"Domino effect" on non-2a7 money: **The SEC Benchmark**

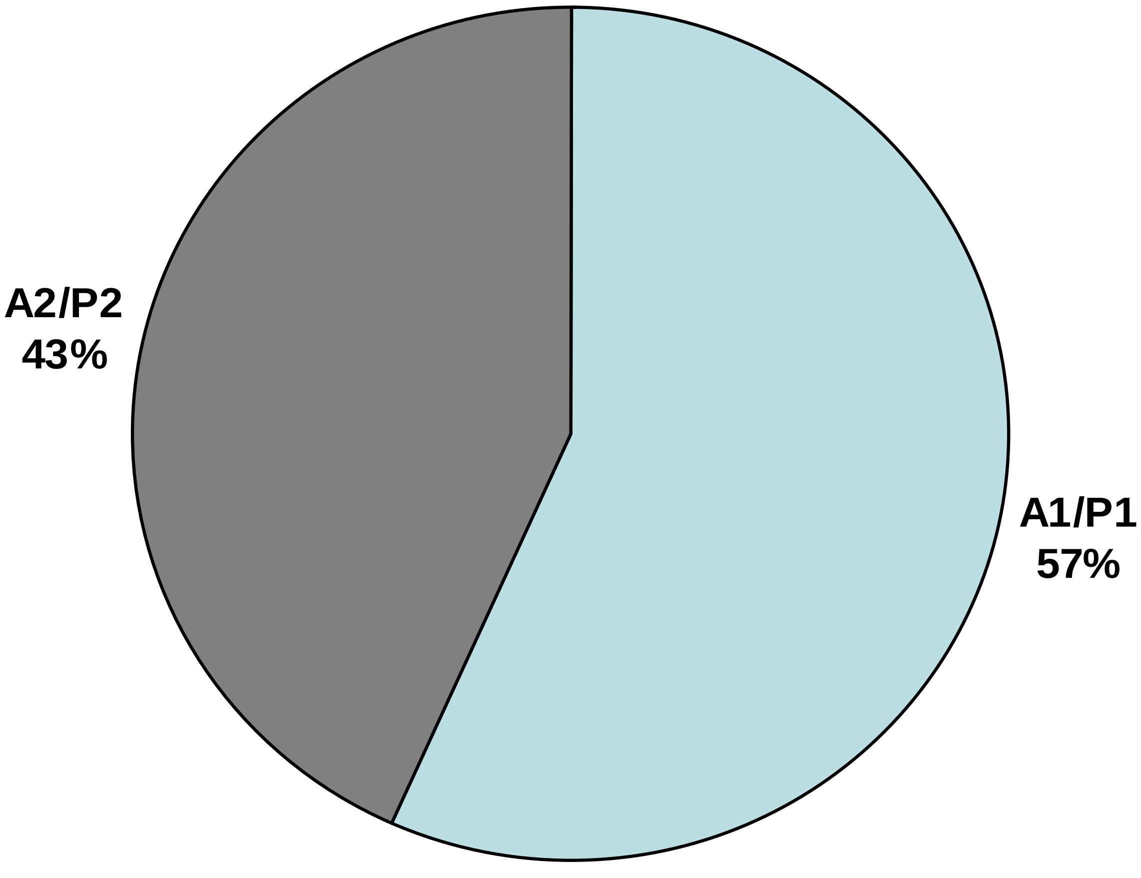
- Many cash managers for insurance companies, corporations, municipalities, high net worth individuals, and other investors use Rule 2a-7 as a guideline for investment practices.

- Managers of non-2a-7 assets may use the Proposed Prohibition as a benchmark for best practices and further limit or eliminate their holdings of A2/P2 Securities.

- This could result in a domino effect that could quickly constrict the market for A2/P2 Securities.

CENTER FOR CAPITAL MARKETS COMPETITIVENESS

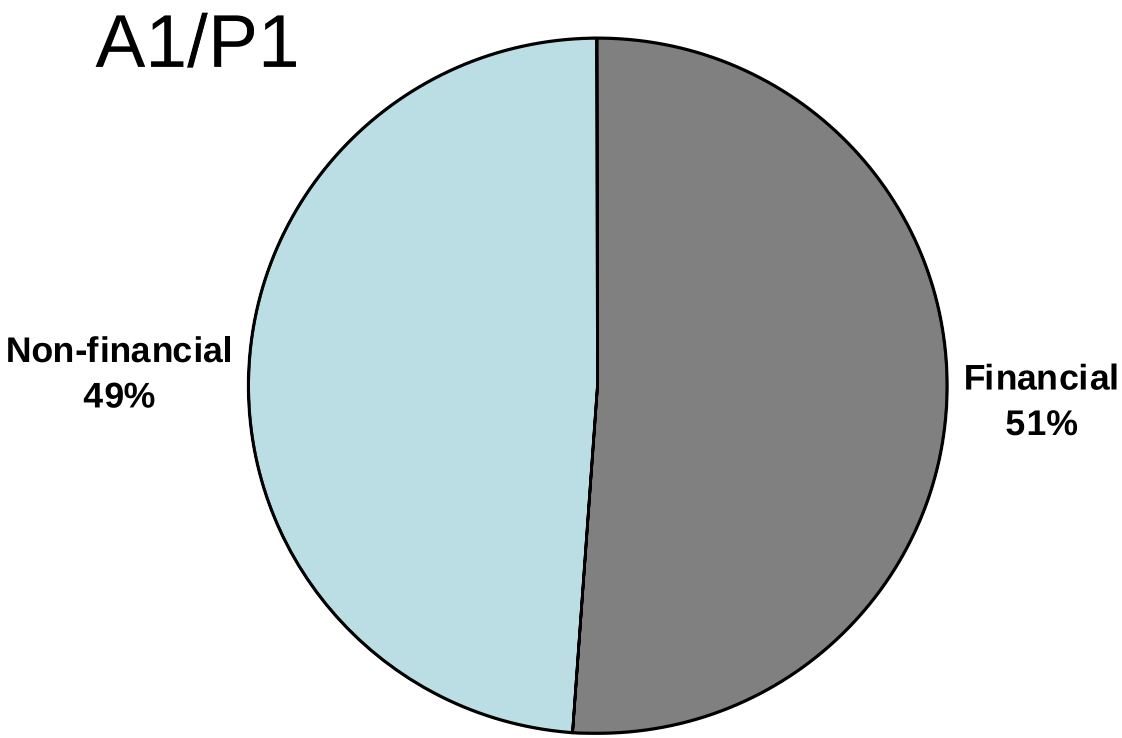
Reduced Ability to Diversify 2a-7 Portfolios: **The proposed prohibition would cut the pool of potential issuers by 43%**

