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Clients&FriendsMemo

UPDATE: Understanding the Term Asset-Backed Securities Loan Facility ("TALF")

March 27, 2009

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This Update is a revised version of our original Clients and Friends Memorandum released on March 4th. New information reflected in this Update includes the following key changes to the TALF:

- *Expansion to Legacy Assets.* In conjunction with the recent announcement by the U.S. Department of Treasury of its Public-Private Investment Program, the TALF program will be expanded to provide financing for purchases of legacy ABS from banks and other financial institutions. Details of this expansion have not yet been announced. See "Introduction" below for further information.

- *Addition of Eligible ABS Collateral Types.* Beginning with the April 2009 funding of the TALF, collateral eligible to secure TALF loans will include securities backed by commercial, governmental and rental fleet leases, equipment loans and leases, floorplan loans and residential mortgage servicing advance receivables. See "Borrower and Collateral Eligibility Requirements" below for further information.

- *Changes to Master Loan and Security Agreement Provisions.* Among other changes, the provision triggering recourse against a TALF borrower for failure to cure a collateral deficiency has been removed, and the representation and warranty made by a borrower concerning the eligibility of its pledged ABS collateral is now qualified by the borrower's knowledge based on its review of the related offering materials. See "Recourse Provisions" under "Basic Terms of TALF Loans and Related Compliance Considerations," as well as the updated Exhibit A, for further information.

- *Clarification of Certification Requirements and Inspection Rights.* Revisions to the form documents and related published guidance have offered further details concerning inspection rights with respect to borrowers, primary dealers, sponsors and issuers. They have also specified undertakings required of pool assemblers for SBA Pool Certificates. See "Certification and Certain Disclosure Requirements" and "Compliance Framework and FRBNY Inspection Rights" under "Basic Terms of TALF Loans and Related Compliance Considerations" below for further information.

- *Discussion of Diligence Obligations.* The Federal Reserve Bank of New York has issued guidance discussing the obligations of primary dealers to conduct diligence on TALF borrowers in order to ensure compliance with know-your-customer and anti-money laundering regulations. See "Compliance Framework and FRBNY Inspection Rights" under "Basic Terms of TALF Loans and Related Compliance Considerations" below for further information.

Introduction

On November 25, 2008, the Board of Governors of the Federal Reserve System (the **"Federal Reserve Board"**) and the U.S. Department of Treasury (the **"Treasury"**) announced the creation of the Term Asset-Backed Securities Loan Facility (**"TALF"**), a credit facility designed to restore liquidity to the market for asset-backed securities (**"ABS"**).[1] As originally announced (including subsequent additions and clarifications), the TALF would provide financing to purchasers of ABS backed by pools of consumer and business loans. On February 10, 2009, the Secretary of the Treasury announced a Financial Stability Plan (the **"Financial Stability Plan"**) that includes, as part of a Consumer and Business Lending Initiative, an expansion in the size of the TALF up to $1 trillion (from $200 billion) and the inclusion of commercial mortgage-backed securities (**"CMBS"**) and potentially other asset classes.[2] On March 3, 2009, the Federal Reserve Board and the Treasury announced the commencement of TALF operations.

On March 23, 2009, the Treasury announced the creation of the Public-Private Investment Program (**"PIPP"**) as part of its efforts to repair the balance sheets of banks and other financial institutions and restore the free flow of credit throughout the U.S. economy. The PIPP includes a Legacy Securities Program under which (i) the Treasury will provide matching equity capital and debt financing to Public-Private Investment Funds (**"PPIFs"**) for the purchase of securities originated prior to 2009 that are backed by portfolios of certain residential and commercial real estate loans and consumer loans (**"Legacy Securities"**) and (ii) the Treasury and the Federal Reserve Board will expand the TALF to provide financing to eligible borrowers (including PPIFs) for the purchase of certain Legacy Securities. Although the terms and conditions of this expansion of the TALF have not yet been released, based on the announcement of the PIPP, the types of Legacy Securities that are expected to be included are (i) non-agency residential mortgage-backed securities (**"RMBS"**) that were originally rated "AAA" and (ii) outstanding CMBS and other ABS that currently are rated "AAA" (each, **"Legacy ABS"**). The announcement of the PPIP also noted that the terms and conditions of this expansion of the TALF will be informed by discussions with market participants,

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1 The legal authority for the creation of the TALF is Section 13(3) of the Federal Reserve Act, which permits the Federal Reserve Board in "unusual and exigent circumstances" to authorize Federal Reserve banks to extend credit to individuals, partnerships and corporations that are "unable to secure adequate credit accommodations from other banking institutions."

2 See the "Additional Information" section of this memorandum for: (i) a list of links to the press releases relating to the TALF that have been issued by the Federal Reserve Board, as well as the operation announcement in respect of, the terms and conditions of, and answers to frequently asked questions about, the TALF that have been issued by the Federal Reserve Bank of New York; and (ii) links to the joint statement of the Treasury and other federal agencies announcing the Financial Stability Plan, as well as the Treasury's Fact Sheet on the Financial Stability Plan and its white paper on the federal government's remedial efforts for the credit markets, and the Federal Reserve Board's press release relating to the expansion of the TALF.

and in particular the Federal Reserve Board is working to ensure that the duration of TALF loans secured by Legacy ABS takes into account the duration of the underlying assets.[3]

This memorandum provides an overview of the current TALF program, a discussion of the key requirements for a TALF loan, and a summary of the contemplated procedures for the origination and closing of TALF loans. In addition, a summary term sheet describing the terms of the Master Loan and Security Agreement (**"MLSA"**) under which TALF loans will be made to eligible borrowers is annexed to this memorandum as Exhibit A.[4]

GENERAL DESCRIPTION OF THE TALF

Under the current formulation of the TALF, the Federal Reserve Bank of New York (**"FRBNY"**) will provide non-recourse loans to eligible borrowers that wish to finance their holding of "AAA"-rated ABS. The subscription period for the first round of TALF loans was held between 10:00 a.m. ET on Tuesday, March 17, 2009 and 5:00 p.m. ET on Thursday, March 19, 2009. The first settlement of TALF loans occurred on Wednesday, March 25, 2009.[5] Going forward, subscriptions for TALF loans will be accepted on the first Tuesday of each month. The FRBNY will cease making loans under the TALF on December 31, 2009, unless the Federal Reserve Board agrees to extend the program. By facilitating the issuance of ABS through the TALF, the architects of the facility aim to expand the amount of credit available to consumers and businesses, thus improving overall U.S. economic activity.

TALF loans will have a minimum amount of $10 million and no maximum, a three-year term and either a fixed or a floating rate, depending on the interest rate of the related ABS collateral pledged by the borrower. Each item of ABS collateral must have a market value of at least $10 million except for collateral that are SBA Pool Certificates, in which case the market value must be at least $1 million. The principal amount of each TALF loan will be based on the market value of the collateral and certain advance rates or "haircuts." Borrowers will be able to request an unlimited number of TALF loans each month. TALF loans will not be subject to mark-to-market or margin call requirements, and substitution of collateral will not be permitted during the term of the loan. A custodian bank, The Bank of New York Mellon, will hold the ABS collateral that secures a TALF loan.

