MEMORANDUM

TO: File No. S7-14-11

FROM: David Beaning
Special Counsel
Office of Structured Finance
Division of Corporation Finance
U.S. Securities and Exchange Commission

RE: Conference Call with Representatives of Ashurst, Citigroup, Deutsche Bank, Societe General and Wells Fargo

DATE: July 20, 2012

On July 18, 2012, David Beaning, Steven Gendron and Raquel Fox from the Division of Corporation Finance (SEC), Jack Frishberg and Kathleen Russo from the Federal Deposit Insurance Corporation (FDIC) and Ben McDonough and Eric Parsons from the Federal Reserve Board had a conference call with the following representatives of the Ashurst, Citigroup, Deutsche Bank, Societe General and Wells Fargo:

- Margaret Sheehan, Ashurst
- Joyce Gorman, Ashurst
- Eugene Kwon, Citigroup
- Peter W. O'Connor, Citigroup
- Sarah A. Sullivan, Citigroup
- John D. Heppolette, Citigroup
- Dennis Tupper, Deutsche Bank
- Svetlana Segal, Deutsche Bank
- Kathleen Yohe, Deutsche Bank
- Le Chen, Societe Generale
- Temi Ofuya, Societe Generale
- Arthur Evans, Wells Fargo
- Stephen Hofmann, Wells Fargo
- Susan Monroe, Wells Fargo

The conference call participants discussed topics relating to the Commission’s March 30, 2011 proposals regarding credit risk retention and the comment letter submitted by Ashurst with respect to that proposal and a presentation attached hereto prepared by Citigroup.

Municipal Bond Funding

July 2012

Banks own over $300bn of Municipal Securities*

Banks choose to fund approximately $45bn of these Municipal Securities via TOBs in order to create high quality product for 2a7 Tax-Exempt Money Market Funds. Furthermore Banks fund $35bn of Customer Municipal Security positions via the TOB structure to facilitate two sets of client requests.

TOBs are a financing vehicle, not a credit vehicle:

- Municipal Bonds are originated by US Public Sector Entities without regard to the availability of TOB financing, i.e., there is no “originate-to-distribute” via TOB business model
- TOBs are transparent for investors – i.e., the holders of the two classes of receipts have access to the same information about the underlying municipal obligor whose bonds are in the TOB.
- Based upon our understanding to date of the US Agencies implementation of Basel III, there should be no regulatory capital difference, or leverage ratio difference for a Bank based on whether the Municipal Bonds are funded with TOBs, Repo, deposits, commercial paper, long-term debt or equity.

US Chartered Bank* asset composition:

CATEGORY	2012Q1	% Total
Cash & Reserves at Fed	866	7%
Treasury Securities	188	2%
Agency & GSE Securities	1,699	15%
Municipal Securities	**307**	**3%**
Corporate & Foreign Bonds	532	5%
Bank Loans	1,598	14%
Mortgages	3,984	34%
Consumer Credit	1,154	10%
Security Credit	191	2%
Other	1,133	10%
Total Financial Assets	**11,652**	**100%**

Tax-Exempt 2a7 Money Market Funds:

