American SECURITIZATION FORUM®

September 8, 2009

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Money Market Reform; Release No. IC-28807; File No. S7-11-09

Dear Ms. Murphy:

The American Securitization Forum (the "ASF")[1] appreciates the opportunity to provide these comments to the Securities and Exchange Commission (the "SEC") on Release No. IC-28807 (the "Proposing Release"). The Proposing Release sets forth proposed amendments to certain rules under the Investment Company Act of 1940, as amended (the "Act"), that govern the operation of money market funds ("funds").

Our comments focus on those proposed rule changes (the "Proposed Rules") that would directly or indirectly impact the markets for asset-backed securities ("ABS"). In particular, since funds are among the principal purchasers of money market tranches of ABS and asset-backed commercial paper ("ABCP"), a number of our comments focus on the potential impact of the Proposed Rules on the these products.

We note that short-term ABS may take different forms. For example, short-term ABS may take the form of a senior "money market tranche" of short-term debt issued by a traditional ABS issuer (for example, an issuer of registered auto loan-backed securities). The rights of holders of this type of short-term ABS to be paid in full on a timely basis are dependent on the securitized auto loans generating sufficient cash flow to pay such short-term ABS. Short-term ABS may alternatively take the form of ABCP issued by an "ABCP conduit" that engages in the business of financing assets through the issuance of ABCP (and sometimes longer–dated medium term notes). This type of ABCP typically benefits from liquidity or available credit enhancement facilities (or both) provided by a highly rated third party or through the use of other rating agency-approved liquidity and/or credit enhancement arrangements. For this reason, the

[1] The American Securitization Forum is a broad-based professional forum through which participants in the U.S. securitization market advocate their common interests on important legal, regulatory and market practice issues. ASF members include over 350 firms, including issuers, investors, servicers, financial intermediaries, rating agencies, financial guarantors, legal and accounting firms, and other professional organizations involved in securitization transactions. The ASF also provides information, education and training on a range of securitization market issues and topics through industry conferences, seminars and similar initiatives. For more information about ASF, its members and activities, please go to www.americansecuritization.com. ASF is an independent affiliate of the Securities Industry and Financial Markets Association (SIFMA).

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proposed revisions to rules governing investments by money markets need to be sufficiently flexible to accommodate the different types of existing and yet-to-be-developed ABCP and ABS products that play an integral role in the efficient operation of the U.S. and global financial markets.

We believe it is essential that the proposed amendments be considered in light of the significant disruption and dislocation of the capital markets that continue to plague the global capital markets. Market liquidity has been bolstered through previous government efforts, but the market remains fragile. As noted in greater detail below (and in Exhibit II hereto), we believe that a number of the proposed amendments could, if adopted, unintentionally curtail the availability of commercial and consumer credit and increase systemic risk. In summary:

- The capital markets dislocation has led to financial re-intermediation towards banks and an increased reliance on commercial banks to provide liquidity/funding. Banks are actively working through difficult credit conditions to manage capital requirements, liquidity, and systemic risk. At the same time, they are encouraged to increase lending to promote economic growth;

- Money market funds are an essential source of liquidity for banks' funding needs -- funds raised by banks and ABCP conduits sponsored by banks, through investment products offered to money market funds, enable banks to provide more loans and credit to individuals and small businesses as well as to corporates (including Tier II issuers) that are in need of funding;

- Money market funds also play a critical role in directly providing liquidity to CP, ABCP, and Tier II issuers;

- Banks cannot be the sole source of funding for corporate and consumer credit. An investor mix that creates diverse alternatives to bank lending is the best solution. For this reason it is essential that money market funds be able to purchase bank notes, Tier II paper and ABCP;

- The elimination of eligibility of Tier II securities may reduce liquidity and increase market volatility -- in the current environment, banks' debt credit ratings are heavily concentrated within one notch of potentially becoming ineligible for money market funds;

- Lowering concentration limits will not mitigate systemic risk and may create a liquidity strain on bank issuers, especially in the current environment; and

- Economic recovery is not possible without (i) policies that promote liquidity and further investment and (ii) banks that are able to meet the needs of corporate and consumer clients while maintaining stable financials. Any reduction of liquidity that results from the proposed amendments, intended or unintended, could be detrimental to economic recovery.

The Proposing Release sets forth a substantial number of questions on which the SEC has invited comment. We have responded only to those questions directly relevant to securitization market participants. In each case, the question(s) in the Proposing Release are reproduced in italics, followed by our comments in regular text:

1. *Should Rule 2a-7 explicitly require fund boards of directors (or their delegates) to evaluate whether ABS includes any committed line of credit or other credit support?*

We agree that each fund should evaluate the method through which the issuer of any ABS purchased by the fund will receive sufficient funds to provide for the payment of such ABS in full when due. In fact, the substance of the existing rule already requires funds to make this investigation since Rule 2a-7(c)(3)(i) requires each fund to determine that any security purchased by the fund presents "minimal credit risks." We think it would be a mistake, however, to mandate that all ABS purchased by funds have a committed line of credit or other credit support to ensure timely payment on the ABS. Many forms of ABS (and money market tranches of ABS) are paid from the cash flow on the securitized assets and do not rely upon external liquidity facilities or full external credit support. Examples include securitizations of auto loans, equipment loans and leases and credit card receivables. These ABS structures have functioned well over time – defaults on the senior tranches in these structures are very rare – and we do not think it is necessary or appropriate for the SEC to establish new ABS investment eligibility criteria that would essentially make these structures ineligible for future fund investments. As the SEC is well aware, securitization plays a central role in both consumer and business financing and market participants have emphasized that a full economic recovery will depend, in part, upon reinvigoration of the ABS markets.[2] The federal government similarly has recognized the importance of well-functioning securitization markets to the national economy and since the fall of 2007 has established a number of programs intended in whole or in part to enhance ABS liquidity and/or facilitate new securitization transactions.[3] Any rule change that would

[2] See *Restoring Confidence in the Securitization Markets, Joint Report of the ASF, the Securities Industry and Financial Markets Association, the Australian Securitisation Forum and the European Securitisation Forum (December 3, 2008):* "The securitization and structured credit markets have become critically important to the global capital markets, and thereby also to the world economies. The absence of well-functioning securitization markets negatively impacts consumers, banks, issuers and investors, resulting in lower economic activity and fewer than needed new jobs being created in the future. The price of credit is likely to be higher for the consumer and the availability scarcer. Banks will no longer have a tool to reduce risk and diversify their financing sources to free up capital for other activities. Investors will encounter rising difficulty in gaining exposure to an asset class that has become a significant part of their portfolios.

More broadly, the absence of an efficient and smoothly functioning market has substantial implications for continued economic growth…

Historically, securitization has offered significant benefits to consumers, investors, financial institutions, and the economy more broadly. Securitization has lowered the cost of mortgages, auto loans, and credit card loans for consumers, while significantly increasing the general availability of credit. U.S. financial institutions securitized approximately 46% of the total credit they originated on average from 2005-07. In Europe, between 14% and 55% of the gross mortgage lending between 2000 and 2006 was funded by RMBS and covered bonds. This freed capital that could be lent back into the U.S. and EU economies to the benefit of consumers and businesses alike. Securitization has also become an important asset class for investors, representing 21.2% of the Lehman Global Aggregate Index as of the end of 2007." (footnotes omitted).

[3] Relevant programs established by the Federal Reserve or the Treasury Department include the ABCP Money Market Mutual Fund Liquidity Facility, the Commercial Paper Funding Facility, the Money Market Investor Funding Facility, the Term Asset-Backed Securities Loan Facility ("TALF") and the Public Private Investment Program. As stated by the Federal Reserve Bank of New York in its published TALF guidelines:

discourage funds from purchasing ABS therefore should be avoided. Any rule that expressly requires funds to evaluate whether ABS has the benefit of external liquidity and credit support is likely to be interpreted by funds, in practice, as meaning that ABS lacking such support is disfavored by the SEC whether or not the amended rule specifically prohibits the purchase of non-supported ABS.

2. *(a) Should money market funds be limited to investing in ABSs that the manager concludes can be paid upon maturity with existing cash flow, i.e., the payment upon maturity is not dependent on the ability of the special purpose entity to rollover debt?*

This proposal is inconsistent with the prevailing market structure for ABCP programs. Although many variations exist, most ABCP programs (and unsecured corporate CP programs) are supported by liquidity facilities that are subject to specified funding conditions. The rating agencies and investors consider the terms of these facilities—and rely upon their expected availability to the issuer—in making rating and investment decisions. In fact, ABCP programs generally can qualify for first tier ratings only if the rating agencies are convinced that the issuer, in the event it cannot roll its ABCP on any given day, will have access to sufficient cash from sources other than existing cash flow (i.e., from applicable liquidity and credit enhancement facilities) to make full and timely payment on the ABCP then coming due. In this sense, funds that may be drawn on such facilities or otherwise acquired on a timely basis consistent with market standards and rating agency methodology should be considered to be available existing cash flow. ABCP investors cannot solely rely upon the cash flow from the financed assets to assure timely repayment of their securities since, in most cases, ABCP maturities are not match-funded to the underlying assets. Accordingly, prohibiting funds from purchasing any ABCP that can't be timely paid with existing cash flow would make most ABCP ineligible for investment. We emphasize that, although the economic downturn has reduced overall volumes, ABCP continues to play a crucial role in providing both consumer and trade receivable financing. On August 31, 2009, there was approximately $510 billion principal amount of United States ABCP outstanding.[4] As recognized in the Proposing Release, funds are among the most important purchasers of ABCP. Any revisions to Rule 2a-7 that prevent funds from purchasing ABCP could significantly increase the cost, and reduce the availability, of ABCP financing to auto manufacturers, credit card originators, finance companies, bank customers and other ABCP program sponsors. It's also worth emphasizing that payment defaults on traditional ABCP programs—despite the absence of match funding—remain extraordinarily rare if not unknown. Although within the past two years payment defaults have occurred on commercial paper issued by a limited number of highly structured issuers (SIVs or CDOs), such commercial paper notes are distinct, in both purpose and structure, from traditional ABCP and are no longer viable in the market. We have attached a detailed presentation as Exhibit I describing the material differences between these different types of structures. In contrast, multiseller and single-seller ABCP programs have continued to operate without interruption. The spreads paid by issuers on traditional ABCP (relative to LIBOR or other applicable benchmarks) spiked significantly in the

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"The ABS markets historically have funded a substantial share of credit to consumers and businesses. Continued disruption of these markets could significantly limit the availability of credit to households and businesses of all sizes and thereby contribute to further weakening of U.S. economic activity."

[4] Federal Reserve release (September 3, 2009).

first weeks of the credit crisis but are now close to historic norms as investor confidence in the product has largely returned (although we believe it remains fragile). We submit that such investor confidence is justified and that the SEC should not unnecessarily limit the marketability of ABCP.

(b) Should Rule 2a-7 require ABSs to be subject to unconditional demand features in order for such ABSs to be eligible securities?