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3 For more information on the PPIP, including the details of the Legacy Loans Program thereunder which supports the purchase of troubled loans from insured depository institutions, see the Cadwalader Client & Friends Memo, "The Public-Private Investment Program; Treasury's Plan to Cleanse Legacy Assets from Banks' Balance Sheets", dated March 26, 2009, *available at* http://www.cadwalader.com/list_client_friend.php.

4 A copy of the MLSA can be found at http://www.newyorkfed.org/markets/talf_docs.html.

5 For the initial results of the first round of TALF loan requests as tabulated by the FRBNY, see http://www.newyorkfed.org/newsevents/news/markets/2009/ma090319.html.

The Treasury, through the Troubled Asset Relief Program (**"TARP"**) under the Emergency Economic Stabilization Act of 2008 (**"EESA"**), has agreed to provide credit protection to the TALF by funding up to $100 billion (originally $20 billion) of capital of a special purpose vehicle (**"TALF LLC"**) established for the purpose of purchasing and managing any TALF loan collateral that is foreclosed upon by the FRBNY.

The development and implementation of the TALF program by the FRBNY and the Treasury is expected to be an iterative process involving continuous introduction and refinement of the program's features, based on consultation with securitization market participants. The FRBNY has indicated that it will release certain additional information and relevant forms as it continues to perfect the process for the making and receiving of TALF loans. Any such updates will be available at the TALF website, which can be found at http://www.newyorkfed.org/markets/talf.html.

The balance of this memorandum describes the requirements for TALF loans in greater detail, including borrower and collateral eligibility requirements, basic payment terms and related certification and compliance considerations, and the contemplated procedures for the origination and closing of TALF loans.

BORROWER AND COLLATERAL ELIGIBILITY REQUIREMENTS

This section describes the eligibility requirements TALF imposes on borrowers and collateral for TALF loans. TALF borrowers generally must have a required connection to the United States. Collateral for a TALF loan must be ABS backed by particular types of loans or receivables that were not originated or securitized by the TALF borrower or its affiliates and meet origination date, rating quality, and certain other requirements.

Borrower Eligibility

Any "U.S. company" that owns eligible ABS collateral may borrow from the TALF provided that it maintains an account relationship with a primary dealer. For purposes of the TALF, a U.S. company is defined as:

- A business entity or institution that is (x) organized under the laws of the United States or a political subdivision or territory thereof (**"U.S.-organized"**) and (y) conducts significant operations or activities in the United States (regardless of whether any such entity has a parent company that is not U.S.-organized), including any U.S.-organized subsidiary of such an entity;
- A U.S. branch or agency of a foreign bank (other than a foreign central bank) that maintains reserves with a Federal Reserve Bank; or
- An investment fund (*i.e.*, any type of pooled investment vehicle, including a hedge fund, a private equity fund and a mutual fund, or a vehicle that primarily or exclusively invests in eligible collateral and borrows from the TALF) that is (x) U.S.-organized and (y) managed by an investment manager that has its principal place of business in the United States.

A newly formed investment fund may borrow under the TALF if it otherwise satisfies TALF eligibility requirements. Eligible investment funds will include those that invest only in TALF-eligible ABS as well as multi-strategy funds that invest in a combination of TALF-eligible ABS and other assets.

The term "U.S. company" excludes any entity that is controlled by a foreign government or managed by an investment manager that is controlled by a foreign government. For purposes of this prohibition, "a foreign government controls a company if, among other things, the foreign government owns, controls, or holds with power to vote 25% or more of a class of voting securities of the company."

As described in more detail below, eligible collateral for a particular borrower must not be backed by loans originated or securitized by the borrower or by an affiliate of the borrower. See "Prohibition of Borrower-Affiliated ABS" below.

The FRBNY has broad discretion to reject a borrower's request to participate in the TALF program, even if the prospective borrower otherwise satisfies the TALF program requirements. However, in its release of answers to frequently asked questions about the TALF, the FRBNY has noted that if an eligible borrower posts eligible collateral, there should be every expectation of financing. The FRBNY has further noted that it reserves the right not to fund in exceptional cases, such as upon revelation of materially adverse information about the borrower prior to settlement, but those cases are expected to be isolated and rare.

> *Note: A key question to be answered is who will be the main borrowers under the TALF. Prior to the dislocation in the credit markets, significant demand for rated ABS paper was fueled by investments from off-balance sheet vehicles such as structured investment vehicles, ABS commercial paper conduits and ABS CDOs. This investor base has largely disappeared.*
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> *Hedge funds, private equity funds and similar investment vehicles have traditionally not been active players in the primary ABS market. However, given the leveraged nature of the TALF program, such investors are considered likely candidates to participate in the TALF.*

Collateral Eligibility

In order to obtain funding under the TALF, a borrower must pledge eligible ABS to the FRBNY to secure its obligations under the related loan. Under the current terms of the TALF, eligible ABS must satisfy the following criteria:

Permissible Types of Underlying Assets — Initially, the credit exposures underlying the ABS are limited to the following types of assets:

- auto loans (including retail loans and leases relating to cars, light trucks, motorcycles and recreational vehicles, as well as commercial, government and rental fleet leases);
- student loans (including federally guaranteed student loans (including consolidation loans) and private student loans);
- credit card loans (including consumer and corporate credit card receivables);
- equipment loans (including retail loans and leases relating to business, industrial and farm equipment);
- floorplan loans (including revolving lines of credit to finance dealer inventories of items including, but not limited to, vehicles such as cars, trucks, recreational vehicles, trailers,

boats and sports vehicles; agricultural, construction or manufacturing equipment; manufactured housing; large appliances and electronic equipment);

- small business loans fully guaranteed as to principal and interest by the U.S. Small Business Administration (the **"SBA"**) (including loans, debentures or pools originated under the SBA's 7(a) and 504 programs that are fully guaranteed as to principal and interest by the full faith and credit of the U.S. government);[6] and
- residential mortgage servicing advance receivables (including receivables created by principal and interest, tax and insurance, and corporate advances made by Fannie Mae- or Freddie Mac-approved residential mortgage servicers under pooling and servicing agreements).[7]

By operation of the Financial Stability Plan, this list will be expanded to include ABS backed by commercial mortgages. The terms and conditions applicable to CMBS have not yet been released.[8] The Federal Reserve Board and the Treasury have indicated that other types of assets under consideration for TALF-eligibility include (i) private-label RMBS, (ii) collateralized loan and debt obligations, and (iii) other ABS not included in the initial group of eligible collateral.

With respect to all types of underlying assets described above, all or substantially all of the credit exposures in the related eligible ABS must be to U.S.-domiciled obligors (in the case of mortgage servicing advances, all or substantially all of the advances must be related to U.S.-domiciled residential property),[9] and none of the credit exposures may themselves be cash or synthetic ABS.

ABS Origination Date — Except in the case of eligible Legacy ABS, eligible ABS must be issued on or after January 1, 2009 (or, in the case of SBA Pool Certificates and Development Company Participation Certificates, on or after January 1, 2008). The origination date criteria for Legacy ABS have not yet been determined.