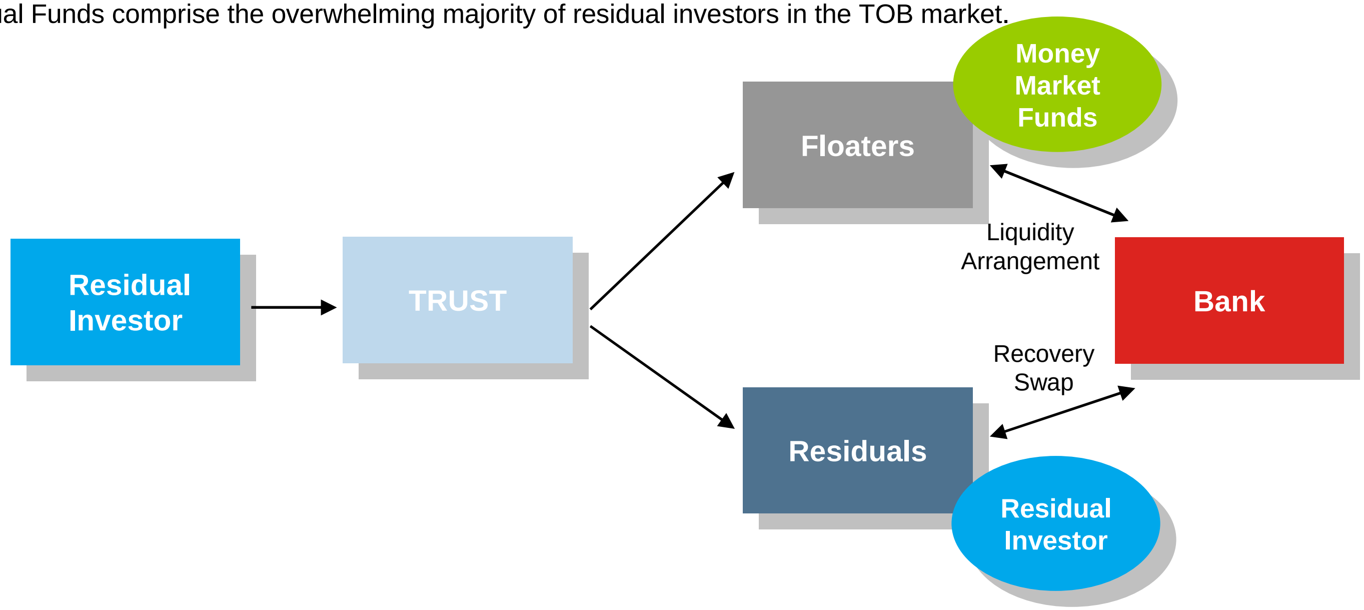
2a7 MMF LENDERS (Tax-Exempt)	Amount	Percent
TOTAL of ALL T/E 2a7 MMF	**287,000**	**100.0%**
Fidelity Management and Resear	62,000	21.6%
The Vanguard Group, Inc	30,000	10.5%
Charles Schwab Investment Mar	28,000	9.8%
Federated Investment Managem	26,000	9.1%
JPMorgan Investment Managem	25,000	8.7%
Morgan Stanley	16,000	5.6%
Blackrock	15,000	5.2%
Northern Trust Investments, NA	13,000	4.5%
Wells Fargo Funds Management,	12,000	4.2%
Bank of America	10,000	3.5%
Legg Mason Partners Fund Advi	5,000	1.7%
The Dreyfus Corporation	8,000	2.8%
Goldman Sachs Asset Managem	7,000	2.4%
UBS Financial Services, Inc	7,000	2.4%
United Services Automobile Ass	3,000	1.0%
Deutsche Investment Managem	2,000	0.7%
BNY Mellon	1,500	0.5%
SEI Investments Management Co	1,500	0.5%
RBC Global Asset Management (	1,500	0.5%
T. Rowe Price	1,500	0.5%

*Flow of Funds Accounts of the United States, First quarter 2012, Federal Reserve Statistical Release. Table L.110. U.S.-Chartered Depository Institutions

Tender Option Bond Overview

Tender Option Bond (TOB) trusts allow investors to finance positions in long-term municipal bonds at short-term tax-exempt rates.

