

MEMORANDUM

To: Commission File No. S7-08-10

From: Rolaine S. Bancroft
Attorney-Advisor
Office of Rulemaking
Division of Corporation Finance
U.S. Securities and Exchange Commission

Date: September 7, 2010

Re: Proposing Release on Asset-Backed Securities (Release Nos. 33-9117; 34-61858)

On September 1, 2010, Paula Dubberly, Katherine Hsu, Rolaine Bancroft, and Jay Knight of the Division of Corporation Finance; Eric Emre Carr and Stanislava Nikolova of the Division of Risk, Strategy and Financial Innovation; and Wes Bricker of the Office of the Chief Accountant met with representatives of the American Securitization Forum. Among the topics discussed was the Commission's April 7, 2010 proposing release regarding asset-backed securities. Handouts are attached to this memorandum.

Attachment



**ASF Meeting with SEC Staff re Reg AB Proposals
ABCP Investors, Issuers and Financial Intermediaries
Wednesday, September 1, 2010
11 AM ET
ASF Member Attendees**

ABCP Conduit Sponsors

Sam Pilcer, Managing Director, Credit Agricole
Deborah Toennies, Managing Director, JP Morgan
Eric Wise, Managing Director, Royal Bank of Canada

ABCP Financial Intermediary

Stewart Cutler, Managing Director, Barclays

ABCP Investors

Alan Bembenek, Research Analyst, Fidelity Management and Research Company
Deborah Cunningham, CFA, Chief Investment Officer, Federated Investors Inc.
Mark Schnell, Director, Blackrock

ASF Staff

Tom Deutsch, Executive Director, American Securitization Forum

ASF Outside Counsel

James Croke, Partner, Orrick, Herrington and Sutcliffe LLP



**ASF Meeting with SEC Staff re Reg AB Proposals
ABCP Investors, Issuers and Financial Intermediaries
Wednesday, September 1, 2010
11 AM ET
Meeting Agenda**

I. OVERVIEW OF ABCP OFFERING PROCESS

- A. Initial Sale - Section 4(2)
- B. Resales - Rule 144A

II. OVERVIEW OF THE ABCP CONDUIT MARKET

- A. Overview of an ABCP conduit including key structural features
- B. Key differences between ABCP conduits and programs that experienced losses in 2007/2008?
- C. What role do ABCP conduits play in the broader economy?
- D. What risks are investors in ABCP conduits exposed to?
 - i. Primary risks
 - ii. Secondary risks

III. OVERVIEW OF INVESTOR CREDIT APPROVAL PROCESS FOR ABCP

IV. OVERVIEW OF CURRENT REPORTING PROVIDED FOR THESE PROGRAMS

- A. ABCP reporting and disclosure practices have been developed over a 30 year period in response to the unique characteristics of the product and demands of the applicable investors.
- B. Issuers will not be able to comply with the proposed detailed asset level disclosure for the assets funded.
- C. ABCP investors do not want detailed asset level disclosure.
 - i. Assets do not represent the primary investor risk in these programs

V. PROPOSED ENHANCEMENTS TO CURRENT REPORTING FRAMEWORK

- A. Standardization to allow for ease of comparability
- B. Minimum disclosure categories across all market programs



ASF Discussion of Regulation AB II Disclosure Proposals to ABCP Conduits

Release Nos. 33-9117; 34-61858 (File No. S7-08-10)

September 1, 2010

Executive Summary

- ▶ **The SEC proposed release Nos. 33-9117, 34-61858 on April 7, 2010 and in doing so sought to enhance the disclosure and information delivery requirements for asset-backed securities (“Reg AB II”)**
 - ▶ One of the stated goals of proposed Reg AB II is to require offerings of structured finance securities that rely on Rule 144A for secondary market liquidity to provide disclosure that is comparable to public market disclosure
 - ▶ The SEC appropriately contemplates tailoring disclosure and information delivery provisions of Reg AB for the distinct aspects of different asset classes and the nature of the securitization transactions
- ▶ **The ASF’s ABCP Conduit Sponsor Subforum, ASF ABCP Financial Intermediary Subforum and ASF ABCP Investor Subcommittee have responded to the SEC’s request for comment:**
 - ▶ Articulated its concerns that a large percentage of asset-backed commercial paper (“ABCP”) conduit issuance will be unable to comply with (due to reliance on Rule 144A for resale purpose) the requirements described in Reg AB II
 - ▶ Detailed discussion of the specific challenges that ABCP conduits face related to the 144A/Reg AB II
 - ▶ Described the distinct features of ABCP that has prompted a request to create appropriately different information and disclosure requirements for ABCP that relies on 144A for resale purposes (we are not requesting that ABCP be exempt from Reg AB II)
 - ▶ Coordinated with the investor community to develop mutually supported enhanced disclosure for ABCP
 - ▶ Provided a specific recommendation (including the required interaction with Rule 144A) for alternative information delivery requirements
 - ▶ Describe the economic benefits that ABCP conduits provide and the desire to preserve this important source of competitive financing for retail and wholesale assets (e.g. credit cards, trade receivables, auto loans, mortgages, etc.) while balancing a policy goal of improving disclosure