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6 The SBA will post on its website the CUSIPs of all TALF-eligible SBA Pool Certificates and Development Company Participation Certificates.

7 ABS backed by mortgage servicing advances must be related to residential mortgage loan securitizations that (i) grant the servicer first priority in any insurance or liquidation proceeds from a loan (and, if those proceeds are insufficient, grants the servicer first priority to general collections), (ii) gives the servicer the right to assign reimbursement rights, and (iii) provides that all advances are reimbursed on a first-in first-out basis.

8 Certain participants in the commercial mortgage real estate finance market have made recommendations to the Treasury and the Federal Reserve Board regarding the terms and conditions applicable to CMBS under the TALF. See the proposal of the Commercial Mortgage Securities Association announced on March 25, 2009 and available at http://www.cmsaglobal.org/uploadedFiles/CMSA_Site_Home/Government_Relations/CMSA_Issues/Securitization-Mortgage_Reform/CMSA_TALF_Proposal.pdf.

9 "All or substantially all" means, in the context of determining whether the credit exposures underlying an ABS meet the U.S. domiciled obligors criteria, 95% or more of the dollar amount of the credit exposures underlying the ABS.

ABS Underlying Collateral Origination Timing Requirements[10] — Eligible ABS must satisfy certain time limits with respect to the origination or issuance of the underlying collateral (i.e., loans and receivables) of such ABS, as set forth in the following table:

Asset Type	Requirement
Auto Loan ABS	All or substantially all[11] of such collateral issued by a non-revolving trust must have been originated on or after October 1, 2007. Eligible collateral issued by a revolving or master trust must be issued to refinance existing auto loan ABS maturing in 2009 in an amount no greater than the amount of the maturing ABS, and must be issued out of a newly established or existing master trust in which all or substantially all of such collateral was originated on or after January 1, 2009.
Student Loan ABS	All or substantially all of such collateral must have had a first disbursement date on or after May 1, 2007.
SBA Pool Certificates and Development Company Participation Certificates	No requirement as to the issuance date of the underlying loans or debentures, but the certificates must have been issued on or after January 1, 2008.
The SBA-guaranteed credit exposures underlying all other eligible small business ABS	Must have been originated on or after January 1, 2008.
Equipment Loan ABS	All or substantially all of such collateral issued by a non-revolving trust must have been originated on or after October 1, 2007.
Floorplan Loan ABS	Must be issued to refinance existing floorplan ABS maturing in 2009 and may not be in amounts greater than the amount of the maturing floorplan ABS. Issuers may pre-fund their maturing ABS with eligible ABS up

[10] The criteria shown in this chart may be amended by the FRBNY in accordance with the TALF standing loan facility procedures in effect at the time the borrower requests a loan. The FRBNY will publish from time to time the TALF standing loan facility procedures at http://www.newyorkfed.org/markets/talf.html.

[11] "All or substantially all" means, in the context of determining whether the credit exposures underlying an ABS meet the date of origination criteria, 85% or more of dollar amount of the credit exposures underlying the ABS.

	to three months in advance, but may not prefund ABS that matures in 2010 with eligible ABS. Such collateral may include floorplan ABS issued out of an existing or newly established floorplan master trust in which all or substantially all of the floorplan lines of credit underlying such ABS were originated on or after January 1, 2009.
Credit Card ABS	Must be issued to refinance existing credit card ABS maturing in 2009 and may not be in amounts greater than the amount of the maturing credit card ABS. Issuers may pre-fund their maturing ABS with eligible ABS up to three months in advance, but may not prefund ABS that matures in 2010 with eligible ABS.
Mortgage Servicing Advance Receivables	Must have been originated on or after January 1, 2007.

For purposes of the above table, the requirements that floorplan ABS and credit card ABS must be issued to refinance existing ABS maturing in 2009 apply at the issuer level and not at the individual trust level.[12] In addition, issuers of floorplan ABS and credit card ABS are required to state in their prospectuses that the aggregate amount of eligible ABS they have issued does not exceed the amount of their 2009 maturities. Any amounts issued in excess of such 2009 maturities will not be eligible ABS collateral for TALF loans.

Limitation on Expected Life — In the case of ABS backed by auto loans, credit card receivables, equipment loans, floorplan loans or servicing advance receivables, such ABS must have an expected life no greater than five years.

Ratings Requirements for ABS — Eligible ABS collateral must:

- (A) have a credit rating in the highest long-term <u>or</u> short-term investment-grade rating category from two or more major nationally recognized statistical rating

[12] By way of illustration, the FRBNY gives the following example: if an ABS issuer has four master trusts with a total of $20 billion in ABS maturing in 2009, the maximum amount of TALF-eligible ABS that such issuer could issue (from one trust or from multiple trusts) in 2009 is $20 billion.

organizations (**"NRSROs"**)[13] and (B) not have a credit rating below the highest investment-grade rating category from any NRSRO[14]; *provided* that such credit ratings may not be based on the benefit of a third-party guarantee; and

- not have a credit rating placed on review or watch for possible downgrade by any NRSRO (although existing TALF loans that are secured by eligible ABS collateral will not be affected by any subsequent negative rating action).

Note: Because ABS structures typically rely on internal credit support achieved through payment priority subordination, they will include tranches subordinate to the eligible top-rated tranche that are unlikely to carry the required rating. Accordingly, unless the issuer intends to retain the subordinate tranches itself, it must still consider that purchasers of subordinate ABS tranches will need to find a source of financing other than the TALF.

Prohibition of Borrower-Affiliated ABS — A TALF loan cannot be secured by ABS backed by loans originated or securitized by the borrower or by any affiliate of the borrower. For purposes of determining eligible collateral, an "affiliate of a borrower" means any company that controls, is controlled by, or is under common control with the borrower. For this purpose, a person or company controls a company if, among other things, it: (1) owns, controls, or holds with power to vote 25% or more of a class of voting securities of the company; or (2) consolidates the company for financial reporting purposes.

Note: Because sponsors of securitizations are often also affiliated with the originators of the underlying loans or receivables, lenders will be unable to finance their own lending activity through the TALF, even though they could obtain TALF financing to finance the acquisition of ABS issued by a third party – even a competitor.

Ownership of Eligible ABS — Borrowers may borrow against ABS already owned by it so long as the ABS to be pledged otherwise meets the TALF's eligibility requirements. In addition, ABS may qualify as eligible collateral under the TALF even if the borrower does not own such ABS on the date that it requests the related TALF loan. However, in order for the primary dealer and the custodian to perform their required due diligence, the borrower must inform the primary dealer by the loan request date of the CUSIP of the ABS the borrower intends to deliver as collateral on the

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[13] The major NRSROs for the purpose of determining compliance with the ratings requirements for eligible ABS collateral under the TALF are Fitch Ratings Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. The FRBNY will periodically review its use of NRSROs for such purpose.