- Similar to repurchase agreements, TOB trusts are funding vehicles.
  - TOBs were developed as tax-efficient alternatives to other forms of securities financing.
- The assets to be financed are sold to a TOB trust and the trust, in turn, issues two classes of equity interests in those assets: Floater Certificates (“Floaters”) & Residual certificates (“Residuals”).
  - The market value of the underlying assets is split between the Floaters and the Residuals.
- Floaters are sold to third-party investors, primarily tax-exempt money market funds.
  - The interest rate earned on the Floaters is reset each week to the lowest rate that will generate a par bid for the certificates from the market.
  - In order for the Floaters to qualify as 2a-7 eligible, the assets being financed must carry Aa3/AA-/AA- or higher credit ratings and money fund investors must approve and continuously monitor the credit.
  - The trust enters into a liquidity arrangement with a bank, pursuant to which Floater Holders have the option to tender their certificates at any time for settlement within 5 business days at proceeds equal to par plus accrued interest.
    - The liquidity provider must, therefore, also approve and continuously monitor the underlying assets.
- Residual certificates are sold to the original investor in the underlying assets.
  - Residual certificates assume the full mark-to-market risk on the underlying assets and receive all interest income generated from those assets net of trust fees and interest earned on the Floaters.
  - Banks and Mutual Funds comprise the overwhelming majority of residual investors in the TOB market.



A Partnership Structure

TOB trusts are treated as partnerships for tax purposes, allowing both Floater and Residual holders to receive a pass-through of the tax-exempt interest income earned on the assets of the trust.

- A TOB trust is structured as a partnership for tax purposes.
  - Each certificate issued represents a beneficial ownership interest in the assets of the trust.
    - Each TOB trust is a fully-transparent structure: the assets of the trust are detailed in the corresponding governing and offering documents. Any subsequent addition of assets to the trust requires written consent from every Floater and Residual holder.
- Each trust receives a “Will” level tax opinion from legal counsel with respect to the tax-exempt nature of the interest earned on the Floater and the Residual certificates.
- In order to establish ownership, both the Floater and Residual Holders must share in the risks and the rewards of owning the underlying assets, an arrangement which ensures that the interests of both holders are naturally aligned.
  - Risks:
    - While the holders of the Floaters, pursuant to the established liquidity arrangement, have the legal right to tender their certificates at par, the holder of the residual certificates retains the full market risk on the underlying assets.
    - Each equity interest holder participates in the credit risk of the trust in an amount proportionate to their investment in the trust; there is no credit tranching.
      - If a predefined tax or credit event (bankruptcy of both the issuer and the credit support provider; failure by both to pay principal or interest; downgrade of the underlying assets below investment grade; event of taxability) occurs, the bonds or bond sale proceeds are distributed on a pari passu basis.
  - Rewards:
    - Both equity interest holders have the opportunity to participate in any realized price appreciation on the underlying assets

Cash Flows of a TOB Trust

Residual holders receive all of the residual cash flow from the trust (interest earned on the assets less Floater interest and trust fees) and retain the full market risk on the underlying assets.

- Residual holders receive all of the residual income from the trust, calculated by subtracting Floater interest and fees from the coupon of the underlying assets.

Residual Cash Flow: 75% Leverage on $10mm Beverly Hills Wtr Revs, 5.00% of 2037 @ 3.04% / 116.796

Cash Flow	Rate	Reference Amount	Par/Notional	$Per Annum
Bond Coupon	5.00%	Underlying Bond Par	$10,000,000	$500,000
(-) Floater Rate	.21%	Floater Par	$7,500,000	$15,750
(-) Liquidity Fee	.40%	Floater Par	$7,500,000	$30,000
(-) Remarketing Fee	.10%	Floater Par	$7,500,000	$7,500
(-) Trustee Fee	.01%	Underlying Bond Par	$10,000,000	$1,000
(=) Residual Income				**$445,750**

- Residuals are subject to the entire mark-to-market movement on the underlying bonds.

Residual Price Computation: 75% Leverage on $10mm Beverly Hills Wtr Revs, 5.00% of 2037 @ 3.04% / 116.796

Security	Proportion	Par	Price	Market Value
Floaters	75%	$7,500,000	$100	$7,500,000
Residuals	25%	$2,500,000	$167.184	$4,179,600
Total	100%	$10,000,000	$116.796	$11,679,600

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