Executive Summary (continued)

- ▶ **The basis of our comments and recommendations are largely attributable to:**
 - ▶ **the distinctly different investor protections that are central to ABCP and the material flexibility afforded to investors when compared to term ABS**
 - ▶ Substantial amount of liquidity and credit facilities (generally in excess of 100% of the face amount of ABCP outstanding) provided to the ABCP conduits from highly rated financial institutions
 - ▶ Structural rigor and integrity of the ABCP conduits (ABCP repayment in the absence of a functioning commercial paper market is primarily the obligation of the banks that provide the substantial financial support)
 - ▶ Due to the short tenor of the ABCP (and the bank provided liquidity and credit enhancement facilities), investors can manage their ABCP exposure by simply not reinvesting or trading with the dealer community
 - ▶ Detailed monthly reporting
 - ▶ High credit quality of the underlying securitization transactions that are financed by the ABCP conduits
 - ▶ **the very positive performance of the ABCP market through the recent financial crisis resulting in no investor losses:**

Executive Summary (continued)

- ▶ **Working with the investor and legal community, we have provided a modified construct designed to work within Reg AB II that ensures a high level disclosure**
- ▶ **Reporting requirements of Rule 144A(d)(4)(iii) are relevant for ABS but are not consistent with the unique nature of ABCP program mechanics, program assets, ABCP investors' information requirements, and current market practice**
 - ▶ We propose an amendment to the delivery requirements in Rule 144A(d)(4)(iii) that would apply only to Conduit issuers of ABCP.
 - ▶ Delivery requirements for an ABCP Conduit would include
 - ▶ Offering memorandum
 - ▶ Program documentation (other than customer agreements)
 - ▶ Ongoing information relating to ABCP program and its underlying assets
 - ▶ Minimum data (Schedule I) incorporating standard definitions (Schedule II)
- ▶ **Notice requirements contemplated in proposed Rule 144A(f)(1) and Form 144A-SF do not work for ABCP programs**
 - ▶ We propose that 1) each issuer of ABCP under a program currently in existence file Form 144A-SF 15 days after the effectiveness of Rule 144a(A)(f)(1) and 2) each issuer of ABCP established AFTER the Rule 144a(A)(f)(1) file a Form 144A-SF within 15 days of the first sale of ABCP
 - ▶ We propose that ABCP issuer be exempt from providing the following information in its Form 144A-SF
 - ▶ Identity of the principal originators, servicers and collateral managers
 - ▶ Description of the specific underlying pools of assets and securities
- ▶ **We propose that conforming changes should be included in proposed amendments to Regulation D**

