



An Investors Guide To The
**Emergency Economic
Stabilization Act of 2008**

Sponsored By:  National Bank

Agenda

- 1) Events Leading Up To Economic Crisis
- 2) What The Bail Out Bill Means To Investors
- 3) Investor Strategies for Bear & Recessionary Markets
- 4) Closing Comments

**Events Leading Up To The
Economic Crisis**

Wall Street Headlines



The Stock Market Declined For the 10th Session In A Row...

The Plunge In Stocks Has Experts Guessing About Market's Course.

Stocks Plunge Among Panicky Selling: Bond Prices Surge.

The Market Debacle Rouses Worst Fears Of Little Investors.

Stock Market's Frenzy Puts Fed In A Crucial Position...

Goldman Sachs Set Aside \$1 Billion To Help Mutual Funds Beset With Redemptions.

Boom Ends For Financial Services Firms. Job Outlook is bleak following Market Crash.

If You'd Only Sold Some Stock Earlier.

The Economic Crisis

Fannie Mae & Freddie Mac



Originally created to guarantee mortgages (within certain standards). They funded these guarantees by issuing their own debt, which in turn had an "implied guarantee" by the Government.

Treasury took over Fannie Mae and Freddie Mac's combined \$5 trillion portfolio of Mortgages on Sept 8th, 2008.

Used funds to purchase Mortgage Backed Securities (MBS) that did not conform to their own standards and as the real estate market collapsed, so did they!

This serves as the Government acknowledgement that the mortgage market and the institutions that govern it were broken.

The Economic Crisis

Lehman Brothers




Largest Bankruptcy Filing in U.S. History. \$600 billion in assets and over 25,000 employees (Worldcom at \$100 billion)

Mortgage Backed Securities (MBS): Real Estate is Safe!

Leveraged 30:1

Increasing Defaults = No Cash Flow = Bankruptcy

The Economic Crisis

AIG 


Assets of over \$100 trillion. 100,000 employees

Credit Default Swaps (CDS)

Fed provided AIG with a Bridge Loan that includes an option to purchase up to 80% of the companies Shares.

Needed \$85 billion to honor its contracts

The Economic Crisis

Money Market Mutual Funds 

Reserve Fund


\$867 Million in Lehman Brothers commercial paper

Disclosure triggered redemptions

Redemptions triggered penalties and fees

“Broke The Buck”

The Economic Crisis

Crisis Buzz Words 

TARP (Troubled Asset Relief Program)

Frozen Credit Markets

Inflation, Deflation, and Stagflation

Neel Kashkari

Mark-to-Market Accounting

Preferred Stock, Senior Debt, & Warrants

The Economic Crisis

Bail Out Bill

The Act

Was signed into law by President Bush on October 3, 2008.

It provides little more than a framework of principles for Treasury to implement in its discretion.

Creates a new market player, the Office of Financial Stability, which will administer the Troubled Asset Relief Program or TARP.

Acting through TARP, the Treasury will have the authority to buy, sell and manage a wide range of troubled assets.

The Act will significantly impact both Wall Street and Main Street.

Bail Out Bill


TARP

TARP may ultimately have access to up to \$700 billion to purchase or guarantee troubled assets.

The funds will be released in stages:

- An initial \$250 billion purchase limit
- An additional \$100 billion upon written notice from the President
- The remaining \$350 billion will be made available through a written report by the President detailing Treasury's plan with respect to the additional funds.

Bail Out Bill

Wall Street Impact 


Taxpayer Upside
 Resale of troubled Assets
 Warrants

Limits on Executive Compensation

Money Market Guarantee

Criminal & Civil Investigations

Bail Out Bill

Main Street Impact 

Increase in FDIC Insurance Limits

Amendments To The Hope Act & Foreclosure Relief

Aid For Community Banks

Tax Relief

Bail Out Bill

Investor Strategies

Headlines Revisited



The Stock Market Declined For the 10th Session In A Row...October 4, 1974

The Plunge In Stocks Has Experts Guessing About Markets. Oct 19, 1987

Stocks Plunge Among Panicky Selling. Oct 20, 1987

The Market Debacle Rouses Worst Fears Of Little Investors. Oct 20, 1987

Stock Markets Frenzy Puts Fed In A Crucial Position. Oct 21, 1987

Goldman Sachs Set Aside \$1 Billion For Mutual Funds Redemptions. Oct 21, 1987

Boom Ends For Financial Services Firms. Job Outlook is bleak following Market Crash. Dec 11, 1987