Most ABS does not have an unconditional demand feature. It follows that this proposal generally would prohibit funds from purchasing ABS (including both ABCP and appropriately rated term ABS with remaining terms to maturity of less than 397 days). We do not think that the SEC needs to make this drastic change to protect investors. In this regard, we note that an unconditional demand feature is only as strong as the entity that provides it. Events affecting monoline insurers and other financial institutions during the recent credit crisis have demonstrated that creditors are not assured of payment solely because the obligations they hold are backed by a guarantee, purchase commitment or other form of credit support. It would create an artificial distinction for investors that ABS backed by an unconditional demand feature may be eligible for investment while ABS not so backed will always be ineligible. Instead, we think that Rule 2a-7 should continue to base ABS investment eligibility on the criteria that have always controlled—i.e., credit quality, ratings, term to maturity and liquidity. ABS that satisfies the applicable criteria (as from time to time amended) should continue to remain an eligible fund investment without regard to the availability of an unconditional demand feature. We also note that this proposal would increase the costs of securitization (by requiring conduit sponsors or ABS issuers to purchase or provide external credit support if they wish their ABS to remain Rule 2a-7 eligible). It could even induce ABS sponsors to weaken the internal credit support that their structures would otherwise include since greater reliance would then be placed on the external support. Such reliance could also result in there being additional concentration of risk to such support providers. All of these consequences would be inconsistent with the national interest (noted above) in restoring the smooth functioning of the ABS markets.

3. *The SEC has requested comment on its proposal to eliminate the ability of money market funds to invest in second tier securities. What would be the impact on funds? What would be the impact to banks? Would the benefit of reducing credit risk by eliminating the ability of money market funds to invest in second tier securities outweigh any potential diversification benefits that second tier securities may otherwise provide to money market funds? What, if any, diversification benefits do money market funds currently receive from investing in second tier securities?*

We strongly oppose these proposed changes. Eliminating Tier II securities could increase market volatility and place additional liquidity pressures on banks. Multiseller ABCP conduits rely on banks to provide liquidity commitments. Banks' debt credit ratings are heavily concentrated within one long-term rating notch of potentially becoming A-2 (Tier II). S&P methodology states that an issuer with a long-term rating of "A" could potentially be downgraded to A-2 (Tier II). As of June 30, 2009, 6 of the largest 20 S&P-rated banks were within 1 long-term rating notch of potentially becoming A-2 (Tier II). For the 6 banks, there is a

30% probability that 1 or more could have their long-term rating downgraded within 1 year.[5] If a bank's short-term rating is downgraded, access to the money market could be eliminated for both the banks and the multiseller ABCP conduits to which they provide liquidity commitments, severely constraining liquidity. As of June 30, 2009, the 6 banks within 1 long-term rating notch of potentially becoming Tier II had $115 billion of ABCP outstanding.[6]

The SEC should consider increasing the 5% limit on Tier II securities, as this could reduce market volatility and maintain banks' access to liquidity and funding. Money market funds that have performed robust credit analysis may choose to selectively purchase high credit quality Tier II bank issuance. A stable flow of liquid funding could be available to banks, reducing systemic risk.

4. *Rule 2a-7 currently generally provides that a money market fund may not invest in a long-term security with a remaining maturity of 397 calendar days or less (a stub security) that has no short-term rating if the security has received a long-term rating from any rating agency that is not within the rating agency's three highest long-term rating categories. The SEC proposes to permit money market funds to acquire such securities only if they have long-term ratings within the top two, rather than three, rating categories.*

We object to this proposed change, as it will unnecessarily eliminate opportunities for money market funds to acquire high quality significantly seasoned ABS securities that such funds conclude present minimal credit risks. This proposed change would also adversely affect the ABS markets, particularly the marketability and liquidity of "A-Rated" securities.

5. *Currently, a money market fund can "look through" a repurchase agreement to the issuer of the underlying collateral for purposes of diversification testing, if, among other things, the collateral meets certain requirements that qualify the repo as "collateralized fully." Under the current Rule, conforming collateral includes cash items or U.S. Government securities or securities rated in the highest rating category (or deemed of comparable quality by the investment adviser). The proposals would eliminate first tier quality securities other than cash items or US Government securities as permitted collateral for "look through" treatment.*

In a corresponding measure the proposals would require the Board or the investment adviser to a money market fund to evaluate the creditworthiness of the counterparty to a repurchase agreement, even if the repurchase agreement is "collateralized fully." The SEC proposes to reinstate the requirement to consider the creditworthiness of the counterparty even when the repurchase agreement is collateralized fully, because the SEC is concerned that a fund may find it difficult to fully protect its interests in the collateral even if the stay is lifted.

We think securities rated in the highest rating category should continue to serve as eligible collateral for purposes of the "fully collateralized" exemption, particularly if (as the SEC is now proposing) funds will henceforth be required to evaluate the creditworthiness of the repo obligor.

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[5] RBC Capital Markets – Based on a 1-year, derived S&P rating downgrade matrix and a 50% correction coefficient (see page 8 of Exhibit II for details).

[6] Moody's: ABCP Market at a Glance: ABCP Multiseller Market Snapshot – June 30, 2009.

There is no reason to eliminate top-rated securities from the eligible collateral list if the fund is relying on the creditworthiness of the repo obligor or if the fund determines that (i) the collateral valuation procedures used under the repo, and (ii) the fund's ability to actually realize those values if the collateral is liquidating are consistent with the fund's position under the repo presenting minimal credit risks.

Also, at the top of page 76 of the Proposing Release, the SEC asks whether it should restrict eligible repo collateral to cash and government securities even when the fund is not treating the repo as "fully collateralized." We do not agree with this change as it would prevent funds from engaging in any repos that are not so collateralized. Many funds utilize repurchase agreements for cash management purposes or to earn yields in excess of those that might then be available on alternative short-term investments. Although the collateral under these repurchase agreements most commonly consists of government securities, other types of collateral, such as ABS or corporate debt securities, may also be used. In these instances, the fund is not looking primarily to the collateral as the source of funds that will ensure timely repayment but to the unconditional repurchase commitment of the repo counterparty, and is determining that such collateral exposure to the repo counterparty presents minimal credit risks. The fund therefore will necessarily base its investment decision upon its evaluation of the counterparty's creditworthiness and ratings (and will do so under existing Rule 2a-7 even before giving effect to any of the Proposed Rules). The counterparties to the fund most often will be banks, broker-dealers or other financial institutions. To say that funds should not engage in repos with these institutions unless the collateral consists solely of cash or government securities is equivalent to saying that funds also should not purchase commercial paper or term notes of such institutions unless such securities are directly secured by (and only by) cash and government securities. The SEC is not proposing, however, to impose the latter restriction and we similarly believe that it is not necessary to restrict the categories of assets that can be used as repo collateral when a fund is not claiming the "fully collateralized" exemption.

6. *Currently the Rule requires ABS to be rated. The SEC asks whether the requirement that ABS be rated should be eliminated, in light of the rating agencies' rapid downgrade of one type of ABS—structured investment vehicles (SIVs)—starting in 2007.*

Ratings provided under appropriate criteria serve an important purpose in enhancing the liquidity of ABS in the primary and secondary markets. Investors, including fund investors, benefit from the credit and structural expertise and research provided by accredited rating agencies. For this reason we are generally in favor of retaining the requirement that ABS be rated.

7. *The SEC asks whether it should provide additional guidance to money market funds on the required minimal credit risk evaluation of ABS. The discussion in the release provides insight as to the issues that the SEC believes are relevant to the minimal credit risk analysis of ABS, regardless of whether the SEC implements these factors as formal proposals. Specifically, the SEC believes that the analysis should include an evaluation of the issuer's ability to maintain its promised cash flows, which would entail an analysis of the underlying assets, their behavior in various market conditions, and the terms of any liquidity or other support provided by the ABS sponsor.*

We believe that the existing standards, which require funds to make a determination that each asset purchased or financed presents minimal credit risks, are the correct standards. These standards appropriately permit funds to analyze and consider all of the elements of ABS and other assets purchased by such funds. ABS may be structured to provide for high quality, reliable and timely payments based on the cash flows from assets, the market value of such assets, contractual support provided by credit-worthy third parties or other features. Any "list" of items that must necessarily be examined and considered in each instance will inevitably prove to be unworkable. Such a list of mandatory items may inadvertently stifle innovation and unnecessarily limit the development of new financial products which may be needed in order to help the global short-term markets recover and regain vibrancy and vigor.

8. *The SEC seeks comment on whether reference to rating agencies should be eliminated from Rule 2a-7.*

Please see item #6 above. As a general matter, it would be inadvisable to eliminate all references to ratings. The rating agencies obviously issued many ABS ratings in recent years that later required downward adjustment. However, SEC regulation of rating agencies has recently been enhanced and we believe that market participants generally, and the rating agencies themselves in particular, are placing a renewed emphasis on ratings transparency and otherwise taking steps to help restore confidence in the ABS ratings process. Ratings should continue to be viewed as relevant information that the fund should consider in evaluating prospective investments. The important point—and Rule 2(a)(7)(c)(3)(i) already says this—is that ratings are only one relevant factor and do not by themselves constitute a sufficient basis for the investment decision. We also note that, all else being equal, funds benefit from purchasing rated securities since rated securities are more liquid (i.e. if a fund is required to liquidate securities to meet redemption requests, it will be helpful for it to own rated securities since certain potential secondary market purchasers are prohibited by policy or regulation from purchasing unrated securities).

9. *The SEC says it is considering whether a money market fund's Board should be required to designate three (or more) rating agencies that the fund would look to for all purposes under Rule 2a-7. In addition, the Board would be required to determine at least annually that the designated rating agencies issue credit ratings that are sufficiently reliable for that use. The SEC asks whether, under this approach, rating agencies would compete through ratings to achieve designation by money market funds. The SEC states that under this approach, as under the current Rule, the only time a fund would be required to look at all rating agency ratings for a particular security would be to confirm that a stub period security is eligible. (A stub period security is not eligible if the issuer has received a long-term rating below third tier (or below second tier under the proposals), subject to certain exceptions). The SEC also asks several questions about this proposal. Should Boards be permitted under Rule 2a-7 to designate credit rating agencies or credit evaluation providers that are not registered with the SEC as rating agencies?*

We believe that funds should be permitted to designate a limited number of credit rating agencies that the fund would look to for all purposes under the Rule, as this could permit funds to better focus on the standards, methodology and current ratings levels announced by such rating agencies. This approach could help provide fund investors with more transparency as to the substance and relative merits of the ratings relied on by the fund. However, if this approach is adopted we think it will be important to clarify that it is not intended to increase the minimum numbers of eligible ratings required for any other purpose under the rules. Although it is difficult to foresee all of the issues that could develop, in general it would not be advisable to permit funds to base investment decisions, in part, on credit evaluations provided by credit rating agencies or substitutes therefor that are not registered with the SEC, as such parties may not be subject to conflict of interest regulation or any other regulation whatsoever.

10. *The proposed amendments would also limit the weighted average maturity of portfolio securities to 60 days and impose a new requirement that money market funds limit "weighted average life" portfolio maturity to no more than 120 days. The proposed amendments would also generally require funds to hold a minimum amount of liquid assets (15% and 30% of the asset portfolios of retail and institutional funds, respectively).*

We oppose (i) the proposed reduction of the weighted average maturity to 60 days and (ii) the proposal that funds be required to hold these minimum amounts of weekly liquid assets. This proposal directly conflicts with financial institutions' need to reduce their reliance on short-term funding and may increase systemic risk. If funds are required to shorten their investments, it will cause issuers to become more exposed to liquidity stress and shocks. It is important to recognize that financial institutions are one of the largest class of issuers of money market instruments to funds. In the aftermath of Bear Stearns' failure, U.S. and global financial regulators are requiring financial institutions to reduce their reliance on short-term funding in an effort to improve their resiliency to systemic liquidity stress. In contrast, the proposal would increase financial institutions' exposure to short-term funding as it further shortens the maturities issued to funds. This could cause financial institutions to further limit lending activities because of this increased exposure to potential liquidity stress.