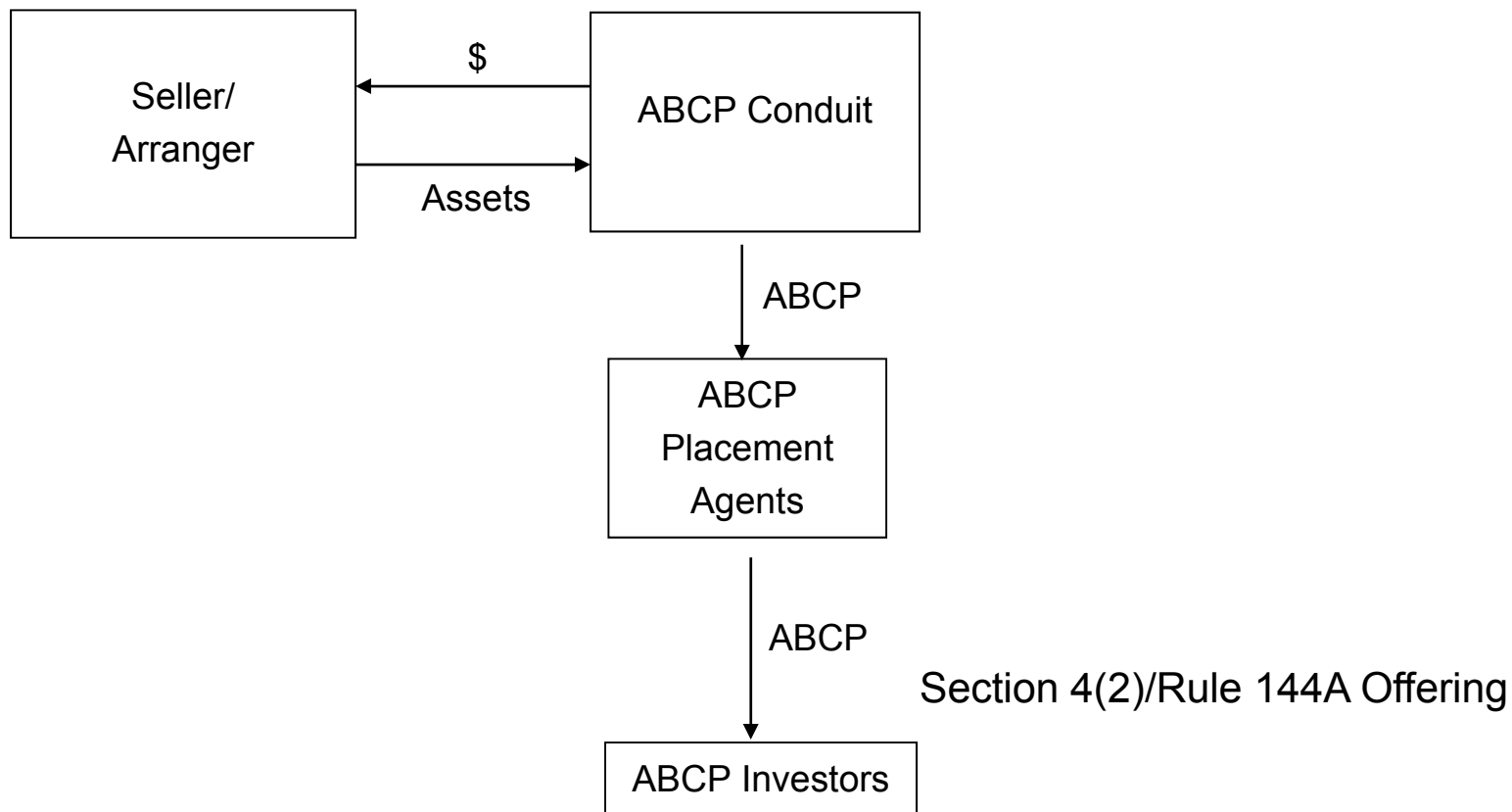
ABCP and Reg AB II

- ▶ AB II is designed for self-amortizing ABS Bonds typically backed by a single pool of assets
 - ▶ ABS Bonds typically are only issued once and amortize in accordance with asset cashflows
- ▶ ABCP is a continuously reissued product backed by numerous pools of assets
 - ▶ ABCP's maturity is not scheduled to coincide with asset repayment schedules
 - ▶ The composition of asset pools within an ABCP conduit are continuously changing as transactions mature, are refinanced or funded in different markets or by different entities
- ▶ If not reissued, ABCP repayment is from the support provider, typically a highly rated bank
 - ▶ The support provider steps into the "shoes" of the ABCP investor and is then repaid over the long term by the asset cash flows from the pool(s) of assets (the ABCP conduit draws on the committed liquidity facility and the draw proceeds are used to pay the maturing ABCP)
- ▶ Ratings and investor analyses for buy decisions are more heavily skewed to the credit profile of the support providers and legal document review rather than asset characteristics
 - ▶ This is in contrast to ABS Bond offerings where the primary (and often times the exclusive) source of repayment is the asset cash pool flows

ABCP Offering Process and Reg AB II

- ▶ ABCP is sold to investors pursuant to Section 4(2)/Rule 144A
- ▶ Virtually all programs provide for re-sales in reliance on Rule 144A
 - ▶ Dealers purchase new issue on a temporary basis to facilitate liquidity
 - ▶ ABCP investors rely on the ability to sell ABCP pursuant to 144A
 - ▶ Supports conclusion that ABCP is a liquid security for Rule 2a-7 purposes
 - ▶ Allows 2a-7 funds to sell ABCP to QIBs – enhances liquidity of funds and permits them to rebalance or adjust their portfolios to meet Rule 2a-7 requirements
- ▶ Federal Reserve provides exemption from Reg T to dealers purchasing ABCP provided ABCP is resold in reliance on Rule 144A
 - ▶ Absence of Rule 144A would substantially limit ABCP dealers' ability to provide continuous market liquidity to issuers and investors

ABCP Section 4(2)/Rule 144A Offering



The Basics of Asset-Backed Commercial Paper

- ▶ What are Asset-Backed Commercial Paper (“ABCP”) Programs?
 - ▶ ABCP programs are financing vehicles that fund a pool of assets with the benefit of liquidity and credit enhancement support (generally in an amount that exceeds the face amount of ABCP outstanding) allowing for the issuance of short-tenor asset backed commercial paper