[14] Small business loan ABS that are, or for which all of the underlying credit exposures are, fully guaranteed as to principal and interest by the full faith and credit of the U.S. government are not required to satisfy this credit rating requirement.

loan settlement date. Furthermore, if the borrower is allocated less of the new ABS issue than expected, the borrower must inform the FRBNY and its custodian, through the borrower's primary dealer, not less than four days prior to the loan settlement date so that an adjustment may be made to the loan amount, the applicable margin amount (determined by reference to the related asset haircut) and the upfront fee charged by the FRBNY for administering the loan, prior to such settlement date.

Other Requirements — In addition to the foregoing, eligible collateral must also:

- be U.S. dollar-denominated;
- be a cash (and not synthetic) instrument; and
- be cleared through The Depository Trust Company.

In addition, as described further below, the TALF requires an accountant's attestation concerning the eligibility of the ABS collateral, as well as certain certifications and undertakings by the ABS issuer and sponsor (or pool assemblers, in the case of SBA Pool Certificates and Development Company Certificates).

BASIC TERMS OF TALF LOANS AND RELATED COMPLIANCE CONSIDERATIONS

This section describes the key terms of a TALF loan, including loan amounts, applicable haircuts, payment terms, interest rates, assignment restrictions and non-recourse limitations. Also discussed are related compliance considerations, including certification and attestation requirements imposed on ABS issuers, sponsors and auditors, and FRBNY review and inspection rights affecting TALF borrowers.

Loan Amounts and Haircuts

The minimum amount of each TALF loan is $10 million and there is no maximum amount. The FRBNY will size the amount of each loan based on the lesser of the par value and the market value of the pledged ABS collateral, as adjusted by an advance rate or "haircut." Alternatively, if the pledged ABS collateral has a market value above par, the FRBNY will size the amount of the related loan to the market value of such collateral (subject to a cap of 110% of par value) as adjusted by a haircut, and the borrower will be required to periodically prepay a portion of the principal of the TALF loan. Such prepayments will be calculated to adjust for the expected reversion of market value towards par value of the pledged ABS collateral as it matures.[15]

The amount of the haircut varies according to the type of ABS collateral being pledged and its expected life. The table below shows the preliminary haircuts indicated by the FRBNY:

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[15] The amount of prepayment in dollars is determined by the following formula:

Par*(1-h)*(min(Price,1.10*Par)/Par-1)/(b*WAL), where:

Par is the par value of the bond;

h is the haircut from the table set forth below corresponding to the expected life and asset class of the bond;

Price is the price of the bond;

b is equal to 12, 4, or 2 for bonds with a remittance frequency of monthly, quarterly, or semi-annually, respectively; and

WAL is the weighted average life of the bond measured in years and calculated at the prepayment assumption used to compute expected life above. If the WAL is not available, half of the weighted average life to maturity (WALM) may be used as an approximation.

Sector	Subsector[16]	ABS Expected Life (years)* 0-1	>1-2	>2-3	>3-4	>4-5	>5-6	>6-7
Auto	Prime retail lease	10%	11%	12%	13%	14%		
Auto	Prime retail loan	6%	7%	8%	9%	10%		
Auto	Subprime retail loan	9%	10%	11%	12%	13%		
Auto	Motorcycle/other recreational vehicles	7%	8%	9%	10%	11%		
Auto	Commercial and government fleets	9%	10%	11%	12%	13%		
Auto	Rental fleets	12%	13%	14%	15%	16%		
Credit Card	Prime	5%	5%	6%	7%	8%		
Credit Card	Subprime	6%	7%	8%	9%	10%		
Equipment	Loans and Leases	5%	6%	7%	8%	9%		
Small Business	SBA loans	5%	5%	5%	5%	5%	6%	6%
Floorplan	Auto	12%	13%	14%	15%	16%		
Floorplan	Non-Auto	11%	12%	13%	14%	15%		
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Student Loan	Gov't guaranteed	5%	5%	5%	5%	5%	6%	6%
Servicing Advances	Residential mortgages	12%	13%	14%	15%	16%		

* For ABS benefiting from a substantial government guarantee with expected lives beyond five years, haircuts will increase by one percentage point for every two additional years of expected life beyond five years. For all other ABS with expected lives beyond five years, haircuts will increase by one percentage point for each additional year of expected life beyond five years.

16 Issuers of ABS are required to publish in the prospectus or offering document whether the related issuance is "prime" or "subprime" according to TALF criteria. If a prospectus or offering document does not include such information, the related issuance will be considered "subprime" for purposes of the TALF. Auto loan ABS and auto lease ABS are considered "prime" if the weighted average FICO score of the receivables is 680 or greater. Receivables without a FICO score are assigned the minimum FICO score of 300 for this calculation. Commercial receivables can be excluded from this calculation if historic cumulative net losses on these accounts have been the same or lower than those on receivables to individual obligors and this information is available in the prospectus. In addition, the percentage of commercial receivables in a trust must not exceed 15 percent. For auto loan ABS where a weighted average FICO score is not disclosed, the "subprime" haircut schedule will apply. Credit card ABS are considered "prime" if at least 70% or more of the receivables have a FICO score greater than 660. FICO scores must reflect performance data within the last 120 days. For credit card trusts where a weighted average FICO score is not disclosed, the "subprime" haircut schedule will apply. The FRBNY considers the representations of ABS issuers as to "prime" or "subprime" status that are included in a prospectus or offering document to be material to the FRBNY's determination of the applicable haircuts for TALF loans and a component of the representation as to accuracy of the offering document contained in the required issuer certification discussed below.

For purposes of the above table, "expected life" is: (i) with respect to ABS with bullet maturities, determined by the expected principal payment date; and (ii) with respect to amortizing ABS, defined as the weighted average life to maturity based on the prepayment assumptions and market conventions listed in the table below:[17]

Sector	Subsector	Prepayment Assumptions*
Auto	Prime retail lease	75% of prepayment curve
Auto	Prime retail loan	1.3% APS
Auto	Subprime	1.5% APS
Auto	Motorcycle/other recreational vehicle	1.5% APS
Auto	Commercial and governmental fleets	75% of prepayment curve
Auto	Rental fleets	75% of prepayment curve
Equipment	Loans and leases	8% CPR
Student Loan	Student Loan Private	4% CPR
Student Loan	Student Loan FFELP	6% CPR
Student Loan	Student Loan Consolidation	50% of CLR curve
Small Business	SBA 7(a)	14% CPR
Small Business	SBA 504	5% CPR
Servicing Advances	Residential Mortgages	Expected life is length of any revolving period *plus* 2 years

* *APS* (Absolute Prepayment Speed) represents the percentage of the original number of loans that prepay during a given period. *CPR* (Conditional Payment Rate) and *CLR* (Constant Loan Ramp) each represent the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period.

The haircuts discussed in this section apply consistently across all borrowers, regardless of credit rating. The Federal Reserve Board will periodically review collateral haircuts and may adjust them for new TALF loans, consistent with the policy objectives of the TALF. In addition, the above table will be updated from time to time to reflect the inclusion of additional ABS asset types as eligible collateral under the TALF.