Furthermore, a shorter weighted average maturity requirement and additional minimum liquid asset requirements may not eliminate the systemic risk of a fund "breaking the buck." The weighted average maturity of the Primary Reserve Fund was 43 days, which was in line with the industry average (for Prime Institutional Funds), and within the 60-day proposed limit. Even if the Primary Reserve Fund had been able to meet the proposed 30% minimum of assets maturing in 7 days or less (it had only 13%) it still would have "broken the buck," due to the magnitude of the run on the fund. Adding these constraints will reduce the liquidity and stability of the money markets, placing additional liquidity pressure on banks. Banks are currently seeking to improve liquidity, increase the maturities of debt securities issued by banks and bank-sponsored ABCP conduits, and establish a stable flow of funds. In the event that the money markets are not as liquid and effective a funding source, bank liquidity will be diminished and banks will be forced to finance themselves with other sources or simply be unable to obtain adequate financing.

We support a weighted average life portfolio maturity test that recognizes that funds which purchase U.S. Government and Treasury securities do not assume credit risk with respect to such investments.

In addition, we support the recommendation made on behalf of the Council of Federal Home Loan Banks that (i) the definitions of "daily liquid assets" as defined in II.C.2.a. and "weekly liquid assets" as defined in II.C.2.b. of the Proposed Rules be expanded to include Federal Home Loan Bank ("FHLBank") discount notes with a remaining maturity of 44 days or less, and (ii) the remaining maturity of FHLBank discount notes be the standard for determining maturity, since discount notes with the same maturity date carry the same CUSIP and are indistinguishable based on issue date.

11. *The SEC asks whether it should reduce the maximum maturity for an individual security from 397 days to a shorter time period.*

It seems to us that this change should not be necessary to improve safety if the SEC adopts an acceptable weighted average life portfolio maturity test (as described above). Further, the stricter maturity limit could negatively impact bank liquidity and issuers of short-term obligations such as issuers of tax-exempt municipal securities, which we understand are typically issued in the longer end of the maximum range.

12. *The proposed amendments would forbid the purchase of illiquid securities, which are defined as securities that cannot be sold or disposed of in the ordinary course of business within seven days at approximately amortized cost. The proposed amendments would have the effect of forbidding investment in securities with no secondary market that are currently sometimes purchased by money market funds, unless they are payable on demand or mature within seven days.*

Funds should continue to be able to purchase illiquid securities that are determined to present minimal credit risks, subject to the existing limitation of ten percent of the fund's assets. There are significant spread benefits associated with high quality illiquid securities that present minimal credit risks, and the presence of a permissible illiquid bucket helps foster innovation in the development of investments that benefit both funds and the ABS markets (which ultimately inures to the benefit of retail consumers, corporates and investors).

We believe that the proposal should also be modified to define “illiquid securities” as “securities as to which the fund has a reasonable expectation, on the proposed date of Acquisition, that such securities will not be able to be sold or disposed of in the ordinary course of business within seven days at approximately amortized cost.” The point is to clarify that securities which the fund reasonably believed to be liquid at the time of purchase do not later become ineligible “illiquid securities” solely because the fund at a later date tried but failed to resell the securities.

13. *The current risk diversification limits are, in summary, no more than five percent of assets in one issuer and no more than 10 percent of assets in one credit support provider. The SEC asks whether these diversification limits should be tightened and whether industry concentration limitations should be added to the Rule.*

We oppose these proposed changes because decreasing the maximum concentration limit for single issuers does not eliminate the systemic risk of a fund “breaking the buck.” A small percentage of exposure to a distressed issuer can result in a run on a fund or “breaking the buck.” The Primary Reserve Fund had 1.2% of Lehman Brothers exposure prior to “breaking the buck.” Exposure was within both the current and proposed single name issuer concentration limits.

Due to the consolidation of financial and other institutions in the financial markets and the protective nature of the revisions proposed to be made to the money market rules, we recommend that the SEC consider expanding these obligor concentration limits, rather than tightening them. We believe that given the current market conditions it would be contrary to public policy to limit concentrations of exposure to financial institutions.

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ASF thanks the SEC for this opportunity to comment on the Proposed Rules. If you have any questions concerning these comments, or would like to discuss these comments further, please feel free to contact Tom Deutsch, ASF Deputy Executive Director, at 212.313.1135 or at tdeutsch@americansecuritization.com or ASF's outside counsel on this matter, James Croke of Orrick, Herrington and Sutcliffe LLP at 212.506.5085 or at jcroke@orrick.com.

Sincerely,

Deborah A. Cunningham

Deborah Cunningham, Chief Investment Officer, Federated Investors and
Co-Chair, ASF Money Market Reform Working Group

Reginald H. Imamura

Reginald Imamura, Senior Managing Director, PNC Capital Markets LLC and
Co-Chair, ASF Money Market Reform Working Group

Exhibit I to
ASF Comment Letter

Money Market Fund
Reform Proposals

September 8, 2009

Agenda

Available Financing from Multi-Seller Conduits for Traditional Asset Classes

- Multi-Seller ABCP facilities have grown to be a significant source of financing for many consumer and commercial assets.
- While there has been a substantial contraction in the traditional ABCP market (total ABCP has reduced from a peak of $1.2 trillion in August 2007 to $580.5 billion as of May 2009), traditional ABCP remains a key source of financing in the market.
- Despite the success of the TALF program for many of these same asset types, the multi-seller ABCP market fulfills a unique need to fund certain assets not funded via TALF (e.g., trade receivables) as well as for sellers whose funding requirements are such that TALF does not provide the necessary flexibility or economic terms.
- The table below evidences the significant contraction in the financing of various traditional asset classes that are funded in the overall ABCP market and specifically in multi-seller conduits.

Asset Type Diversification	Overall ABCP Market		Multi-seller Conduits	
($ Bns)	Current ABCP O/S	Total ABCP Market Peak August 2007	Current Multi-Seller O/S	Total Multi-Seller Peak August 2007
Auto Loans and Leases	83.4	129.4	43.7	68.2
CBO&CLO	9.4	23.3	4.6	13.7
Commercial Loans	58.7	89.1	26.5	36.7
Consumer Loans	10.9	29.5	7.5	17.3
Credit Card	49.9	104.5	39.1	73.6
Equipment Leases and Loans	22.1	26.7	7.7	11.2
Floorplan Financed	12.5	16.1	7.8	6.6
Government Guaranteed Loans	8.0	6.6	2.5	3.7
Other	35.4	70.2	18.9	31.9
Residential Mortgage Loans	18.8	59.3	5.1	26.2
Securities	173.1	477.9	N/A	N/A
Student Loans	38.0	55.5	30.4	50.2
Trade Receivables	83.4	111.9	30.5	54.9
Total	580.5	1,200.0	224.3	394.2

Source: Moody's and the Federal Reserve

Available Financing from Multi-Seller Conduits Across Many Industries

The table below illustrates the breadth of industries who receive material financing through the ABCP and multi-seller ABCP markets.

($ Bns) Industry	Current ABCP O/S	Current Multi-Seller O/S
Automotive Finance	97.0	50.3
Commercial Finance	72.1	34.8
Consumer Finance	100.9	79.3
Equipment Financing	18.7	6.1
Finance	14.8	3.9
Leisure and Entertainment	3.3	2.5
Manufacturing	10.2	3.1
Mortgage Finance	26.5	8.2
Oil, Gas, and Energy	7.5	3.7
Other	229.4	32.4
Total	580.5	224.3

Source: Moody's and the Federal Reserve

Summary Comparison of Structures

	Multi-Seller ABCP	Cashflow ABS CDO	SIV	SIV-lite	Securities Arbitrage
Individually Negotiated Customer Transactions/Publicly Traded Securities	**Individually Negotiated Customer Transactions**	Publicly Traded Securities	Publicly Traded Securities	Publicly Traded Securities	Publicly Traded Securities
Primary Business Purpose	**Customer Financing**	Arbitrage	Arbitrage	Arbitrage	Arbitrage
Ability to Fix Problems in Underlying Transactions	**Significant**	None	None	None	None
Market Value Triggers Forcing Liquidation	**No**	No	Yes	Yes	No
Seniority of Underlying Transactions	**Typically senior**	High Grade and Mezzanine ABS	Typically senior ABS and mezzanine bank paper	Typically senior RMBS	Typically senior ABS
Diversified Underlying Asset Base	**Yes**	No – almost entirely mortgage	Typically yes - also significant (approx. 20% concentration in mezzanine bank paper)	No – almost entirely mortgage	To a lesser degree than multi-seller ABCP (large concentrations in RMBS, CMBS and CDOs)
Pricing Basis	**Pass Through Actual Cost of Funds**	LIBOR index based	LIBOR index based	LIBOR index based	LIBOR index based
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	Relatively strong for ABCP due to full bank support– significant deterioration in the underlying securities resulted in risk taking by the sponsoring banks

Agenda

Traditional Multi-Seller ABCP Conduit Structure and Asset Description

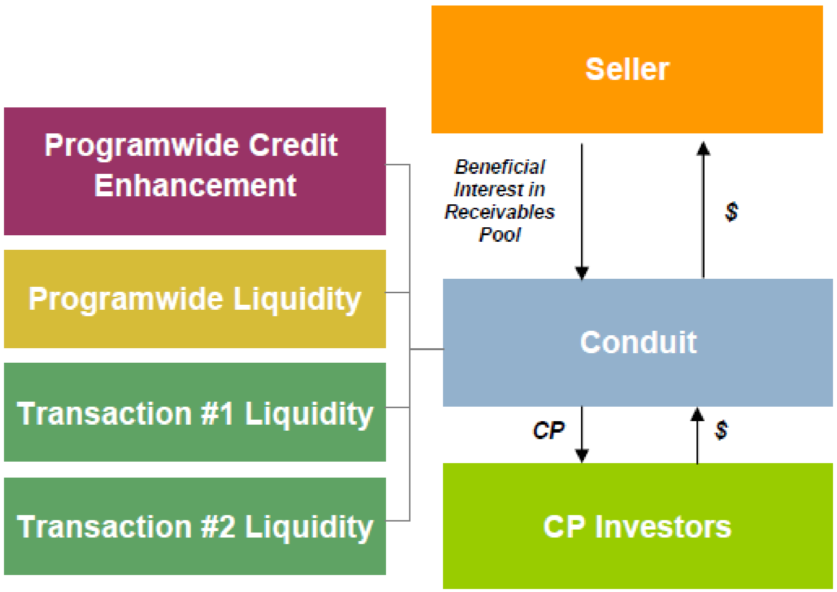


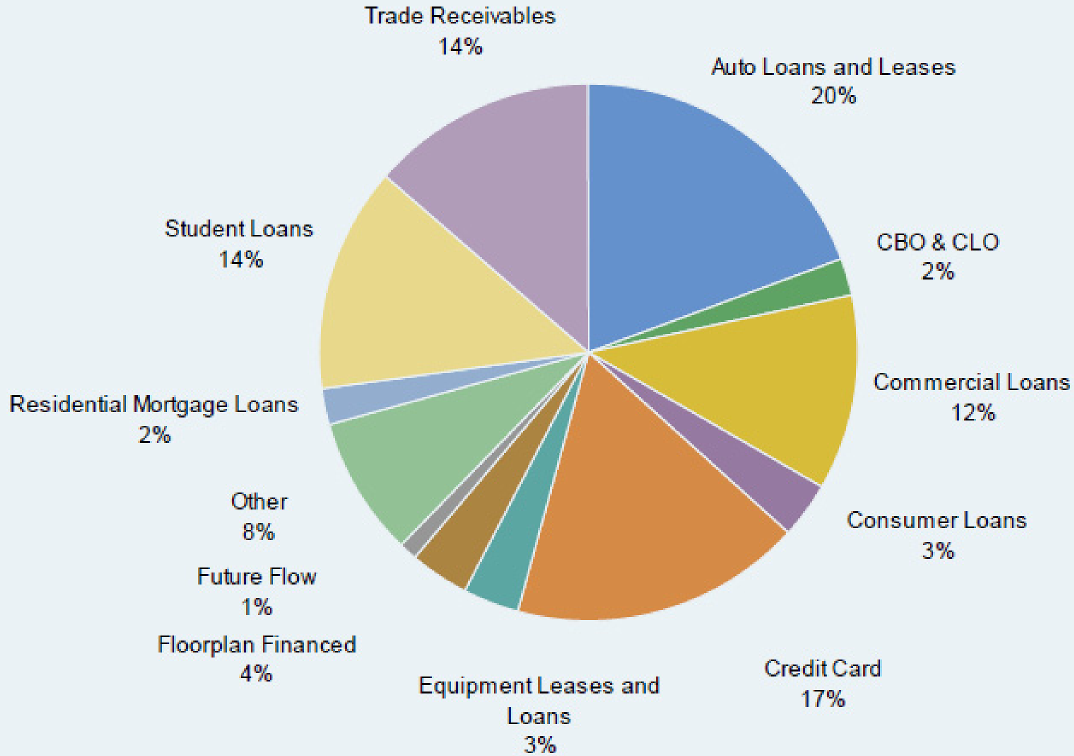
Diagram illustrates structural features commonly found in multi-seller ABCP conduits. Individual conduits will have slight differences in structure; however the general principles will remain (no market value triggers, ability to improve funded transactions, etc.).