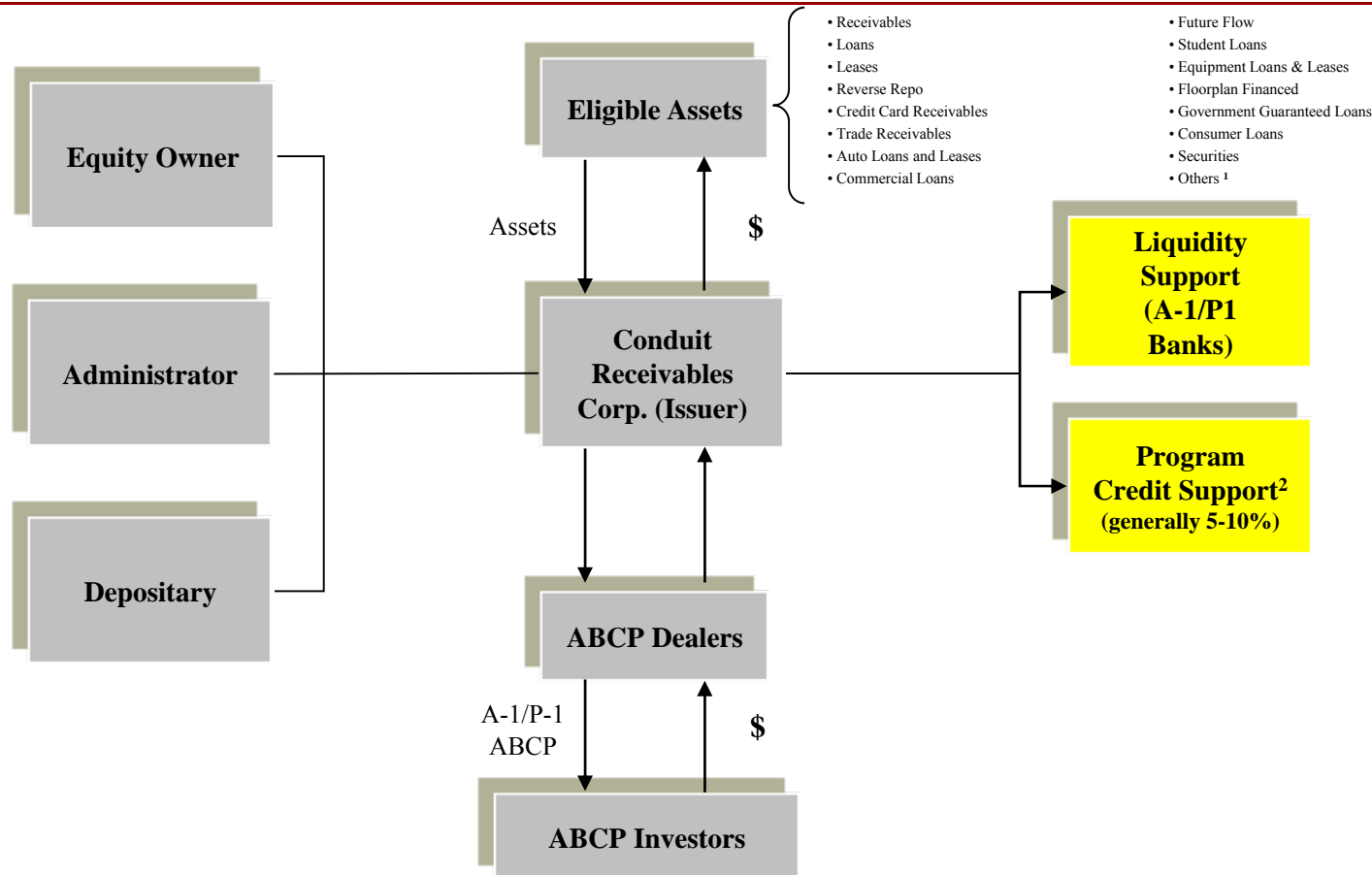
- ▶ Who Sets Up ABCP Programs?
 - ▶ ABCP programs are established by commercial banks, finance companies, industrial companies and retail companies

- ▶ How Big Is the ABCP Market?
 - ▶ ABCP market outstandings approximate \$400B
 - ▶ In excess of 100 active issuing programs
 - ▶ ABCP programs with 100% liquidity support represent approximately 98% of current market outstandings

How Do ABCP Programs Differ from One Another?

- ▶ **Single-seller and Multi-seller Programs**
 - ▶ Single-Seller conduits finance the assets of only one seller; they are established by finance, industrial, retail companies and some commercial banks
 - ▶ Multi-Seller conduits finance the assets of multiple sellers; they are primarily sponsored by commercial banks
- ▶ **Assets Financed**
 - ▶ Customer receivables, loans and securities
- ▶ **Types of Financial Support**
 - ▶ *Fully credit supported programs*: backed by committed 100% liquidity facilities that cover 100% of the commercial paper notes outstanding regardless of the quality of underlying assets
 - ▶ *Partially credit supported programs*: backed by committed 100% liquidity facilities that fund advances or asset purchases equal to a defined percentage of non-defaulted receivables and program credit enhancement typically equal to at least 5-10% of outstanding commercial paper

ABCP Program Structure with 100% Committed Liquidity Support



¹ Aircraft and Engine Leases, Bonds (Corporate/Municipal), Commercial Leases, Film Receivables, Franchise Loans, Home Equity Loans, Insurance Premiums, Leverage Fund, Mortgage Loans, Structured Settlements, Synthetic Leases, Timeshare Receivables, Other as defined by Moody's

² Fully credit supported programs do not require program credit support

How Are ABCP Programs Structured?