[17] Issuers of ABS are required to publish the security's expected life in the related prospectus or offering document. Issuers of amortizing ABS are required to include a representation that the weighted average life to maturity for each "AAA"-rated tranche was calculated in accordance with the TALF prepayment assumptions. The FRBNY considers such representations to be material to its determination of the applicable haircuts for TALF loans and cautions issuers that the representation as to accuracy of the offering document contained in the required issuer certification discussed below would be breached if the weighted average life calculations incorrectly apply the TALF prepayment assumptions or are based on assumptions that are not representative of the actual collateral characteristics underlying TALF-eligible ABS collateral.

Minimum Collateral Market Value

Each item of eligible ABS collateral securing a TALF loan must have a market value (measured as of the third business day prior to the applicable loan closing date) of at least $10 million (or, in the case of an item of eligible collateral that is an SBA Pool Certificate, at least $1 million).

Term

Each TALF loan will have a three-year maturity, unless otherwise permitted by amendment to the MLSA.

> *Note: Because certain of the eligible pledged ABS may have weighted average lives that extend more than three years, there appears to be an implicit assumption that sources of refinancing other than TALF will be available upon the maturity of the TALF loan. Should this not be the case and the borrower defaults on the related TALF loan at maturity or surrenders the collateral in satisfaction of such TALF loan, the FRBNY (or TALF LLC by virtue of a put option) would end up owning the ABS. Given the non-recourse nature of the TALF loan, a borrower default or surrender of the collateral may be more likely than if the loan were recourse to the borrower.*
>
> *Furthermore, given the extension of the TALF to other asset classes such as CMBS, as noted elsewhere in this memorandum, the FRBNY may be prompted to issue loans with longer terms to maturity, particularly to the extent any such newly eligible ABS collateral has a weighted average life that extends more than three years.*

Prepayment

A borrower may prepay a TALF loan, in whole or in part, at any time without penalty. In connection with any such partial prepayment, the FRBNY will release collateral securing the TALF loan on a *pro rata* basis based on the original haircut amounts, taking into account any minimum denominations for the related ABS.

A TALF loan is also required to be prepaid from principal collections on the pledged ABS, as further discussed below.

Interest Rates

An eligible borrower may choose either a fixed rate or a floating rate on each TALF loan, depending on the interest rate of the related ABS collateral being pledged. The interest rate for a TALF loan will be set on the related subscription date on the terms set forth in the following table:[18]

Sector	Subsector	Fixed	Floating
Auto		3-yr LIBOR swap rate + 100 bps	1-mo. LIBOR + 100 bps
Credit Card		3-yr LIBOR swap rate + 100 bps	1-mo. LIBOR + 100 bps
Equipment		3-yr LIBOR swap rate + 100 bps	1-mo. LIBOR + 100 bps
Floorplan		3-yr LIBOR swap rate + 100 bps	1-mo. LIBOR + 100 bps
Student Loan	Private	N/A	1-mo. LIBOR + 100 bps
Student Loan	Gov't guaranteed	N/A	1-mo. LIBOR + 50 bps
Small Business	SBA loans 7(a)	N/A	Fed Funds Target + 75 bps
Small Business	SBA loans 504	3-yr LIBOR swap rate + 50 bps	N/A
Servicing Advances	Residential Mortgages	3-yr LIBOR swap rate + 100 bps	1-mo. LIBOR + 100 bps

The FRBNY has indicated that it will review the interest rates applicable to new TALF loans and may adjust them in response to changing market conditions.

Administrative Fee

On each loan settlement date, the borrower must pay to the FRBNY an administrative fee equal to 5 basis points on the principal balance of the TALF loan.

Repayment

All interest and principal payments received on the pledged ABS will be made to the custodian bank under the MLSA and distributed to the borrower and the FRBNY as described below.

Interest — On each monthly payment date, interest payments received on the ABS collateral during the related collection period will be used to pay the interest due on the TALF loan (*plus*, in the case of any pledged ABS collateral carried at a market value above par on the related loan origination date, the required principal prepayment amount) and then remit the remainder, if any, to the primary dealer for distribution to the borrower. If an interest shortfall on the TALF loan still exists after the allocation of principal proceeds otherwise payable to the borrower as described below, the borrower will have a 30-day grace period in which to cure. If a borrower does not cure an interest

[18] The lower spreads on TALF loans secured by ABS whose underlying credit exposures have the benefit of government guarantees reflect the lower credit risk associated with such exposures.

shortfall after the expiration of such grace period, a default will have occurred under the loan and the FRBNY will have the right to enforce its rights in respect of the underlying ABS collateral including selling such collateral to the TALF LLC at a price equal to the outstanding loan principal amount *plus* accrued and unpaid interest thereon.

Principal — On each monthly payment date, principal collections received on the ABS collateral during the related collection period will be paid, except as noted below, *pari-passu* to the borrower and the FRBNY, as lender, based on the loan-to-value ratio of the loan, as measured on the loan settlement date. In other words, the borrower will receive an amount equal to (x) the applicable asset haircut percentage *multiplied by* (y) the principal payment received on the pledged collateral during the related collection period. The remaining balance of the principal collections will be paid to the FRBNY in reduction of the outstanding principal amount of the loan. Notwithstanding the foregoing, if interest collections on the ABS collateral for the related collection period are insufficient to pay the full amount of interest due on the TALF loan, amounts that would otherwise be distributable as principal to the borrower will be used instead to make up such shortfall.

Repayment at Maturity — A TALF loan must be repaid at the end of its three-year term, even if the eligible ABS collateral securing such loan has a longer maturity. In such an event, a borrower may (1) repay the loan in full, at which time the FRBNY will release its lien on the ABS collateral and deliver such collateral to the borrower or (2) arrange for a sale of the ABS collateral at a price equal to or greater than the outstanding principal amount of the loan *plus* accrued interest[19] and instruct the FRBNY to deliver the ABS collateral to the purchaser thereof against payment of the sales price, with any excess sales proceeds to be remitted by the FRBNY to the borrower.

Optional Collateral Surrender

A borrower may, in lieu of repaying the outstanding principal of and interest on a TALF loan, surrender the collateral securing such loan by causing the delivery to the FRBNY, via the applicable primary dealer, of a Collateral Surrender and Acceptance Notice (in the form attached to the MLSA) on or prior to the loan maturity date. Significantly, as described below under "Recourse Provisions," if such notice is not timely delivered, the FRBNY may exercise recourse rights against the borrower and require it to repay any unpaid balance of the TALF loan after application of amounts received on the collateral.

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[19] Alternatively, if the borrower arranges for a sale of the ABS collateral at a lesser price, it must make up any shortfall to repay the loan in full. As a practical matter, in this situation the borrower will likely weigh the amount of such shortfall versus the loss of the unamortized posted haircut amount in connection with the surrender of the collateral in satisfaction of amounts owed under the TALF loan.

If a borrower elects, through its primary dealer, to surrender the pledged ABS collateral in satisfaction of a TALF loan, it is required to surrender all of the ABS collateral securing such loan (which may include more than one ABS security) to the FRBNY.

Pledge of Collateral; No Mark-to-Market or Margin Call Requirements

Subject to the minimum collateral market value requirements discussed above, a borrower may pledge any combination of eligible ABS as collateral for a single loan, but it must pledge a fixed-rate ABS against a fixed-rate TALF loan and a floating-rate ABS against a floating-rate TALF loan. During the term of the loan, substitution of collateral will not be permitted.