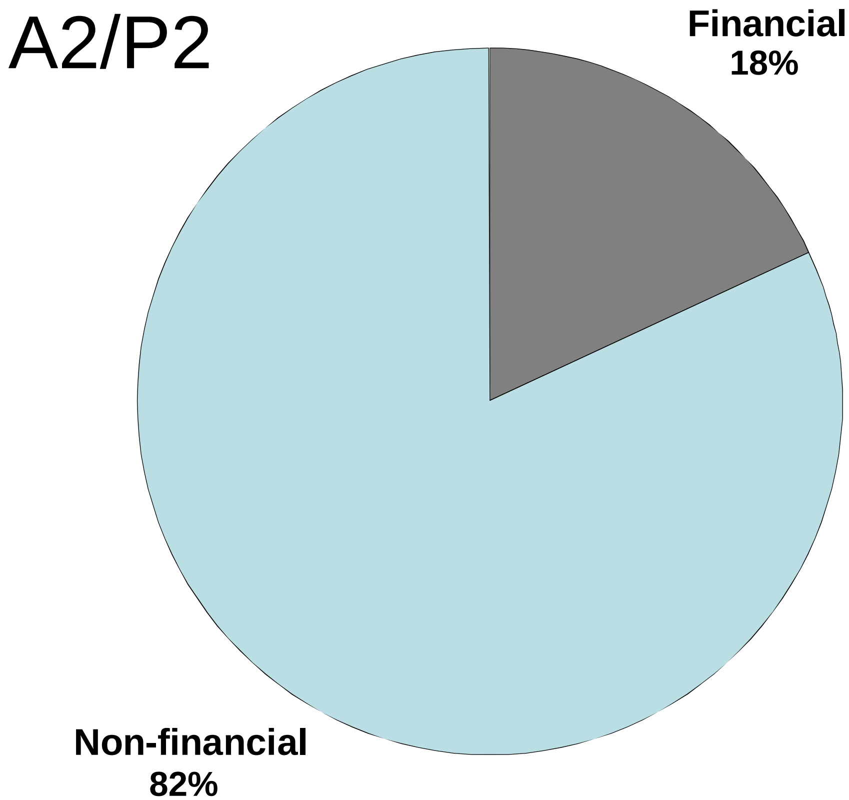


Data reported at end of Q2 FYE 2009

Center for Capital Markets Competitiveness

Reduced Ability to Diversify 2a-7 Portfolios:
A1/P1 vs. A2/P2 - Financials v. Non-Financials





Data reported at end of Q2 FYE 2009

"Domino effect" on non-2a7 money: **Analyst Coverage**

- Many firms manage both 2a-7 and non-2a-7 money for cash management vehicles.
- When they can invest in A2/P2 Securities, there are efficiencies that can justify the cost of credit analysts covering A2/P2 Securities as the paper could be held by both the 2a-7 and non-2a-7 accounts.
- Prohibiting the ability of investment companies to invest 2a-7 money in A2/P2 Securities could reduce these efficiencies and force firms to restrict analyst coverage and all of their investments to A1/P1 Securities.

Impact on capital formation:
Decreased Flexibility and Increased Costs

- Greater flexibility in financing through 2a-7 investment vs. bank loans
- The recent economic downturn has severely limited the ability of banks to make these types of loans
- The increased cost of capital could negatively affect investors in these companies and consumers in these industries

Negative Impact on Bank Lending

The Proposed Prohibition could drive A2/P2 Issuers to draw down their credit facilities which would negatively impact the ability of banks to lend to other parts of the economy.

Joint Signatories: *September 3 Letter* Urging SEC to Preserve Ability of Money Market Funds to Invest in A2/P2 Securities*

- Aetna, Inc.
- Alcoa
- Avon
- Clorox Corp.
- Comcast
- Consolidated Edison
- CVS/Caremark
- Devon Energy Corporation
- Dominion Resources
- Duke Energy
- FMC Corporation
- U.S. Chamber of Commerce Center for Capital Markets Competitiveness
- National Association of Corporate Treasurers
- Financial Executives International
- Association for Financial Professionals
- Manufactured Housing Institute
- Hubbell Inc.
- Marriott International
- Nissan Motor Acceptance Corporation
- Pacific Gas and Electric
- Safeway Inc.
- The Service Master Co.
- The Walt Disney Company
- Time Warner
- Time Warner Cable
- XTO Energy

Joint Letter resubmitted on September 23 with additional signatures