- ▶ Entity establishes a special-purpose, bankruptcy-remote vehicle ("SPV") to purchase assets. The SPV, called an ABCP conduit, issues short-term debt and uses proceeds to invest in assets
- ▶ Each transaction funded benefits from a layer of credit enhancement (generally provided by the asset seller – this layer of credit enhancement is generally referred to as transaction specific credit enhancement) which typically is sufficient to enhance the asset pool to the "AAA/AA/A" equivalent level
- ▶ Liquidity support is provided by a highly rated financial institution to bridge the gap between the asset cashflows and the short tenor liabilities via 364-day (typically) committed bank provided liquidity facility
 - ▶ Tenor of ABCP Notes is independent of maturity or amortization of assets financed
- ▶ A program-wide credit enhancement facility provided by a highly rated financial institution is also generally available to bridge the gap between amounts funded via the liquidity facility and the outstanding amount of ABCP (note: fully credit supported ABCP programs do not require an additional level of program-wide credit enhancement)

Key Differences: ABCP Conduits and Other Short Term Structures

- ▶ 100% committed liquidity facility support for ABCP Conduits
- ▶ No market value triggers or repayment dependencies for ABCP Conduits
- ▶ Primarily fund individually negotiated transactions for a wide variety of securitizable asset classes (e.g. credit cards, auto loans, trade receivables, consumer loans etc.)
- ▶ Ability to change a majority of the underlying structures financed over time (as the committed liquidity facilities come up for renewal, the terms of a transaction may be enhanced to provide greater credit protection)
- ▶ ABCP Conduits with 100% committed liquidity support did not result in losses to investors

Note: See Exhibit I for a more detailed comparison of structural features of ABCP Conduits and Other Short Term Structures (SIV, CDO, etc)

Customer Conduit Market by Asset Type

Asset Type	Commitment	Outstandings
Trade Receivables	86.6	45.4
Auto Loans	57.5	39.6
Commercial Loans	44.9	35.0
Credit Card Receivables	39.9	25.6
Student Loans	24.3	19.0
Residential Mortgage Loans	20.5	14.6
Auto Leases	17.2	11.0
Other	13.9	13.5
Floorplan Financed	11.9	5.5
Equipment Leases	9.6	7.6
Government Guaranteed Loans	8.0	7.9
Equipment Loans	7.1	5.2
Consumer Loans	5.9	5.4
Future Flow	3.2	3.3
Commercial Mortgage Loans	2.4	2.3
Insurance Premiums	2.3	1.7
Mortgage Loans	1.7	1.6
Franchise Loans	1.7	1.5
Leverage Fund	1.6	1.1
Aircraft and Engine Leases	0.9	0.4
Timeshare Receivables	0.8	0.5
Bonds (Corporate/Municipal)	0.6	0.6
Film Receivables	0.5	0.3
Commercial Leases	0.3	0.2
Structured Settlements	0.2	0.2
Credit Cards	0.1	0.1
Home Equity Loans	0.1	0.1
Synthetic Leases	0.1	0.1
Total	363.6	249.2

Source: Moody's ABCP Query as of May 31, 2010; Represents Hybrids and Multisellers less CDOs and Securities

- Compliance with the proposed Reg AB II requirements would be virtually impossible given the breadth and diversity of ABCP program asset types

Customer Conduit Market by Industry

Industry	Commitments	Outstandings
Automotive Finance	80.6	51.8
Consumer Finance	69.0	49.8
Commercial Finance	56.3	43.3
Mortgage Finance	24.3	18.1
Oil, Gas, and Energy	12.6	7.0
Finance	12.5	10.8
Equipment Financing	12.3	9.4
Other	8.8	6.6
Aerospace & Defense	7.2	6.9
Manufacturing	7.0	3.0
Electronics	6.6	3.0
Mining and Metals	6.5	4.4
Automobile	6.2	4.4
Telecommunications	5.4	4.3
Chemicals, Plastics, and Rubber	5.1	3.0
Healthcare, Education, and Childcare	4.9	1.1
Utilities	4.6	3.3
Communications	3.5	1.9
Cargo Transport	3.2	1.5
Farming and Agriculture	3.1	1.7
Buildings & Construction	2.9	2.1
Retail Stores	2.8	1.6
Distribution	2.6	0.9
Beverage, Food, and Tobacco	2.6	1.2
Insurance	2.3	1.8
Banking	1.9	1.0
Paper Products and Lumber	1.8	0.9
Leisure and Entertainment	1.4	1.0
Containers, Packaging, and Glass	1.1	0.7
Printing, Publishing & Broadcasting	0.9	0.6
Home and Office Furnishings	0.8	0.3
Machinery	0.7	0.5
Personal, Food and Misc. Services	0.7	0.5
Hotels, Motels, Inns, and Gaming	0.5	0.3
Personal Transportation	0.3	0.1
Personal & Nondurable Consumer Products	0.2	0.1
Buildings & Real Estate	0.2	0.1
Textiles & Leather	0.2	0.1
Total	363.6	249.2

Source: Moody's ABCP Query as of May 31, 2010; Represents Hybrids and Multisellers less CDOs and Securities

How Do ABCP Investors Get Repaid?