Assets Funded

- Diversified portfolio of consumer and commercial assets provide funding for bank's corporate customers.
- Typically these financings are structured so that the conduit funds a senior interest in a pool of receivables and the seller retains a subordinate position.
- Occasionally, conduits may also fund a mezzanine interest in a pool of receivables.
- Major asset classes funded include auto loans and leases, credit cards, equipment loans and leases and trade receivables.
- The sponsor of the conduit structures and controls each transaction that is funded in the conduit.
- There are no market value triggers requiring sale of conduit funded transactions.

Asset Mix: Multi-Seller ABCP

As of February 2009



Source: Moody's Investor Services, February 2009

Description of Risk Positions in a Multi-Seller ABCP Structure

- ABCP
  - The risk for an investor in ABCP is that available amounts from the assets, liquidity and programwide credit enhancement are insufficient to repay the face value of the ABCP.

- Transaction Liquidity
  - Typically provided by the sponsor of the conduit.
  - There is a separate liquidity facility for each transaction.
  - Typically structured as an asset purchase agreement as to specific transactions.
  - May also be structured as a loan agreement where amounts funded would be pari passu with CP.
  - Only at risk for the transaction it is specifically assigned to.

- Programwide Credit Enhancement
  - Typically provided by the sponsor of the conduit.
  - At risk for all of the assets in the conduit.
  - Subordinate to CP, Programwide Liquidity, and sometimes transaction specific liquidity.

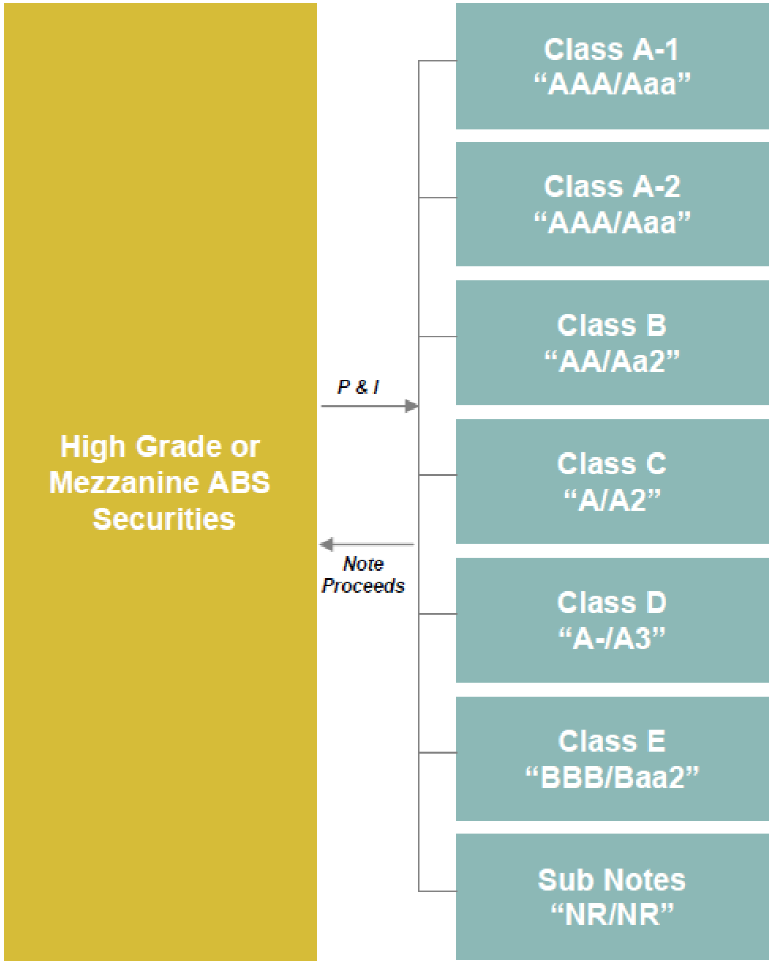
- Programwide Liquidity
  - Typically provided by the sponsor of the conduit.
  - At risk for all of the assets in the conduit.
  - Typically used to repay CP during a temporary market disruption.
  - Typically pari passu with CP.

How have Multi-Seller ABCP Programs performed throughout this market crisis?

- The conduit sponsors' direct relationships with the sellers of receivables and the 364 day maturity of the liquidity facilities have provided an ability to "fix" transactions that develop performance issues.
- This ability has significantly improved the performance of transactions funded in ABCP conduits during the recent market crisis.
- As transactions have come up for their 364 day renewal of the liquidity facility, structures have been tightened and improved to better protect the conduit (and all relevant risk position takers). For example,
  - Material additional credit enhancement has been added to certain transactions.
  - "Stronger" forms of credit enhancement have been substituted for "weaker" forms (e.g., over-collateralization instead of excess spread).
  - Trigger levels have been further tightened.
- In addition, the significant diversification of underlying assets funded within traditional multi-seller ABCP structures resulted in overall risk reduction.

Agenda

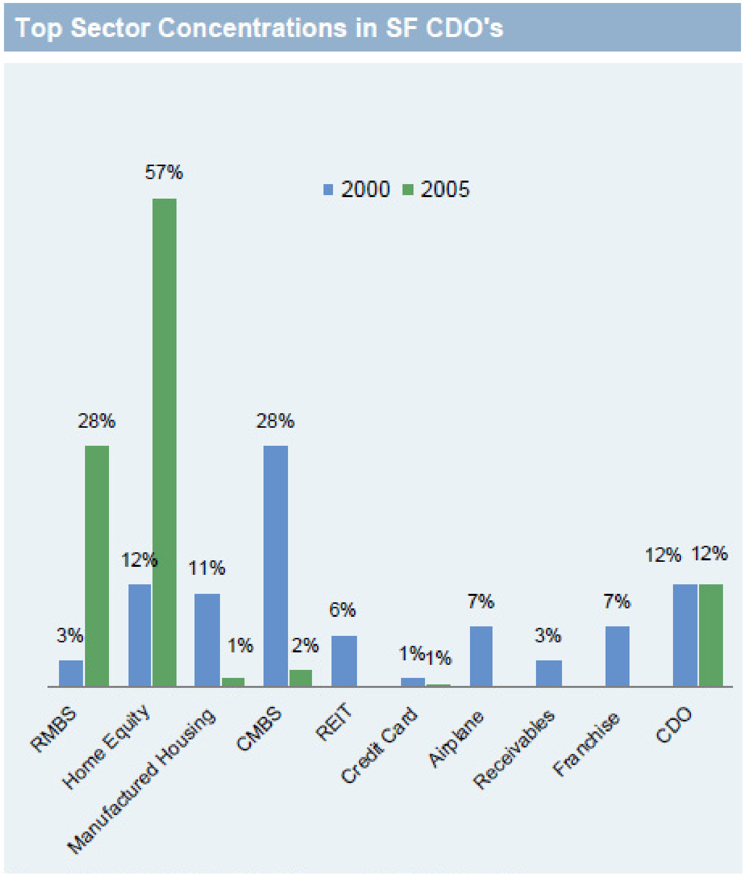
Cashflow ABS CDO Structure and Risks



Assets

- Publicly traded, high grade and mezzanine tranches of ABS.
- Heavily weighted towards mortgage related assets.
- Increasingly over time, these ABS tranches were backed by subprime mortgages.
- As the assets in the CDO are public securities, the portfolio manager of the CDO has no control over the underlying structures of the securities and would be unable to restructure or improve upon a problem situation in the underlying transactions funded in the CDO.
- There is no ability to improve upon the risk position in the CDO other than limited trading which may allow a portfolio manager to sell out of a higher risk securitiy (at a loss) and buy a less risky security.

ABS CDOs: Asset Mix - 2000 versus 2005



Source: "Credit Risk in Structured Finance CDOs", 2006, JPMorgan

- Diversity in the asset classes comprising CDOs decreased drastically from 2000 to 2005.
- During the same time period, the concentration of mortgage related assets in SF CDOs increased significantly.
- By 2005, the asset mix for ABS CDOs had moved to 88% mortgage related product and 12% CDO product (the majority of which was also backed by mortgage collateral).
- This trend towards mortgage collateral with concentrations in subprime and Alt-A collateral continued well into 2007.

Description of Risk Positions in a Cashflow ABS CDO

- ABCP
  - Investors in ABCP tranches within these structures took the risk that the liquidity/put provider failed to fund and then that the assets were insufficient (or not liquid enough) to repay the ABCP at maturity.

- Rated Notes
  - The risk each investor takes is specific to the tranche they invested in. Each lower rated tranche provides enhancement to the tranche(s) senior to it and is at a higher risk of loss.
  - The investors in the rated notes take the risk that the securities will not provide sufficient cashflow to fully pay their principal and interest ("P&I") payments as due.
  - In a traditional cashflow CDO, the investors are at risk for the cashflows of all the underlying securities being sufficient to pay P&I.
  - In a synthetic cashflow CDO, the investors have all of the risks of a traditional cashflow CDO with an added risk to the credit default swap counterparty.

- Liquidity/Put Facility
  - In the event that the ABCP could not be reissued, the liquidity/put provider stepped in and funded the payout of this liability. The liquidity/put provider was then exposed to the same risk as a senior investor in rated notes would have been.

How have ABS CDOs performed throughout this market crisis? What went wrong?

- Cashflow ABS CDOs experienced significant problems due to their over concentration to mortgage (much of it subprime) collateral.
- As the assets within the mezzanine ABS CDOs were primarily comprised of thin, mezzanine tranches in RMBS, rising defaults in the underlying obligors on these mortgages had a dramatic impact on the cashflows (or lack thereof) on these tranches.
- As the defaults on the mortgages continued to rise, the collateral backing these ABS CDOs became worthless.
- Unlike with multi-seller ABCP facilities, these portfolio managers were largely “stuck” as they were unable to restructure the underlying transactions and improve their risk positions.
- The only potential method available to them to resolve the declining value of their assets would have been to sell the collateral and reinvest. This quickly became problematic as the market value of these RMBS tranches was deeply distressed as well.
- In addition, many of these ABS CDOs were structured in synthetic form. These involved the use of a counterparty to take on the risk in the underlying tranches of the RMBS.
- Problems with some of these counterparties further added to the problems in some of these transactions.