TALF loans will not be subject to mark-to-market or margin call requirements.

Sales and Assignments

If the borrower sells the ABS collateral that secures a TALF loan, the borrower may assign all of its obligations with respect to such loan to another eligible borrower,[20] with the prior consent of the FRBNY; *provided* that the FRBNY will not consent to any assignments after December 31, 2009, unless it finds that "unusual and exigent circumstances" exist in the financial markets.[21]

> *Note: Because a TALF loan may not be assignable after December 31, 2009 except in the limited circumstances described above, the liquidity of the related ABS collateral could be adversely affected after December 31, 2009 (or such later date, if any, on which the FRBNY ceases making new loans under the TALF) for the remaining term of the loan. As a practical matter, after the FRBNY ceases making new loans under the TALF, borrowers may only be able to dispose of ABS collateral that secures a TALF loan to buyers who have a source of financing other than the TALF.*

Recourse Provisions

TALF loans are generally non-recourse to the borrower. However, under the terms of the MLSA, a loan may become recourse to the borrower upon the occurrence of any one of the following events:

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20 Eligibility of the assignee as a borrower will be assessed by the FRBNY at the time of transfer, including confirmation by the FRBNY that the assignee has executed all of the requisite documentation relating to the TALF.

21 If the Federal Reserve Board elects to extend beyond December 31, 2009 the period for making new loans under the TALF, it appears that the consent of the FRBNY to assignments will not be limited by the proviso noted above.

- Ineligible Borrower. The borrower fails to be an "eligible borrower" at any time using the criteria in effect when the related loan was made.
- Ineligible Collateral. The representation and warranty made by the borrower that the ABS collateral securing a loan satisfied (to the borrower's knowledge based on its review of the applicable offering materials for such collateral) the TALF eligibility criteria in effect when such loan was made was not accurate.
- Breach of Certain Other Representations and Warranties. As long as the borrower has a loan outstanding, the breach of any other relevant representation and warranty made by the borrower in the MLSA (generally, that (i) the lending agreement is a legal, valid and binding obligation of the borrower, enforceable against it in accordance with its terms, (ii) the borrower has authorized its primary dealer to execute and deliver the applicable documents on its behalf, (iii) the absence of any adverse claims against the pledged collateral and (iv) the lending agreement creates in the FRBNY an enforceable security interest in the pledged collateral).
- Collateral Surrender and Acceptance Notice Delivery Failure. A borrower fails to cause the delivery of a Collateral Surrender and Acceptance Notice to the custodian in accordance with the terms of the MLSA on or prior to the maturity date of a loan.

Accountant's Attestation

The ABS sponsor's accountants must provide an attestation,[22] in a form acceptable to the FRBNY, that the ABS is eligible under the TALF. SBA Pool Certificates and Development Company Participation Certificates are not required to be accompanied by an auditor's attestation.

Certification and Certain Disclosure Requirements

The sponsor and the issuer of the ABS must include certifications,[23] in forms available on the FRBNY's website, in the preliminary offering document (in unsigned form) and in the final offering document (signed) in connection with the issuance of the ABS. The certifications include (among other things) the following:

- Eligible ABS Collateral. Each has reviewed the terms and conditions of the TALF program and that, after due inquiry by its appropriate officers, agents and representatives, each has determined that the securities offered in the related offering document constitute eligible ABS collateral under the TALF program.

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[22] The relevant attestation form may be found at http://www.newyorkfed.org/markets/TALFAuditorAttestationForm.pdf.

[23] The relevant certification form may be found at http://www.newyorkfed.org/markets/Form_Certification_TALF_Eligibility.pdf.

- Press Release Regarding Change in Collateral Eligibility. Each undertakes that, until the maturity of the securities being offered, they will issue a press release and notify the FRBNY and all registered holders of such securities if they determine that the statement with respect to the eligibility of the collateral under the TALF program was not correct when made or has ceased to be correct. Such press release and notification must be made no later than 9:00 a.m. on the fourth business day after the sponsor and issuer make the noted determination; *provided* that same business-day notification is required with respect to any change in credit rating issued by any major NRSRO (including any change in the final rating compared to a preliminary rating) that occurs after pricing of the securities being offering and on or prior to the closing date.

- Indemnity. Each acknowledges that the FRBNY and the TALF LLC, will rely upon the certification and will suffer damages if such certification is incorrect and the sponsor (or, if the sponsor is a special purpose vehicle, the sponsor's direct or indirect ultimate parent) has executed and delivered to the FRBNY, no later than four days prior to the loan settlement date, an undertaking under which the sponsor has agreed to indemnify FRBNY, the TALF LLC and their respective affiliates against any losses incurred or suffered by them arising out of any misrepresentation or breach of warranty made or to be performed by it in the certification.

- Inspection Rights. The sponsor and the issuer jointly and severally agree that if any ABS collateral pledged to the FRBNY or purchased by TALF LLC at any time fails to be eligible collateral under the TALF using the criteria in effect when such collateral was issued (provided that solely for such purposes the only failure to satisfy the ratings eligibility criteria that shall be considered shall be a failure that arises as a result of the final rating on such collateral at issuance, and not any subsequent downgrade), the sponsor and the issuer will permit access to their personnel, documents and data (subject to applicable laws regarding the confidentiality of such information) to the Treasury and its agents and advisers, the Special Inspector General of the TARP and the Comptroller General of the United States, so that cause and nature of any such failure can be ascertained.

In connection with SBA Pool Certificates, pool assemblers must deliver to the FRBNY and TALF LLC an undertaking that includes (among other things) the following:[24]

- Eligible ABS Collateral. A representation and warranty that the pool assemblers have reviewed the terms and conditions of the TALF program and that each of the securities identified by CUSIPs on the website of the Small Business Administration and sold by them constitute at all times eligible ABS collateral under the TALF program.

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[24] The relevant Form of Undertaking may be found at http://www.newyorkfed.org/markets/TALF_Undertaking_SBA_ABS.pdf.

- Press Release Regarding Change in Collateral Eligibility. An undertaking that, until the maturity of the securities being offered, the pool assemblers will issue a press release and notify the FRBNY and all registered holders of such securities if they determine that the statement with respect to the eligibility of the collateral under the TALF program was not correct when made or has ceased to be correct. Such press release and notification must be made no later than 9:00 a.m. on the fourth business day after they make such determination.

- Purchase Obligation. A covenant that the pool assemblers will purchase any Small Business ABS sold by them if it fails to constitute eligible collateral for any reason from the FRBNY or TALF LLC, as applicable, at a purchase price equal to (A) if purchased on demand from the FRBNY, (i) the outstanding principal amount of the related loan on the relevant date of determination *multiplied by* the quotient of (a) the collateral value of such Small Business ABS (*i.e.*, after applying the relevant advance rates) on the loan issue date over (b) the principal amount of the related loan on the loan issue date *plus* (ii) accrued interest on the related loan or (B) if purchased on demand from TALF LLC, (i) the outstanding principal amount of the related loan on the date TALF LLC acquired the collateral from FRBNY *multiplied by* the quotient of (a) the collateral value of such Small Business ABS (*i.e.*, after applying the relevant advance rates) on the loan issue date over (b) the principal amount of the related loan on the loan issue date *minus* (ii) the aggregate amount of receipts in respect of principal of such Small Business ABS received by TALF LLC prior to the time such demand is made.

