

January 26, 2006

Ms. Cary K. Williams  
Assistant General Counsel  
Board of Governors of the Federal Reserve System  
Washington, D.C. 20551

Dear Ms. Williams:

In connection with my nomination by President Bush to be a member of the Board of Governors of the Federal Reserve System ("Board"), I wish to inform you of certain actions that will be taken in the event of my Senate confirmation in order to avoid any conflict of interest or the appearance of such conflict between my personal interests or my wife's personal interests and my official responsibilities as a member of the Board of Governors.

I currently serve as Executive Secretary of the National Economic Council. Before joining the federal government in February 2002, I was an Executive Director of Morgan Stanley & Co. While I no longer have any equity interest in the firm, I have a vested interest in the Morgan Stanley defined benefit pension plan and will receive a monthly payment at age 65. As a result, if I become a member of the Federal Reserve Board, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of Morgan Stanley to meet its pension obligation to me.

I have been advised of the restrictions that apply to the personal financial interests of Federal Reserve governors, and I do not own any such prohibited interests. My wife, Jane Lauder, has separate pre-marital assets over which I exercise no control. I have, however, advised my wife and her financial advisor of the applicable restrictions as well. I have been informed that two trusts of which my wife is a beneficiary do hold shares of the Financial Select Sector SPDR fund. I understand that these interests are prohibited by the Board's ethics rules and that they could present a conflict of interest with my official duties if I become a Board member. Therefore, if I am confirmed, my wife's trusts will divest the Financial Select Sector SPDR fund before I take the oath of office as a Board member. It is my understanding that my wife is entitled to request Certificates of Divestiture from the Office of Government Ethics for certain assets.

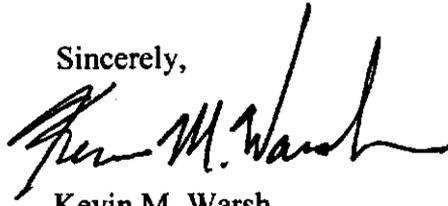
I have been informed that my wife has an interest in RAJ Family Corporation, which is a General Partner in RAJ Partners, which is held in two trusts of which she is a beneficiary. I have also been informed that two trusts of which my wife is a beneficiary hold interests in LLK Cablevision, which also holds an interest in RAJ Partners. This partnership holds an interest in Hope Capital Partners, which holds interests that are prohibited by the Board's ethics rules and could present a conflict of interest with my official duties if I become a Board member. Because my wife cannot control the composition of the underlying assets of

Hope Capital Partners or require that it divest the prohibited interests, if I am confirmed, RAJ Partners will amend its partnership agreement to divest my wife's trusts, as well as RAJ Family Corporation, of any interest in Hope Capital Partners. If for any reason RAJ Partners is unable to exchange my wife's trusts' and RAJ Family Corporation's interest in Hope Capital Partners for a non-prohibited interest, then my wife and her trusts will divest their interest in RAJ Family Corporation and RAJ Partners, respectively. Either action-the divestiture of the underlying interest in Hope Capital Partners or the divestiture of the interest in RAJ Family Corporation and RAJ Partners as a whole-will be completed as soon as possible following confirmation and no later than 90 days after my confirmation. If I am confirmed, my wife's trusts will also divest any interest in LLK Cablevision as soon as possible following confirmation and no later than 90 days after my confirmation. It is my understanding that my wife is entitled to request Certificates of Divestiture from the Office of Government Ethics for certain assets. Until these divestitures have been completed, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on this entity. I have been advised that, in the event the divestiture has not occurred by the time I take office, I will be issued a section 208(b)(1) waiver that will allow me to participate in policy matters affecting the holdings of Hope Capital Partners until the interests have been divested.

I have also been informed that, as part of her separate assets, my wife has interests in several limited partnerships, limited liability corporations and investment companies the holdings of which are not exempt from the conflicts of interest law (as would be the holdings of, for example, diversified mutual funds) due to their legal structure. Some of these entities could conceivably acquire prohibited interests in the future. Because my wife cannot control the composition of these entities' portfolios, if I am confirmed, she and her trusts will divest interests in the following entities within 90 days of my confirmation: CHAMP I USA Limited, Draper Atlantic Venture Fund VI, Draper Fisher Jurvetson ePlanet Ventures, LP, Questmark Advisors, LLC, Rockefeller Venture Fund III LLC (LP), Belcrest Capital Fund, LLC, and Tinicum Capital Partners, LP. It is my understanding that my wife is entitled to request Certificates of Divestiture from the Office of Government Ethics for certain assets. Until these divestitures have been completed, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on these entities unless I first obtain a written waiver or qualify for a regulatory exemption.

Finally, both my wife and I have cash accounts with JP Morgan Chase that are in excess of the federally insured maximum amount. As required by 18 U.S.C. sec 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the security of the deposits or the bank's ability to pay the promised rate of interest, unless I first obtain a written waiver or qualify for a regulatory exemption. I have also been informed that JP Morgan Chase Bank, N.A. is Administrative Agent for the Trustee of my wife's trusts. I understand that this relationship would not necessitate my recusal from JP Morgan matters before the Federal Reserve under the conflicts of interest statute. However, as long as my wife continues to have this relationship with JP Morgan Chase, pursuant to 5 CFR 2635.502, I will not participate in any particular matter involving specific parties in which, to my knowledge, JP Morgan Chase is or represents a party, unless I am authorized to participate.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin M. Warsh". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Kevin M. Warsh