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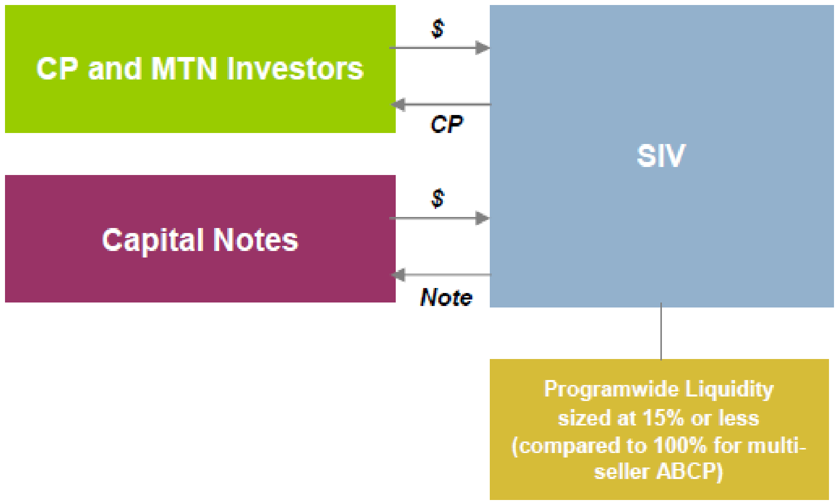
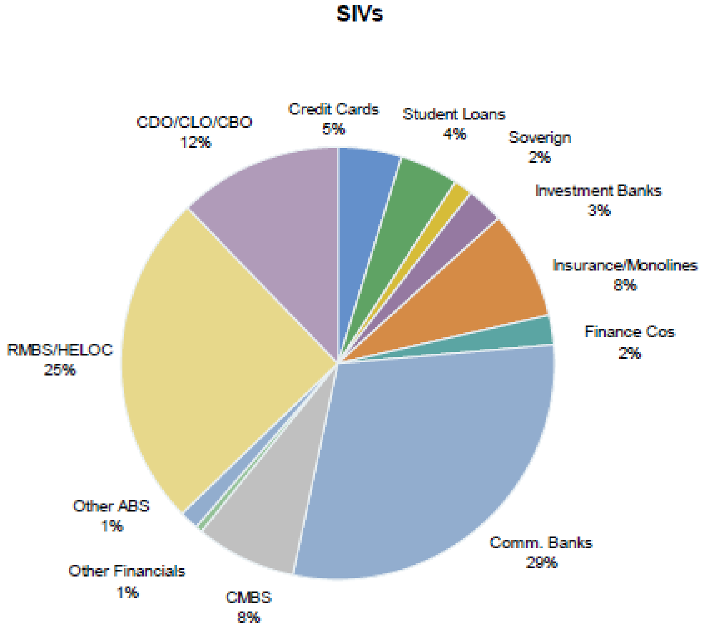
SIV Structure and Risks



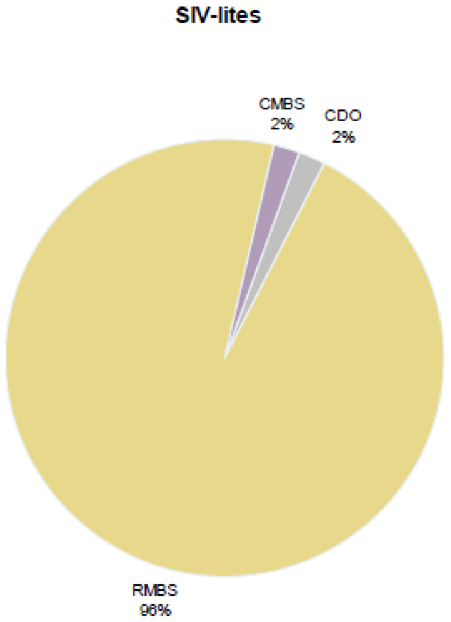
Assets

- Pre-2004, SIV portfolios were mainly diversified portfolios of consumer and commercial securities.
- Post-2004, SIV portfolios became concentrated in securities backed by mortgages.
- The securities held in the SIV are publicly traded, typically senior tranches of ABS and mezzanine bank debt. The portfolio manager of the SIV has no control over the underlying structures of the securities and no ability to improve upon the structure or performance of the underlying securities if performance was not as expected.

SIVs: Asset Mix



Source: Moody's, January 2008



Source: Moody's, July 2007

Description of Risk Positions in a SIV

- ABCP and MTNs
  - The primary risk to these investors is that the cashflows from all of the securities are insufficient to pay P&I.
  - Under instances where ABCP and MTNs are due and cannot be reissued and liquidity has been exhausted (as occurred in mid 2007), the investors are at risk for the market value of the securities as there is a forced sale of the underlying ABS in order to raise cash to meet the obligations of the SIV. The securities would have to be sold to repay any amounts due.

- Programwide Liquidity
  - The primary risk is that the cashflows from all of the securities are not enough to pay P&I.
  - If the cashflows are not sufficient to pay P&I, securities will have to be sold to pay amounts due.
  - Liquidity is generally not repaid until after all the ABCP and MTNs are repaid in full.

How have SIVs performed throughout this market crisis? What went wrong?

- SIV and SIV-lite structures were built (unlike multi-seller ABCP facilities) with reliance on the market value of the underlying collateral.
- These structures included an ongoing net asset value ("NAV") test that when failed, required the portfolio manager to take actions to resolve the failure – this translated into the forced sale of the underlying collateral.
- As previously indicated, by 2007, much of the underlying collateral backing (in particular the SIV-lite structures) was mortgage related collateral where performance and the mark to market were severely negatively impacted during this time.
- The negative impact on the SIV collateral was to a certain extent circular as the forced sales of what ended up being significant portfolios of assets further distressed the mark to market on the remaining book of assets thereby forcing further liquidations.
- In addition, large scale downgrades in the securities held by the SIV resulted in a freezing of the market for ABCP issued by SIVs. The failure to re-issue the liabilities (ABCP and MTNs) required the portfolio managers to take action to raise proceeds from the structure to pay off the maturing liabilities.
- Any available liquidity (that unlike ABCP was not sized to 100% of the liabilities) in the structure was drawn to repay liabilities.
- When the liquidity facilities were fully utilized and there was still a need for more proceeds to pay off maturing liabilities, a forced liquidation of the assets into a distressed market resulted in further losses.

Agenda

Securities Arbitrage ABCP Conduit Structure and Asset Description

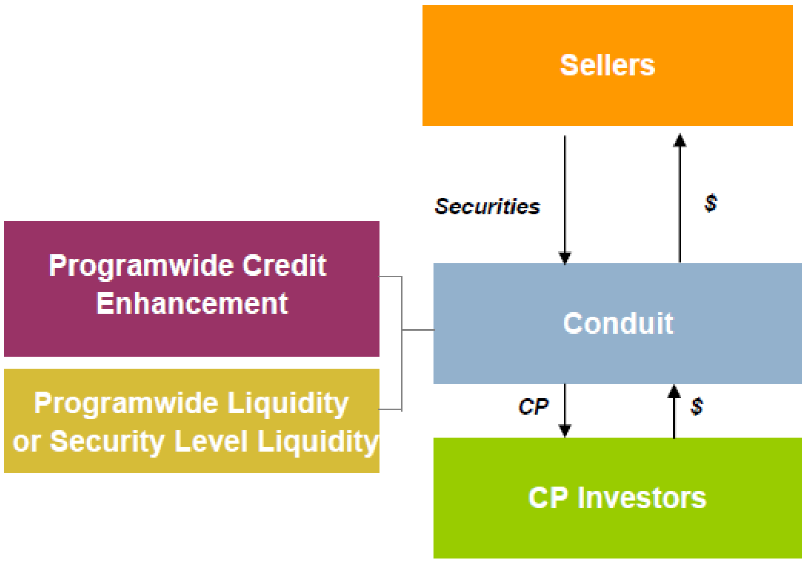
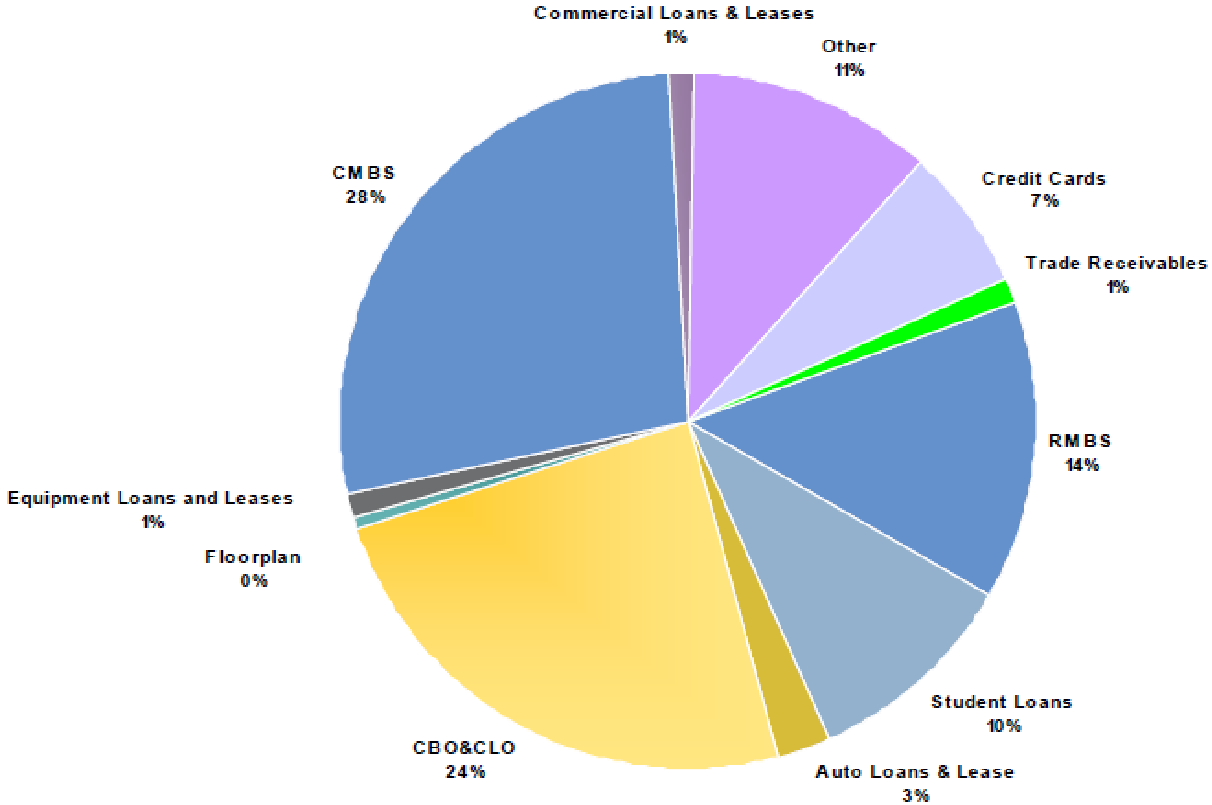


Diagram illustrates structural features commonly found in securities arbitrage ABCP conduits. Individual conduits will have slight differences in structure; however the general principles will remain (no market value triggers, purchase of senior, rated securities, etc.).

