured depository institution or the sale of any or all of the assets of the Banks or the assumption of any or all of the Banks' liabilities by another insured depository institution, or the acquisition of the stock of the Banks, any of which would benefit the shareholders of the Banks and except under limited circumstances is precluded by section 11(a)(4)(C) of the Federal Deposit Insurance Act, as amended ("Act"), 12 U.S.C. § 1821(a)(4)(C); and

WHEREAS, the Board has been advised that the Citi bid will be less costly than the other bid received and that it represents the least costly of the available methods of resolving the systemic risks presented by the failure of the Banks; and

WHEREAS, staff has presented to the Board information indicating the liquidation of the Banks under section 11 of the Act, 12 U.S.C. § 1821, would have serious adverse effects on economic conditions or financial stability; and

WHEREAS, staff has advised that assistance to the Banks under section 13(c) of the Act, 12 U.S.C. § 1823(c)(1), without the appointment of the FDIC as receiver will avoid or mitigate the serious adverse effects on economic conditions or financial stability; and

WHEREAS, staff has advised that severe financial conditions exist which threaten the stability of a significant number of insured depository institutions

September 29, 2008 (Closed)
or of insured depository institutions possessing significant financial resources and the Banks are insured depository institutions under such threat of instability.

NOW, THEREFORE, BE IT RESOLVED, that by the vote of at least two-thirds of the members of the Board, the Board finds that the liquidation of the Banks, as well as the likely consequent failure of Wachovia Corporation, would have serious adverse effects on economic conditions or financial stability and would create systemic risk to the credit markets.

BE IT FURTHER RESOLVED, that by the vote of at least two-thirds of the members of the Board, the Board finds that the proposal received from Citi which involves the merger or consolidation of the Banks with another insured depository institution or the sale of any or all of the assets of the Banks or the assumption of any or all of the Banks' liabilities by another insured depository institution, or the acquisition of the stock of the Banks and which requires the provision of assistance under section 13(c)(2) of the Act, 12 U.S.C. § 1823(c)(2), in the form of loans to, deposits in, the purchase of assets or securities of, the assumption of liabilities of, guarantees against loss to, or contributions to, the Banks or their acquirer will mitigate the serious adverse effects on economic conditions or financial stability that would be caused by the Banks' failure.

BE IT FURTHER RESOLVED, that severe financial conditions exist which threaten the stability of a significant number of insured depository institutions or of insured depository institutions possessing significant financial resources and the Banks are insured depository institutions under such threat of instability and that the Board takes this action in order to lessen the risk to the FDIC, and systemic risks, posed by the Banks, and that the proposal by Citi will do so in the least costly of all available methods.

BE IT FURTHER RESOLVED, the Board hereby authorizes the Chairman, or her designee, to provide the written recommendation to the Secretary of the

September 29, 2008 (Closed)

BE IT FURTHER RESOLVED, the Board hereby authorizes the Director, DRR, or his designee, and all other FDIC staff to take all appropriate action to implement the provision of assistance authorized hereunder, including but not limited to: credit support in the form of loan guarantees, the purchase of warrants, and loss sharing; and to take any other action necessary and appropriate in connection with this matter.

[EXECUTIVE SECRETARY'S NOTE: On Monday, September 29, 2008, as a result of the Board's action earlier that day, Citigroup Inc. agreed to acquire the banking operations of Wachovia Corporation, Charlotte, North Carolina, in a transaction facilitated by the Corporation and concurred with by the Board of Governors or the Federal Reserve System and the Secretary of the Treasury in consultation with the President, resulting in all depositors being fully protected and the expectation that there will be no cost to the Deposit Insurance Fund. Citigroup Inc. will acquire the bulk of Wachovia Corporation's assets and liabilities on an open bank basis with assistance from the Corporation, including five depositor institutions: Wachovia Bank, National Association, Charlotte, North Carolina, Wachovia Mortgage, FSB, North Las Vegas, Nevada, Wachovia Bank of Delaware, National Association, Wilmington, Delaware, Wachovia Bank, FSB, Houston, Texas, and Wachovia Card Services, National Association, Atlanta, Georgia. Wachovia Corporation will continue to own AG Edwards and Evergreen. The Corporation has entered into a loss sharing arrangement on a pre-identified pool of loans, with Citigroup Inc. to absorb up to $42 billion of losses on a $312 billion pool of loans and the Corporation to absorb losses beyond that; and Citigroup has granted the Corporation $12 billion in preferred stock and warrants to compensate the Corporation for bearing the risk.]

Documents and materials relevant to the Board's consideration of the foregoing are marked an exhibit for identification, are filed in the jacket of this meeting, and, by reference, are made a part of these minutes and the permanent files of the Board of Directors.

September 29, 2008 (Closed)
There being no further business, the meeting was adjourned.

[Signature]

Executive Secretary

September 29, 2008 (Closed)