No Hedging Transactions with Issuers or Sponsors

Issuers, sponsors and their respective affiliates are prohibited under the TALF from entering into a transaction designed to hedge against an investor's losses on ABS purchased by such investor with TALF-provided financing and securitized by such issuer or sponsor. The need to ensure an independent assessment of risk by investors is cited by the Federal Reserve Board as the basis for this restriction.

No Executive Compensation Requirements

Although TALF as originally proposed contemplated a requirement that the sponsor of the ABS would have to comply with the limits on executive compensation set forth in Section 111(b) of the EESA, such requirement was eliminated from the program as announced on March 3, 2009.

Compliance Framework and FRBNY Inspection Rights

The Federal Reserve Board has designed a number of measures as part of its compliance framework to discourage fraudulent activity associated with the TALF program, including standards for borrower acceptance, an assurance program related to borrower eligibility requirements and inspection rights. Under the TALF program, primary dealers are obligated to conduct diligence on TALF borrowers to ensure compliance with know-your-customer and anti-money laundering regulations. As stated in the TALF Borrower Eligibility and FRBNY Due Diligence Policy,[25] a primary dealer is expected to "look through" to the borrower's underlying stakeholders if it deems it appropriate under its know-your-customer program or industry practices. For certain entities in particular[26], primary dealers are expected to identify principals of the borrower, which include the sponsor of a potential borrower, material investors,[27] and any person with control (as defined in the MLSA) over a potential borrower. Primary dealers are also required to maintain their records concerning each TALF borrower and its principals for a period of five years after the borrower repays or assigns the TALF loan or surrenders the related collateral, whichever occurs first. In addition, the FRBNY has the right under the TALF program to inspect the financial records of borrowers to the extent they relate to TALF loans, and to inspect the records of primary dealers, to the extent they relate to TALF borrowers and loans. Moreover, the FRBNY retains the right to review all loan files held by the custodian pertaining to each borrower. Finally, the FRBNY has established a telephone and internet-based hotline for reporting of fraudulent conduct or activity associated with the TALF program.

> *Note: Potential borrowers under the TALF should be aware that as a result of these compliance requirements, information concerning the borrower and its finances, including potentially the identities of investors in the borrower, may be available to the primary dealers engaged by the borrower and to the FRBNY.*

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25 The policy statement may be found at http://www.newyorkfed.org/markets/TALF_FRBNY_Due_Diligence_Policy.pdf.

26 Such entities include any entity that is controlled by or was established by or for a person who, but for the establishment of such potential borrower, would not be eligible to access TALF loans, as well as any investment fund established for the benefit of one person or in which there is at least one material investor.

27 A "material investor" is a person who owns, directly or indirectly, an interest in any class of securities of a potential borrower that is greater than or equal to a 10% interest in such outstanding class of securities.

ORIGINATION AND CLOSING PROCEDURES FOR TALF LOANS

TALF assigns a key role and significant responsibilities to primary dealers in the origination process, which contemplates standardized documentation and a sequence of specified events prior to each loan closing.

Primary Dealer

TALF assigns a key role and significant responsibilities to primary dealers.[28] The FRBNY has stated it will only deal with the primary dealers and will not deal directly with borrowers. As the interface between a TALF borrower and the FRBNY, the primary dealer is expected to perform the following duties:

- Collect Loan Requests and Supporting Documents from Borrowers. The primary dealer is charged with collecting loan requests and the offering documents and CUSIPs for the ABS to be pledged. The primary dealer is also to submit loan requests and related information to the FRBNY and the custodian.
- Collect Fees and Margin from Borrowers. The primary dealer will collect and deliver to the custodian the administrative fee and any applicable margin required to be delivered on a settlement date.
- Conduct Diligence on Borrowers. The primary dealer must apply its internal “Know Your Customer” customer diligence procedures and represent that each of its customer borrowers is eligible. The primary dealer must also provide the FRBNY with information sufficient to describe the primary dealer’s customer risk assessment methodology.
- Forward Distributions to Borrowers. The primary dealer will receive information regarding the gross principal and interest amount paid by the ABS collateral, the amount of principal and interest to be remitted to the borrower and will disburse such amounts to the borrower.

  Note: Once funds are disbursed from the custodian to the primary dealer, none of the custodian, the loan administrator under the MLSA (also The Bank of New York Mellon) or the FRBNY will have any obligation to the borrower to account for such amounts.

[28] A borrower may request loans through multiple primary dealers, but must segregate collateral for each loan through the respective primary dealer.

- Provide Tax Information to Borrowers. The primary dealer is responsible for managing any tax withholding and reporting obligations for their borrower in connection with the above distributions.
- Receive and Forward Notices to Borrowers. The primary dealer will receive, or forward, notices on behalf of its borrower customers.

A primary dealer must also represent and warrant to the FRBNY in the MLSA that, at all times during which a borrowers has a loan outstanding:

- Lending Agreement. The primary dealer has provided the borrower with a copy of the lending agreement.
- Due Authorization. The borrower has authorized such primary dealer to execute and deliver the lending agreement on its behalf.
- Security Interest. The primary dealer has, or will have at the time of transfer of any ABS collateral to the custodian, the right to grant a security interest in such collateral.
- Subject to Regulation. The primary dealer: (i) maintains, and is in compliance in all material respects with, an anti-money laundering program compliant with the requirements of the USA PATRIOT Act; (ii) is regulated by a Federal functional regulator; (iii) has implemented, and is in compliance in all material respects with, a customer identification program compliant with the USA PATRIOT Act; and (iv) will annually certify to the FRBNY, as to each of its borrower, that it has implemented and will perform all aspects of (i) and (iii) above.
- Customer Agreement. The primary dealer has entered into a customer agreement with each applicable borrower.
- Accurate Information. All written information (other than offering materials) delivered by it is accurate and complete and that there has been no material change since such information was delivered.
- Eligibility of Borrower. That at the time any loan is made to a borrower, such borrower is an eligible borrower.
- Eligibility of Collateral. That at the time any loan is made to a borrower, all of the collateral securing such loan is eligible collateral.

In the case of the primary dealer's representations and warranties above concerning due authorization, security interest, accurate information (with respect to information obtained by such primary dealer from third parties), eligibility of borrower, and eligibility of collateral, a primary dealer will be liable only if such primary dealer failed to exercise reasonable care to confirm their accuracy.