Assets Funded

- Portfolio of senior, publicly traded securities.
- Major asset classes funded include CMBS, RMBS and CDOs.
- There is 100% liquidity support for the ABCP issued.
- Liquidity now unconditional industry-wide.
- There are no market value triggers requiring sale of conduit funded securities.

Asset Mix: US Securities Program



Source: "ABCP 2008 Year in Review and 2009 Outlook", February 2009, Moody's

Description of Risk Positions in a Securities Arbitrage ABCP Structure

- ABCP
  - The risk for an investor in ABCP is that available amounts from the assets, liquidity and credit enhancement are insufficient to repay the face value of the ABCP.

- Liquidity
  - Typically provided by the sponsor of the conduit.
  - There may either be a separate liquidity facility for each transaction or a programwide liquidity facility to cover all assets.
  - May be structured as either an asset purchase agreement used to purchase specific transactions or a loan agreement where the liquidity bank makes a loan to the conduit.
  - Security specific liquidity would only be at risk for the transaction to which it is specifically assigned.
  - Programwide facilities would be at risk for all of the assets that it funded against.

- Credit Enhancement
  - If the conduit is used to fund securities rated below AA-/Aa3, some form of credit enhancement (typically a letter of credit) would be required or, in some cases, the security was required to be sold.
  - The credit enhancement provider would be at risk for the default of the securities covered by the credit enhancement facility.
  - In certain cases where there was a forced sale, the credit enhancement provider may also be subject to market value risk.

Agenda

Summary

- ABCP is a Key Financing Source for the Economy
  - Traditional multi-seller ABCP is an important financing component for the overall economy.
  - At its current (and originally proposed Basel II) regulatory capital levels, this provides banks a cost efficient, much needed financing for consumer and commercial assets.

- Multi-Seller ABCP has Proven Strong Performance in an Extremely Stressed Economic Environment
  - Performance of traditional multi-seller ABCP has remained strong despite the severe economic downturn experienced over the past several years.
  - Keys to this strong performance experience have been:
    - The ability to "fix" problems as they occur – a feature unique to multi-seller ABCP funded facilities.
    - The absence of any triggers forcing the sale of transactions due to a change in the market value of the assets.
    - True diversification of assets funded within the overall structure of a multi-seller ABCP vehicle resulting in significantly lower correlation within multi-sellers versus ABS CDOs.

- Risks in ABCP are Clearly Differentiated from Other Structured Programs
  - The risks in ABS CDOs and SIV/SIV-lite structures are distinct from multi-seller ABCP and led to the materially worse performance of these structures relative to traditional multi-seller ABCP during the recent market stresses. Most notably,
    - ABS CDOs had no ability to "fix" problem underlying assets combined with an over-concentration on mortgage collateral.
    - SIVs and SIV-lites had market value triggers that resulted in a need to sell the underlying ABS collateral in a distressed market environment.
    - SIV-lites (in particular) were also significantly over-concentrated in mortgage assets.

Exhibit II to
ASF Comment Letter

Money Market Fund
Reform Proposals

September 8, 2009

Executive Summary

Additional money market regulation may restrict bank liquidity

- The Securities and Exchange Commission ("SEC") has proposed a variety of amendments to money market fund regulation which aim to:
  - Create stability in the money market sector
  - Bolster liquidity and foster diversity of money market assets
  - Protect consumers from events similar to those experienced in September of 2008
    - Lehman Brothers' bankruptcy caused the Reserve Primary Fund to "break the buck" triggering a run on money market funds

- Reform measures should take into consideration the state of the capital markets
  - Capital markets dislocation has led to financial re-intermediation
    - Reliance on commercial banks to provide liquidity/funding to replace lost capital markets funding
  - Commercial banks' ability to increase lending depends upon their confidence in stable access to funding
  - Money market funds are a major source of funding to commercial banks (bank debt and ABCP issuance)

- Certain proposed reforms may reduce liquidity and, in turn, increase systemic risk
  - Other government programs have succeeded in restoring liquidity; however, the market remains fragile
  - Further restrictions may constrain liquidity in the market and place additional pressure on banks
  - Systemic risk may increase:
    - The elimination of eligibility of Tier II securities may reduce liquidity and increase market volatility
    - In the current environment, banks' credit ratings are heavily concentrated within 1 notch of potentially becoming ineligible for money market funds
    - More stringent issuer concentration limits may not mitigate systemic risk and could create a liquidity strain on issuers

- Reforms may unintentionally curtail the availability of commercial and consumer credit
  - Redirects credit currently funded through the capital markets towards banks
  - To facilitate the economic recovery, liquidity must be maintained to promote further consumer and corporate lending
    - Any reduction of liquidity, intended or unintended, could be detrimental to economic recovery

Market Challenge: Constrained Funding

Restoring bank liquidity is essential to increasing the availability of credit

- $847 billion in securitized financing provided in 2006 is no longer available to consumers and corporations[1]
  - Over $700 billion of this was mortgage-related and is being actively addressed by government and private sector programs
  - Approximately $140 billion of this was other consumer and corporate financing that is critical to a functioning U.S. economy

- Restoring the flow of debt funding ("liquidity") from money market funds to banks and eventually to consumers and corporations will bolster the liquidity and financial stability needed for an economic recovery

- Current government sponsored programs have attempted to increase the availability of credit by:
  - Ensuring that commercial banks are well capitalized and are willing and able to provide financing
    - Through TARP and TLGP, banks are beginning to stabilize but have limited ability to grow their balance sheets
  - Bolstering market liquidity by providing a liquidity backstop to money market funds and CP issuers through the AMLF and CPFF

- Banks need both capital and liquidity in order to lend
  - Capital's (especially equity capital) critical role is to show long-term financial viability. Its most important role is to instill the confidence required by others to invest or lend cash to a company or financial institution, creating liquidity for the company or financial institution
  - Liquidity is the access to near-term cash. It is wholly dependent upon the confidence of others to invest or lend cash to a company or financial institution

- Confidence in term liquidity is needed to give well capitalized banks the ability to increase ABCP conduit and balance sheet lending

[1] JPMS, MCM CorporateWatch, Bloomberg, Commercial Mortgage Alert

![American Securitization Forum]

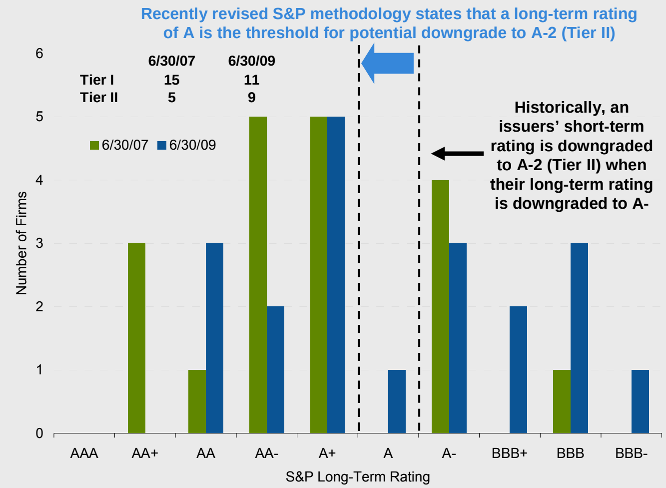
SEC Proposal: Money Market Reform

Eliminate Tier II Securities from Eligibility

Effect on Banks:

- Eliminating Tier II securities from eligibility could increase market volatility and place additional liquidity pressures on banks
  - Banks rely upon access to the money market for funding
    - 79% - 80% of taxable money market assets fund banks and financial institutions[1]
  - As of 6/30/09, 6 of the largest 20 S&P-rated banks are within 1 long-term rating notch of potentially becoming Tier II issuers[2]
    - 9 of the largest 20 S&P-rated banks are already rated A-2 (Tier II) vs. 5 banks as of 6/30/07[2]
  - Rating agency actions have obscured the relationship between short-term and long-term ratings, adding to market uncertainty
    - S&P methodology states that an issuer with a long-term rating of A could potentially be downgraded to A-2[2] (Tier II)
    - Historically, S&P's downgrade of a bank's long-term rating to A- has resulted in a downgrade of the short-term rating to A-2 (Tier II)
    - Additionally, 3 of the largest 20 S&P-rated banks would be rated A-2 (Tier II) on a stand-alone basis; however, S&P gives a 3 - 4 notch uplift to the banks' long-term rating due to the expectation of government support if necessary
  - If a bank's short-term rating is downgraded, access to the money market could be eliminated, severely constraining liquidity
    - ABCP conduits could likewise lose access to the money market, as their ratings are linked to their liquidity banks
    - As of 6/30/09, the 6 banks within 1 long-term rating notch of potentially becoming Tier II had $115 billion of ABCP outstanding that could potentially become ineligible after a rating downgrade[3]
    - For the 6 banks within 1 long-term rating notch of potentially becoming Tier II, there is a 30% probability that 1 or more could have their long-term rating downgraded within one year[4]
- The SEC should consider increasing the 5% limit on Tier II securities, as this could reduce market volatility and maintain banks' access to liquidity and funding
  - Money market funds that have performed robust credit analysis may choose to selectively purchase high credit quality Tier II bank issuance
  - The impact of rating agency actions could be diminished, reducing market volatility
  - A stable flow of liquid funding could be available to banks, reducing systemic risk

Long-Term Rating of the Largest 20 S&P Rated Banks[2]



[1] J.P. Morgan: US Fixed Income Markets Weekly – August 14, 2009
[2] S&P (see page 7 for additional detail)
[3] Moody's: ABCP Market at a Glance: ABCP Multiseller Market Snapshot – June 30, 2009
[4] RBC Capital Markets – Based upon a 1-year, derived S&P rating transition matrix and a 50% correlation coefficient (see page 8 for additional detail)

SEC Proposal: Money Market Reform

Eliminate Tier II Securities from Eligibility

Economic Impact:

- The elimination of Tier II securities from eligibility may reduce banks' access to liquidity, while at the same time increasing the demand for credit from banks
- Tier II issuers may turn to banks for financing and face increased borrowing costs
  - 5% of prime money fund assets could disappear as financing to Tier II issuers
  - If cut off from the capital markets, the $41.5 billion Tier II market[1] may be forced to utilize banks as a source of financing, putting additional liquidity pressures on banks
  - Tier II issuers may face increased borrowing costs of as much as 8% if cut off from the capital markets[2]
  - Could reduce corporate expenditures and slow the economic recovery as firms struggle to find cost-effective financing
- The Tier II market has remained functional throughout the market contraction
  - Money market funds perform robust credit analysis and are capable of selecting high credit quality securities

Tier II Issuer Market Statistics[1]

- Issuers are predominantly U.S. domestic industrials
- 150 active issuers
- Less than 25 issuers have over $500 million outstanding
- 87% of issuance matures in 45 days or less
- Market size - $41.5 billion
- Market peak - $141 billion (July 2000)
- Current market volatility is unprecedented
- 2009 maturities are overnight to 2-week period

Sample Tier II Issuers[1]

Diversity of Issuers	Avg Daily Outstandings ($ in millions)
CVS Corp	1,921
ITT Corporation	1,705
Kellogg Company	1,432
H.J. Heinz Finance Company	1,355
Ingersoll-Rand Global	1,048
Transocean Inc.	1,021
Dow Chemical Company	874
Kraft Foods Inc.	854
WellPoint, Inc.	840
Clorox Company	748
Safeway Inc	686
Aetna Inc.	304
Mariott International, Inc	201

[1] Bank of America: Tier 2 Commercial Paper Market Update - March 2009
[2] Bloomberg

SEC Proposal: Money Market Reform

WAM, WAL and Liquidity Requirements

Proposal:

- Limit WAM to 60 days (from current 90 days limit)
- Limit the WAL portfolio maturity to 120 days (currently no requirement)
- Require a minimum amount of liquid assets of 15% and 30% for retail and institutional funds, respectively (currently no requirement)

Macro Effect:

- Shorter WAM and WAL and additional liquidity requirements may not eliminate the systemic risk of a fund "breaking the buck"
  - The WAM of the Reserve Primary Fund was 43 days, in line with the industry average[1] (for Prime Institutional Funds) and within the proposed 60 day limit
  - Even if the Reserve Primary Fund had been able to meet the proposed 30% minimum of assets maturing in 7 days or less (it had only 13%), it still would have "broken the buck" due to the magnitude of the run on the fund[1]
- Added constraints will reduce the liquidity and stability of the money market, placing additional liquidity pressure on banks
  - Banks are currently seeking to improve liquidity
    - Increase maturity issuance
    - Establish a stable flow of funds
  - In the event that the money market is not as liquid and effective a funding source, bank liquidity visibility will be diminished and banks may be forced to fund themselves with other sources

Single Issuer Limit of 3% (compared to current limit of 5%)

Proposal:

- Limit fund exposure to a single issuer to 3% (decrease from current 5%)

Macro Effect:

- Decreasing the maximum concentration limit for single issuers may not eliminate the systemic risk of a fund "breaking the buck"
  - A small percentage of exposure to a distressed issuer can result in a run on a fund or "breaking the buck"
    - The Reserve Primary Fund had 1.2% of Lehman Brothers exposure prior to "breaking the buck"[1]
    - Exposure was within both the current and proposed single name issuer concentration limits
    - Without affiliate support, other money market mutual funds may have "broken the buck" due to a lack of market liquidity (e.g. Wachovia provided support to 3 Evergreen Investment Management funds that were negatively impacted by the Lehman Brothers bankruptcy[2])

[1] J.P. Morgan: US Fixed Income Markets Weekly - August 14, 2009
[2] J.P. Morgan: US Fixed Income Markets Weekly - September 17, 2008

Market Stability: Essential to Bank Liquidity

Proposed regulation could constrict money market liquidity

- Banks cannot be the sole source of funding for corporate and consumer credit
  - Limited by liquidity, regulation and capital constraints
  - An investor mix that creates diverse alternatives to bank lending is the best solution
    - Must have the ability to purchase Tier II paper, bank notes and ABCP

- The capital markets dislocation has led to financial re-intermediation and an increased reliance on commercial banks to provide liquidity/funding
  - Money market funds are an essential source of liquidity for bank funding
    - Approximately $3.1 trillion of taxable money fund assets outstanding[1]
    - The money market fund investor base is critical in providing liquidity to CP, ABCP and Tier II issuers

- Reforms may unintentionally curtail the availability of commercial and consumer credit

- From a bank perspective, the proposed SEC reforms may create additional systemic problems
  - Banks are actively working through difficult credit conditions to manage capital requirements, liquidity and systemic risk
  - At the same time, they are encouraged to increase lending to promote economic growth
  - Market liquidity has been bolstered through previous government efforts, but the market remains fragile

- Economic recovery is not possible without:
  - Policies that promote liquidity and further investment
  - Banks that are able to meet the needs of corporate and consumer clients while maintaining stable financials

[1] J.P. Morgan: U.S. Fixed Income Markets Weekly – August 14, 2009

Appendix 1

Bank selection criteria (for chart on p. 3)[1]

- Selected US-based, bank holding companies
  - Holding companies sorted by total assets
  - 25 largest bank holding companies were selected
- Listed S&P's short-term and long-term ratings for the subsidiary banks of the largest 25 holding companies
  - Ratings were identified for 6/30/09 and 6/30/07
  - Of the 25 listed, 20 were included in the chart (p. 3) due to the fact that not all the bank subsidiaries were rated by S&P

		Bank Ratings as of June 30, 2009		Bank Ratings as of June 30, 2007	
#	Bank	LT	ST	LT	ST
1	Bank of America NA	A+	A-1	AA+	A-1+
2	JPMorgan Chase Bank NA	AA-	A-1+	AA	A-1+
3	Citibank NA	A+	A-1	AA+	A-1+
4	Wells Fargo Bank NA	AA	A-1+	AAA	A-1+
5	Goldman Sachs Bank USA/New York	N/A	N/A	N/A	N/A
6	Morgan Stanley Bank NA	A+	A-1	A+	A-1
7	PNC Bank NA	A+	A-1	A+	A-1
8	US Bank National Association	AA-	A-1+	AA+	A-1+
9	Bank of New York Mellon/The	AA	A-1+	AA-	A-1+
10	Suntrust Bank/Atlanta GA	A-	A-2	AA-	A-1+
11	Branch Banking & Trust Co.	A+	A-1	AA-	A-1+
12	Regions Bank	A-	A-2	A+	A-1
13	Fifth Third Bank	BBB+	A-2	AA-	A-1+
14	Key Bank USA NA	NR	NR	NR	NR
15	The Northern Trust Co.	AA	A-1+	AA-	A-1+
16	M&T Bank NA	N/A	N/A	N/A	N/A
17	Comerica Bank	A	A-1	A+	A-1
18	M&I Marshall & Ilsley Bank	BBB	A-2	A+	A-1
19	Hudson City Savings Bank	N/A	N/A	N/A	N/A
20	Zions First National Bank	BBB	A-3	A-	A-2
21	Huntington National Bank/The	BBB-	A-3	A-	A-2
22	Synovus Bank	N/A	N/A	N/A	N/A
23	New York Community Bank	BBB	A-2	BBB	A-2
24	Associated Bank NA	BBB+	A-2	A-	A-2
25	People's United Bank	A-	A-2	A-	A-2

Note that because of no bank level rating, Goldman Sachs Bank USA/New York, Key Bank USA NA, M&T Bank NA, Hudson City Savings Bank and Synovus Bank were excluded from the chart

Indicates the bank is included in the chart on p. 3

[1] Bloomberg, S&P

Appendix 2

S&P rating volatility may result in the downgrade of additional banks to A-2 (Tier II)

- S&P published a transition matrix detailing the probability of downgrades/upgrades of financial institutions over a 5-year time frame
  - Matrix is based on S&P's historical rating changes from the 1980s to 2000

- RBC Capital Markets derived a 1-year transition matrix from S&P's 5-year transition matrix
  - The vertical-axis describes the rating of a financial institution at the beginning of the 1-year period
  - The horizontal-axis describes the probability that an institution will be downgraded/upgraded to a given rating within a 1-year time frame

1-Year Derived S&P Rating Transition Rates Financial Institutions[1]

From/To	AAA	AA+	AA	AA-	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB	B+	B	B	CCC	D
AAA	**92.68%**	2.85%	2.90%	0.43%	0.07%	0.00%	0.00%	0.51%	0.12%	0.12%	0.00%	0.00%	0.00%	0.32%	0.00%	0.00%	0.00%	0.00%
AA+	2.01%	**78.37%**	9.03%	2.89%	0.59%	4.33%	2.62%	0.00%	0.00%	0.00%	0.00%	0.07%	0.03%	0.00%	0.00%	0.01%	0.03%	0.02%
AA	0.54%	0.93%	**80.48%**	7.15%	4.20%	2.92%	1.92%	0.99%	0.25%	0.03%	0.00%	0.00%	0.00%	0.59%	0.00%	0.00%	0.00%	0.00%
AA-	0.00%	0.00%	3.01%	**81.94%**	6.48%	4.02%	2.30%	1.25%	0.17%	0.21%	0.00%	0.00%	0.16%	0.00%	0.00%	0.16%	0.00%	0.31%
A+	0.00%	0.00%	0.00%	3.33%	**81.17%**	6.17%	5.26%	1.17%	1.36%	0.00%	0.00%	0.69%	0.00%	0.36%	0.46%	0.01%	0.00%	0.01%
A	0.01%	0.06%	0.51%	1.10%	7.88%	**80.51%**	4.33%	2.91%	0.97%	0.82%	0.18%	0.20%	0.09%	0.40%	0.00%	0.00%	0.02%	0.00%
A-	0.58%	0.07%	0.00%	0.00%	1.33%	12.46%	**74.46%**	3.62%	2.52%	1.71%	1.41%	0.00%	0.41%	0.00%	0.60%	0.00%	0.12%	0.72%
BBB+	0.25%	0.00%	0.37%	2.63%	0.00%	9.84%	8.32%	**64.81%**	6.21%	3.33%	0.00%	0.68%	1.27%	0.00%	0.61%	0.00%	0.99%	0.69%
BBB	0.00%	1.39%	0.46%	0.83%	1.41%	0.20%	2.46%	7.90%	**73.57%**	5.28%	2.91%	0.30%	0.00%	2.80%	0.00%	0.21%	0.00%	0.27%
BBB-	2.68%	0.00%	0.00%	2.01%	0.00%	0.24%	0.31%	9.72%	11.56%	**52.67%**	4.39%	4.11%	1.49%	5.10%	2.18%	0.85%	1.73%	0.97%
BB+	0.00%	0.08%	0.91%	0.00%	0.12%	2.82%	0.00%	6.87%	1.18%	8.76%	**70.42%**	3.82%	0.00%	0.40%	0.00%	0.00%	4.54%	0.08%
BB	0.00%	0.23%	0.01%	3.28%	0.00%	8.01%	0.00%	0.00%	0.55%	26.78%	0.00%	**53.46%**	0.00%	2.85%	0.00%	0.00%	0.00%	4.84%
BB-	0.31%	0.04%	0.00%	0.00%	0.42%	0.30%	0.05%	2.51%	0.00%	0.00%	4.93%	2.66%	**58.67%**	18.95%	0.00%	2.23%	0.00%	8.94%
B+	0.00%	0.00%	0.00%	3.04%	0.00%	0.00%	0.00%	0.00%	7.45%	0.00%	5.97%	1.08%	5.11%	**37.04%**	11.01%	3.72%	15.12%	10.47%
B	0.00%	0.23%	0.24%	0.00%	0.46%	0.00%	3.73%	0.00%	0.00%	13.01%	3.25%	4.49%	14.13%	0.00%	**46.79%**	0.00%	1.46%	12.21%
B-	0.00%	0.03%	0.00%	0.08%	0.00%	0.00%	0.14%	0.00%	0.00%	0.00%	2.62%	0.00%	0.00%	1.10%	0.00%	**67.35%**	6.04%	22.63%
CCC	1.60%	0.00%	0.00%	0.45%	0.00%	0.00%	0.17%	0.00%	0.55%	0.00%	1.99%	0.00%	7.07%	0.00%	0.76%	0.00%	**65.15%**	22.25%

- Using the 1-year derived transition matrix, a Monte Carlo simulation was run to project the probability of a long-term rating downgrade within 1 year for the 6 banks within 1 long-term ratings notch of potentially becoming Tier II
  - Analysis assumes a correlation coefficient of 50%[1]

- According to this analysis, for the 6 banks within 1 long-term rating notch of becoming Tier II, there is a 30% probability that one or more could have their long-term rating downgraded within the next year[1]

[1] RBC Capital Markets

Bank of America Merrill Lynch

Tier-2 US Commercial Paper Market Update

October 15, 2009

Bank of America Merrill Lynch

Notice to Recipient

[redacted]