- ▶ **ABCP Re-issuance**
 - ▶ New issue to investors or to ABCP dealer

- ▶ **Liquidity Facility Draw**
 - ▶ Fully credit enhanced programs => full repayment (dependent on the financial strength of the liquidity facility provider)
 - ▶ Partially credit enhanced programs => dependent primarily on the financial strength of the liquidity facility provider and on the asset quality (similar to a “borrowing base” in a loan facility) on a tertiary basis

- ▶ **Program Credit Enhancement Draw**
 - ▶ Any shortfall (up to the size of the Program Credit Support) of liquidity draw vs. outstanding ABCP (primarily dependent on the financial strength of the credit enhancement provider)

- ▶ **Asset Cashflows**

Summary of Investor Risks in an ABCP Program with 100% Committed Liquidity

- ▶ Maturing ABCP will not be successfully reissued
- ▶ Liquidity Draw will be insufficient to repay maturing ABCP
 - ▶ Partially credit supported programs only
- ▶ Liquidity bank is unable to honor its committed liquidity obligations
- ▶ Program-wide credit enhancement will be inadequate to fully cover liquidity shortfall
 - ▶ Partially credit supported programs only
- ▶ Program-wide credit enhancement provider is unable to honor its committed program credit enhancement obligations
- ▶ Asset Cash-flows are insufficient to support ABCP funded (and liquidity and credit support providers fail to fund in an amount sufficient to pay maturing ABCP)
- ▶ Bankruptcy of the conduit

Summary Comparison of ABCP and ABS Structures

	ABCP	Typical Term ABS
Tenor of Assets Funded	Varies short term to 30 yrs	Same
Tenor of Liabilities	270/365 days or less	Tied to asset cashflows
Liquidity	100% liquidity support for all liabilities issued	May include small amount of liquidity if senior tranche funded in short term markets, otherwise none
Primary Source of Repayment	Refinancing of Liabilities Liquidity Facility Program-wide Credit Enhancement	Asset Cashflows Credit Enhancement
Secondary Source of Repayment	Asset Cashflows Deal Specific Credit Enhancement	None
Ability to strengthen structure in assets	Yes for Customer Transactions which represent a majority of the assets financed	Typically No ¹

¹ At times, issuer in master trusts have added additional assets to revolving ABS term deals

ABCP Investor Due Diligence Focus

- ▶ Program administrator credit assessment
- ▶ Legal structure of conduit
- ▶ Structural support mechanisms
 - ▶ Liquidity – equal to at least 100% of outstanding ABCP
 - ▶ Program wide credit enhancement – typically 5-10% of outstanding ABCP
 - ▶ Credit quality of support providers
- ▶ Offering memorandum and legal document review
- ▶ Extensive dialogue/interaction with program administrator – initial and ongoing credit due diligence
- ▶ Analysis of underlying conduit assets
 - ▶ Asset type
 - ▶ Diversification
 - ▶ Asset quality, performance, asset level credit support
- ▶ Ongoing due diligence of approved names
 - ▶ Monthly report disclosure
 - ▶ Interaction with program administrators
 - ▶ Updated offering memoranda, evaluation of program changes
 - ▶ Legal document update review

Current ABCP Reporting

- ▶ Monthly reports provided to ABCP investors typically include:
 - ▶ Program purchase limits
 - ▶ Aggregate amount of ABCP outstanding
 - ▶ Aggregate amount of commitments
 - ▶ Number of asset pools (transactions)
 - ▶ Breakdown of assets financed by:
 - ▶ Asset Type
 - ▶ Industry
 - ▶ External originator/servicer ratings
 - ▶ Purchase limits
 - ▶ Type and amount of program-wide credit enhancement
 - ▶ Default statistics
 - ▶ Draws of specific liquidity facilities
 - ▶ The occurrence of transaction specific amortization events or events of default
 - ▶ Program wide events of default
 - ▶ Draws on program wide credit enhancement

Why Can't ABCP Issuers Comply with Reg AB II Requirements?