The Securities and Exchange Commission has granted a limited exemption from the prohibition on arranging certain credit under Section 11(d)(1) of the Securities Exchange Act of 1934, as amended, to permit primary dealers to arrange TALF financing from the FRBNY on new issues for which they may be underwriters.[29]

Customer Agreement

In order to participate in the TALF, each eligible borrower is required to enter into a customer agreement with each primary dealer through which it expects to make borrowings from the FRBNY. Each customer agreement will be negotiated on an individual basis by the parties thereto and consequently the precise terms of the various customer agreements in place under the TALF will vary somewhat. Nonetheless, each customer agreement must include an authorization by the borrower for the primary dealer to, among other things, execute the MLSA as agent for the borrower and to perform all actions required on its behalf. Customer agreements are also expected to include, among other things, certain procedures for submitting borrowing proposals and certain rights of indemnity and set-off for the benefit of the primary dealer.

Origination and Closing Timeline

The following table summarizes the sequence of events contemplated for the origination of a TALF loan.

Important Dates	Requisite Procedures
Before Initial Participation in the TALF Program	An eligible borrower must have entered into a customer agreement with the primary dealer.
Prior to Loan Subscription Date	Each primary dealer will collect the following information from the potential eligible borrower: (i) the requested loan amounts; (ii) the CUSIP numbers of the relevant ABS to be pledged by the borrower to the FRBNY; (iii) the interest rate format corresponding to the pledged collateral (*i.e.*, fixed or floating); and (iv) copies of the applicable offering documents[30] of the ABS expected to be pledged (collectively, the "**Loan Information**").

[29] For further information, please refer to the Securities and Exchange Commission's letter to the FRBNY on this matter, which is available at http://www.sec.gov/divisions/marketreg/mr-noaction/2009/frbny021709.pdf.

[30] The offering documents may be preliminary, but the final offering documents must be provided to the custodian no later than four business days prior to the loan closing date.

On the Loan Subscription Date	Each primary dealer may submit to the FRBNY via secure email a request for loans on behalf of each borrower proposing to borrow loans on the next scheduled loan closing date. Each initial loan request shall be in the form specified by FRBNY from time to time and shall set forth the Loan Information required to be set forth therein in accordance with the TALF standing loan facility procedures, on an aggregate basis for all applicable borrowers. The FRBNY will then provide custodian with the information contained in each such initial loan request. In order to make an initial loan request, a primary dealer must have submitted to the custodian a copy of the letter of agreement pursuant to which it became a party to the MLSA. If the ABS issue expected to be pledged by the borrower closes on the same day as the TALF loan settlement date, the borrower must identify the new issue ABS delivering counterparty at the time of loan subscription. After the borrower's primary dealer receives the confirmation two days prior to the loan closing date, the primary dealer will generate and forward a trade confirmation to the borrower's delivering counterparty. On the loan closing date, the primary dealer will forward the margin to the custodian, and the delivering counterparty will deliver the ABS collateral to the custodian.
Not Later Than 5:00 p.m. Four Business Days Prior to Loan Closing Date	Each primary dealer that has submitted a loan request must submit to the custodian (i) a sales confirmation[31] and (ii) to the extent not previously submitted to the custodian the final prospectus and/or the final offering memorandum. The only time the FRBNY will allow the borrower to amend its loan request is if the borrower is not allocated its fully subscribed amount of a new ABS issue that it intended to pledge as collateral for its TALF loan. In such cases, the borrower, through its primary dealer, must inform the FRBNY and the custodian so that an appropriate adjustment may be made to the amount of the margin and the administrative fee.
Not Later Than 5:00 p.m. Three Business Days Prior to Loan Closing Date	The custodian shall deliver to the FRBNY a schedule showing, for each borrower and each requested loan, the eligible collateral that such borrower intends to deliver, which shall include: (i) the CUSIP number of the eligible collateral; (ii) a description thereof; (iii) the principal amount thereof; (iv) the haircut applicable thereto, and (v) the collateral value applicable thereto.
Not Later Than 5:00 p.m. Two Business Days Prior to Loan Closing Date	The FRBNY will instruct the custodian to deliver to each primary dealer that submitted a loan request with respect to such scheduled loan closing date a confirmation setting forth: (i) the amount of requested loans made available to each borrower; (ii) the interest rate; (iii) the CUSIP of the accepted collateral; and (iv) the administrative fee.

31 A sales confirmation in the form of a Rule 10b-10 confirmation is satisfactory for this purpose. Other written sales confirmations, including e-mail confirmations that contain the required pricing information and are customarily provided by many broker-dealers prior to mailing of a Rule 10b-10 confirmation, will also be acceptable.

On the Loan Closing Date	The borrower or its agent will deliver against payment the ABS collateral, the administrative fee and applicable haircut to the FRBNY's settlement account held with the custodian.

MLSA Amendment

The FRBNY, in its sole discretion, may amend the MLSA via notice to the primary dealer, the loan administrator and the custodian through the TALF website.[32] Any such amendment will not affect any borrower or any primary dealer with respect to any TALF loan outstanding prior to the effectiveness of such amendment.

[32] See http://www.newyorkfed.org/markets/talf.html.

ADDITIONAL INFORMATION

The Federal Reserve Board has indicated that the development of TALF will continue to be an iterative process involving continuous introduction and refinement of the program's features, informed by repeated consultation with securitization market participants. Updates to the TALF program will be made on an ongoing basis, resulting in the periodic release of additional information and documents relating to the TALF. Presently, the Federal Reserve Board intends to report additional information regarding the TALF on the H.4.1 weekly statistical release under the title: "Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks." Interested parties may sign up to receive email updates regarding changes to TALF documents at the following link: https://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_86.

Questions about the TALF may be addressed to the FRBNY's Public Affairs department at (212) 720-6130 or via email to TALF@newyorkfed.org. The website addresses of the Federal Reserve Board and the FRBNY are http://www.federalreserve.gov and http://www.newyorkfed.org, respectively.

Lastly, set forth below are links to relevant documents referenced in this memorandum:

Federal Reserve Board Press Releases

November 25, 2008	http://www.federalreserve.gov/newsevents/press/monetary/20081125a.htm
December 19, 2008	http://www.federalreserve.gov/newsevents/press/monetary/20081219b.htm
February 6, 2009	http://www.federalreserve.gov/newsevents/press/monetary/20090206a.htm
February 10, 2009	http://www.federalreserve.gov/newsevents/press/monetary/20090210b.htm
March 3, 2009	http://www.federalreserve.gov/newsevents/press/monetary/20090303a.htm
March 13, 2009	http://www.newyorkfed.org/newsevents/news/markets/2009/ma090313.html

TALF Operation Announcement

March 3, 2009	http://www.newyorkfed.org/markets/talf_operations.html

Terms and Conditions of TALF

http://www.newyorkfed.org/markets/talf_terms.html

Frequently Asked Questions about TALF

http://www.newyorkfed.org/markets/talf_faq.html

Financial Stability Plan Documents

http://www.ustreas.gov/press/releases/tg21.htm

http://www.financialstability.gov/docs/fact-sheet.pdf

http://www.ustreas.gov/press/releases/reports/talf_white_paper.pdf

Public-Private Investment Program Documents

http://www.ustreas.gov/press/releases/tg65.htm

http://www.treas.gov/press/releases/reports/ppip_whitepaper_032309.pdf

Please feel free to contact any of the following attorneys if you have questions about this memorandum.

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