If You'd Only Sold Some Stock Earlier. Mar 22, 2001

Investor Strategies

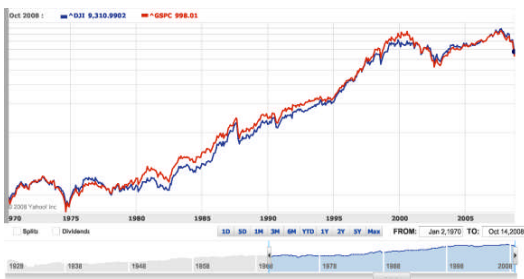
Previous Bear Markets



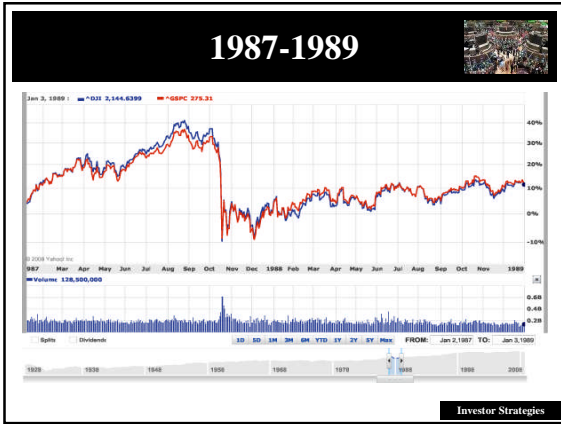
Bear Market Beginning	Bear Market Ending	% Change
January 2002	July 2002	-31.90%
March 2000	September 2001	-36.77%
August 1987	December 1987	-33.51%
November 1980	August 1982	-27.11%
January 1973	October 1974	-48.20%
November 1968	May 1970	-36.06

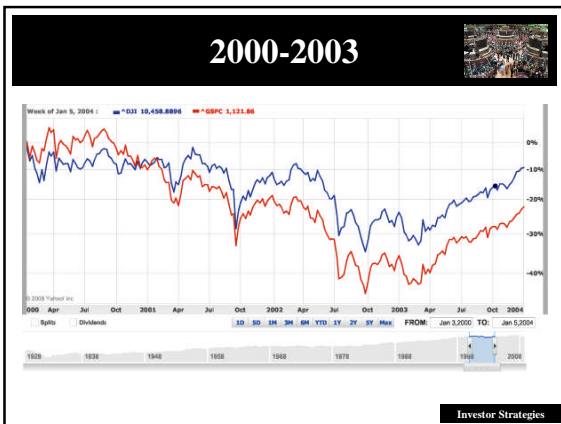
Investor Strategies

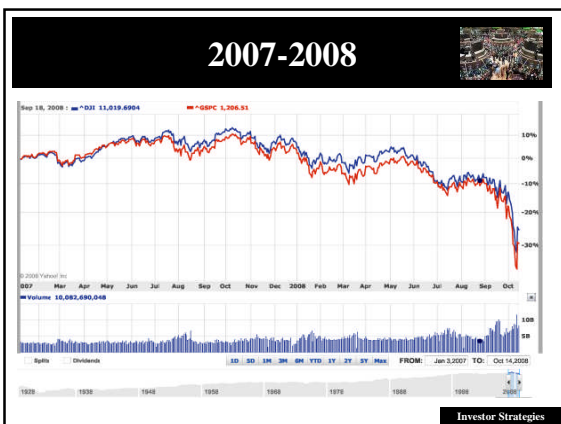
Market View 1970-2008



Investor Strategies







Investor Strategies



Prepare For The Worst

Find Out How Bad Things Really Are

Find Out What You're Invested In

Take The Emotion Out Of Your Decision Making

Allocate Your Portfolio To Meet Your Cash Needs

Stop or Reduce Withdrawals From Your Stock Portfolio

Increase Your Savings

Understand The Difference Between Probability and Possibility

Learn How To Say "NO" To Adult Children

Investor Strategies

Closing Comments

Issues In Real Estate and Corporate Financing Caused The Downturn

Investors Need To Develop A Plan And Process For Weathering The Current Economic Storm And For Making Portfolio Changes

The Same Factors That Led Us Into Our Current State Will Lead Us Out!

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