- ▶ Continuous (daily) issuance structure of liabilities would require daily updating of information
- ▶ The ABCP conduit administrator do not originate the underlying assets, and therefore do not have adequate detailed asset level information
- ▶ Not a static pool of assets
 - ▶ Transactions are added, mature and/or are refinanced on an ongoing basis
- ▶ Individual transaction structures often revolve
 - ▶ New assets are added and/or removed continually throughout the life of the conduit
 - ▶ Individual transaction structures are typically revolving with new receivables added to replace repaid receivables

Data points to be reported by ABCP conduits

- ▶ Program information
 - ▶ Program Size – Maximum Authorized
 - ▶ Program Establishment Date
 - ▶ Program Size – Total Commitments
 - ▶ Program Size – Issued ABCP
 - ▶ Program Ratings
 - ▶ Program Dealers
 - ▶ Liquidity Providers – Total \$ and by Percent of program; Ratings of Providers
 - ▶ Program Credit Enhancement - form and required \$ amount, \$ amount available, and % of issued and Total Commitments
 - ▶ Program Credit Enhancement Provider(s) – By \$ and % of issued ABCP; Ratings of Provider(s)
 - ▶ Number of Transactions/Assets
 - ▶ Section 2a-7 Disclosure
 - ▶ Five Largest Transactions by Purchase Limit (Identify Transaction #, Asset Type and Purchase Limit)

Data points to be reported by ABCP conduits (continued)

- ▶ Program Compliance Events (yes or no)
 - ▶ Bankruptcy of Conduit
 - ▶ Program Event of Default and Status
 - ▶ Program Credit Enhancement Draws
 - ▶ Liquidity Draws (if program-wide liquidity)
 - ▶ Committed Liquidity plus Permitted Investments greater than or equal to issued ABCP
 - ▶ Committed Credit Enhancement greater than or equal to Program requirement
- ▶ Aggregate Asset Composition Charts
 - ▶ Asset Type - \$/% Commitment/ and \$/% Outstandings (Assets or ABCP)
 - ▶ Industry of Servicer (based on SIC codes)
 - ▶ External Seller/Servicer Rating(s)
 - ▶ External Asset Pool Rating(s)
 - ▶ Currency - % Assets

Data points to be reported by ABCP conduits (continued)

- ▶ Transaction-specific Asset Data/Performance – line items by transaction (if available/applicable)
 - ▶ Asset type (based on standardized Asset Definitions in Schedule II)
 - ▶ Closing Date
 - ▶ External Rating(s) of Deal (if any)
 - ▶ Industry (based on SIC codes)
 - ▶ External Rating(s) of Seller/Service (if any)
 - ▶ Purchase Limit
 - ▶ Funded Amount
 - ▶ Revolving/Amortizing
 - ▶ Measure of Collections (applicable metric and method of measurement, *e.g.*, payment rate, days sales outstanding, turnover rate, other)
 - ▶ Aggregate Outstanding Eligible Receivables/Asset Balance
 - ▶ Number of Obligors/Accounts
 - ▶ Form of Credit Enhancement (if multiple Credit Enhancements, specify breakdown)
 - ▶ Available Credit Enhancement Amount (as % of Receivables/Asset Balance)

Data points to be reported by ABCP conduits (continued)

- ▶ Current Month Default Ratio (with basis of presentation)
 - ▶ 12-Month Average Default Ratio (with basis of presentation)
 - ▶ Current Month Defaults Relative to Credit Enhancement
 - ▶ Description of Liquidity (including External Ratings of Providers, Fully - or Partially-Supported)
 - ▶ Current Default/Early Amortization relating to payment, asset performance or bankruptcy (yes or no and Identify) and Status (waived, plan for resolution, wind-down)
 - ▶ CUSIPs, if applicable, and whether publicly-issued or 144A Securities and Asset type
- ▶ **Period Program Activity**
- ▶ Asset Additions (types and \$ amounts), Exiting Assets (types and \$ amounts) and Reason (refinanced, liquidated, maturity, liquidity draw), Commitment Reductions and Increases

Notes: Each report including the data points above provided by an ABCP conduit to its investors will (i) provide information as of a period-end date no earlier than two (2) calendar months before the month in which the report is delivered and (ii) will specify contact information (name, phone number, e-mail address) for the ABCP conduit.

Asset Definitions

- ▶ **Aircraft and Engine Leases** – Leases of airplanes or equipment pertaining to the aircraft industry
- ▶ **Agricultural Loans/Leases** – Loans and leases of agricultural equipment, usually to farmers
- ▶ **Auto Leases** – Consumer auto-related leases
- ▶ **Auto Loans (Prime)** – Prime consumer auto-related loans
- ▶ **Auto Loans (Sub-Prime)** – Sub-prime consumer auto-related loans
- ▶ **Capital Commitments** – Loans to investment funds in advance of funded capital calls
- ▶ **CBO & CLO** – Receivables from collateralized bond obligations or collateralized loan obligations
- ▶ **Closed-End Mutual Fund Financings** – Loans made by SEC-registered mutual funds to customers
- ▶ **Commercial Auto Fleet Leases/Loans** – Leases and loans of automobiles to commercial companies under fleet management arrangements
- ▶ **Commercial Loans** – Loans made to businesses
- ▶ **Commercial Mortgage Loans** – Mortgage loans on commercial properties
- ▶ **Consumer Loans** – Loans made to consumers
- ▶ **Credit Cards (Prime)** – Receivables generated by prime consumer or business credit card accounts
- ▶ **Credit Cards (Private Label)** – Receivables generated by consumer or business private-label credit card accounts
- ▶ **Credit Cards (Sub-Prime)** – Receivables generated by sub-prime consumer or business credit card accounts
- ▶ **Equipment Leases** – Leases of equipment, usually to businesses
- ▶ **Equipment Loans** – Loans of equipment, usually to businesses
- ▶ **Floorplan (Auto)** – Loans made to dealers for the purpose of financing automobile inventory
- ▶ **Floorplan (Equipment)** – Loans made to dealers for the purpose of financing equipment inventory
- ▶ **Floorplan (Other)** – Loans made to dealers for the purpose of financing inventory (other than auto or equipment)
- ▶ **Franchise Loans** – Loans made to owners of franchise businesses
- ▶ **Future Flow** – Amounts owing from the future sale of goods or services (including film, whole business, diversified payment rights, tobacco)
- ▶ **Government Agency-Backed Financings** – Financings backed by Agency bonds
- ▶ **Government-Guaranteed Loans** – Loans backed by the obligor's government
- ▶ **Home Equity Loans** – Loans taken by consumers against the value of their home

Asset Definitions (continued)

- ▶ **Insurance Premium Finance** – Financings secured by premiums owed by insured parties to insurance companies
- ▶ **Rental Fleet** – Leases or loans on vehicle fleets rented to consumers or businesses
- ▶ **Residential Mortgage Lines** – Warehoused consumer mortgage loans
- ▶ **Residential Mortgage Loans – First Lien Alt-A** consumer mortgage loans
- ▶ **Residential Mortgage Loans – First Lien Prime** consumer mortgage loans
- ▶ **Residential Mortgage Loan – First Lien Sub-Prime** consumer mortgage loans
- ▶ **Residential Mortgage Loans – Second Lien** consumer mortgage loans and HELOC (Home Equity Lines of Credit)
- ▶ **Servicer Advances** – Loans backed by super-priority advances to RMBS or equipment trusts
- ▶ **Structured Settlements** – Monetization of insurance settlements
- ▶ **Student Loans (FFELP)** – Government-Guaranteed Loans made to post-secondary students
- ▶ **Student Loans (Private)** – Student Loans made to post-secondary students, no government guarantee
- ▶ **Timeshare Receivables** – Loans made for the purchase of a residential property timeshare
- ▶ **Trade Receivables** – Amounts owing from the sale of goods or services
- ▶ **Vendor Financings** – Equipment leases and loans with recourse to vendors of equipment

Exhibit 1: Summary Comparison of Structures

	ABCP Conduit w/ 100% Liquidity	Cashflow ABS CDO	SIV	SIV-lite	Market Value Extendible Conduit
Individually Negotiated Customer Transactions/Publicly Traded Securities	Primarily Individually Negotiated Customer Transactions and Some Publicly Traded Securities	Publicly Traded Securities	Publicly Traded Securities	Publicly Traded Securities	Mortgages and Publicly Traded Securities
Primary Business Purpose	Customer Financing and Arbitrage	Arbitrage	Arbitrage	Arbitrage	Warehouse Financing and Arbitrage
Ability to Strengthen Structure in Underlying Transactions	Yes for Customer Financing and no for Arbitrage	No	No	No	No
Market Value Triggers Forcing Liquidation	No	No	Yes	Yes	Yes
Full Committed Liquidity	Yes	Yes	No	No	MVS for some programs None for securities backed
Seniority of Underlying Transactions	Typically senior	High Grade and Mezzanine ABS	Typically senior ABS and mezzanine bank paper	Typically senior RMBS	Typically senior
Diversified Underlying Asset Base	Yes	No – almost entirely mortgage	Typically yes - also significant (approx. 20% concentration in mezzanine bank paper)	No – almost entirely mortgage	No – almost entirely mortgage
Business Model	Ongoing Business	Wind down	Wind down	Wind down	Wind down
Performance During Recent Market Crisis	Strong	Poor due to asset performance	Poor performance due to RMBS, CDO and monoline issues as well as MTM triggers forcing liquidations and liquidity issues	Poor due to asset performance, MTM triggers forcing liquidations and liquidity issues	Poor due to asset performance, MTM triggers forcing liquidations and liquidity issues
Investor Losses	No	No - CP Investor Losses (with liquidity support) Yes – Term Investor Losses	Yes – Both CP and Capital Note Holders Losses	Yes – Both CP and Capital Note Holder Losses	Yes – CP Investors in the programs backed by publicly traded securities (No MVS) losses