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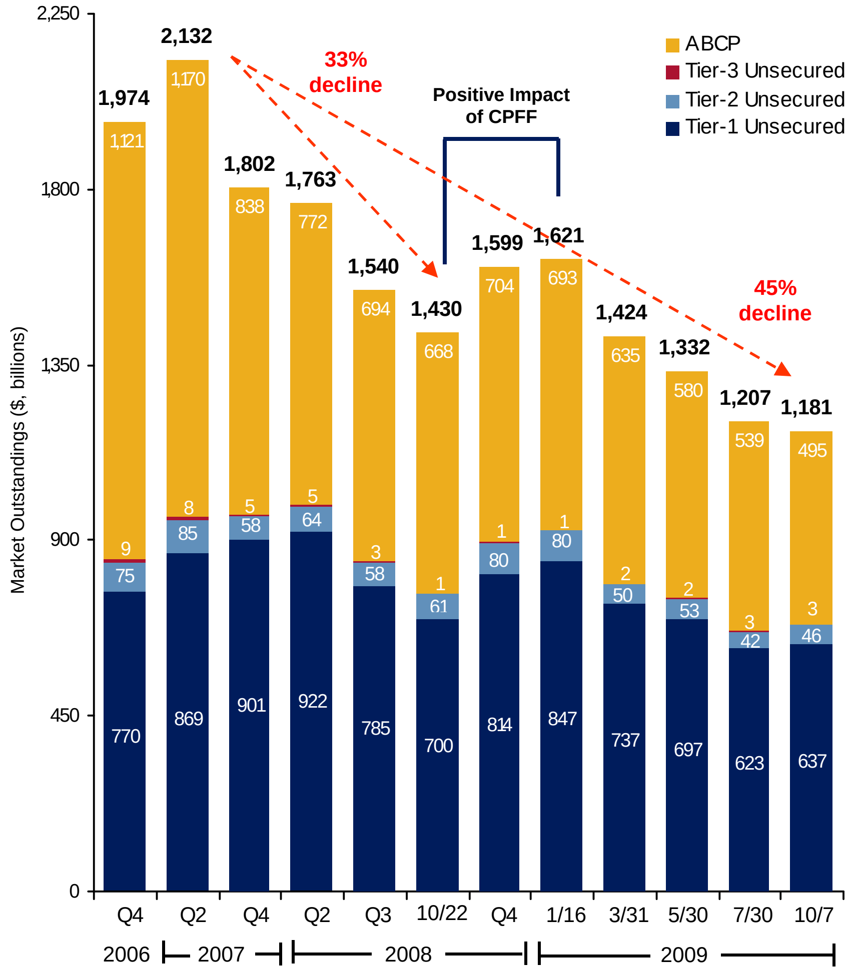
Bank of America Merrill Lynch

Tier-2 US Commercial Paper Market Update

Tier-2 US Commercial Paper Market Update

Market Turbulence and Term Debt Issuance Have Significantly Impacted CP Volumes

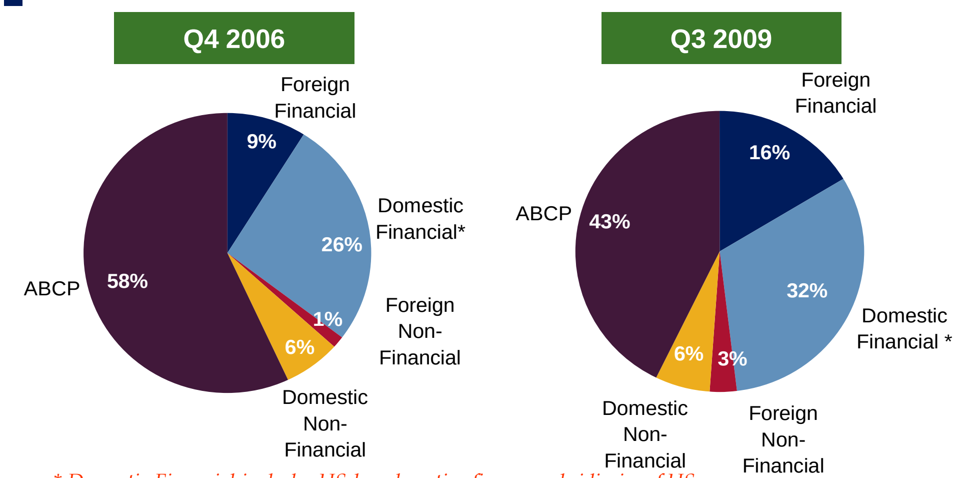
Total USCP Market Outstandings [1]



At $46 billion, the Tier-2 market is at a level not seen since 1995. Low supply has caused a significant reduction in credit spreads

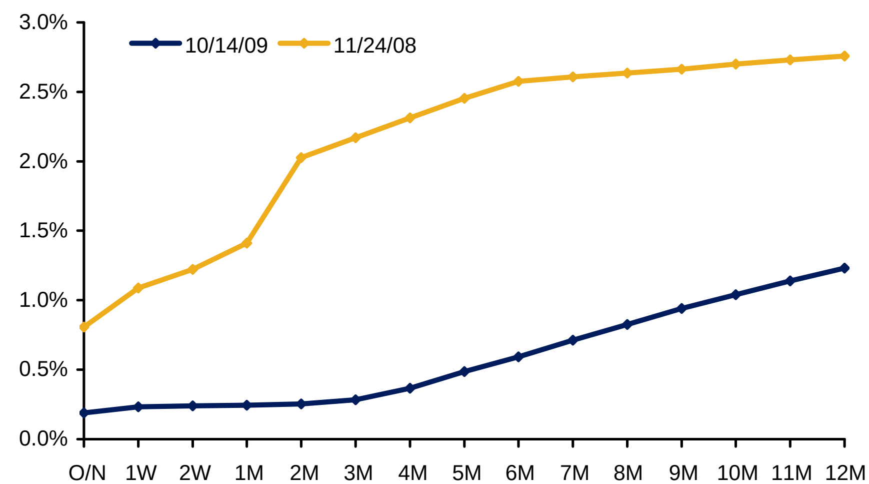
(1) Source: Federal Reserve as of October 7, 2009

Total USCP Market Outstandings [1]



** Domestic Financial includes US-based captive finance subsidiaries of US and foreign corporates, and US-based subsidiaries of foreign banks*

LIBOR Yield-Curve Lowers and Flattens –particularly in the Short End



Bank of America
Merrill Lynch

Tier-2 US Commercial Paper Market Update

Market Analysis: Tier-2 US Commercial Paper Market Update

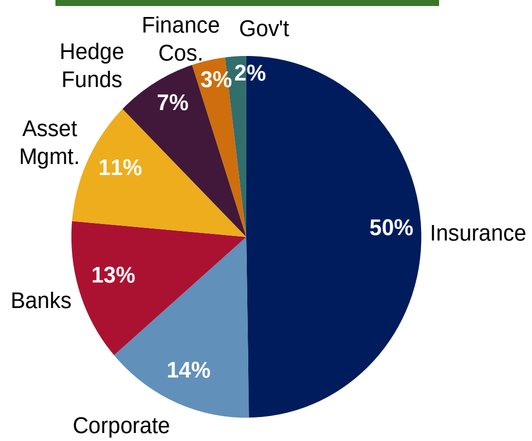
Tier-2 Market Overview

- **Investor demand appears to be outpacing current supply – providing an excellent backdrop for new or additional Tier-2 issuance**
- While Tier-2 market outstandings have increased over the past few weeks to $46 billion, they remain significantly below historical levels
- Approximately 100 current issuers; 15 issuers have more than $500 million in outstandings. **It is commonplace for active Tier-2 issuers to maintain outstandings between $100 - $300 million**
- The largest issuers currently maintain outstandings in the $1 billion - $2.5 billion range
- Pricing is name and industry dependent and currently ranges from LIBOR + 10 to + 50 bps. Consumer product companies trade best-in-class
- 86% of the Tier-2 market have maturities of 45 days or less [1]
- The dominant investors for Tier-2 commercial paper are insurance companies, banks, and corporates, irrespective of credit cycles

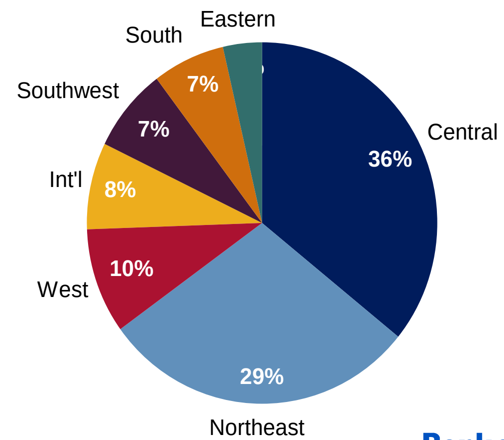
Spreads for Tier-2 Issuers have tightened dramatically since 4Q 2008.

Tier-2 Distribution Analysis [2]

Institutional Distribution



Geographic Distribution



(1) Source: Federal Reserve Bank of New York. (2) *Reflects data for BAML Tier-2 issuers; trade period 1/1/09 to 7/31/09.*

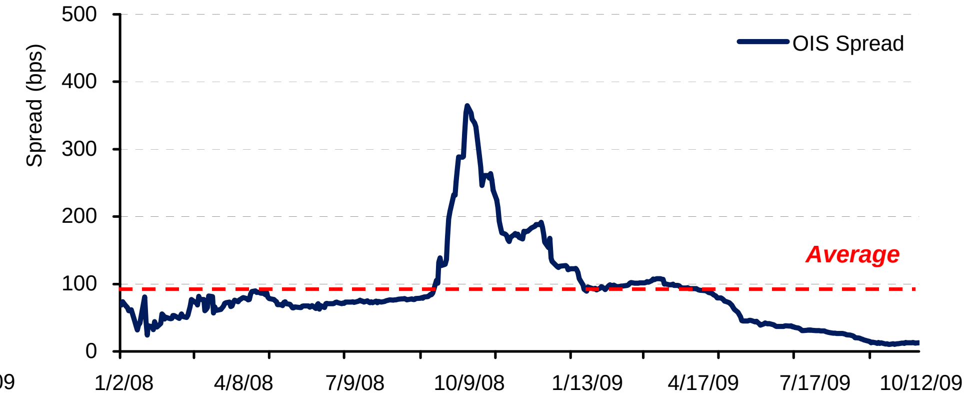
Bank of America Merrill Lynch

Tier-2 US Commercial Paper Market Update

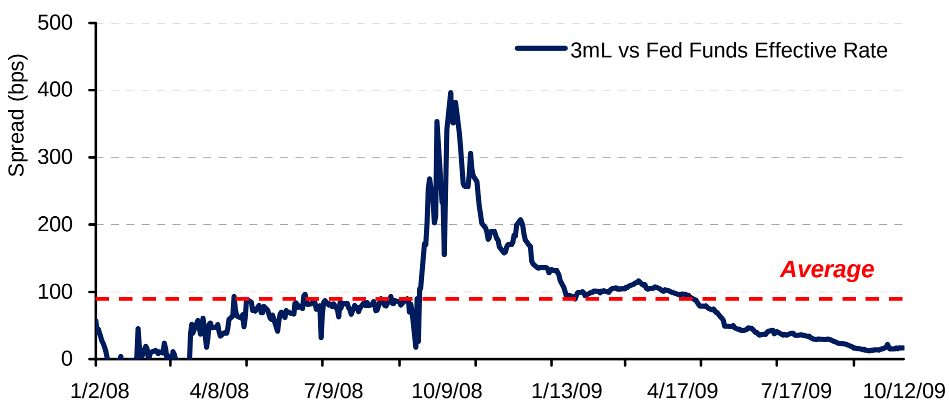
Money Markets Appear to Have "Healed"…

3-mo LIBOR - 3-mo T-bills ("TED" Spread)

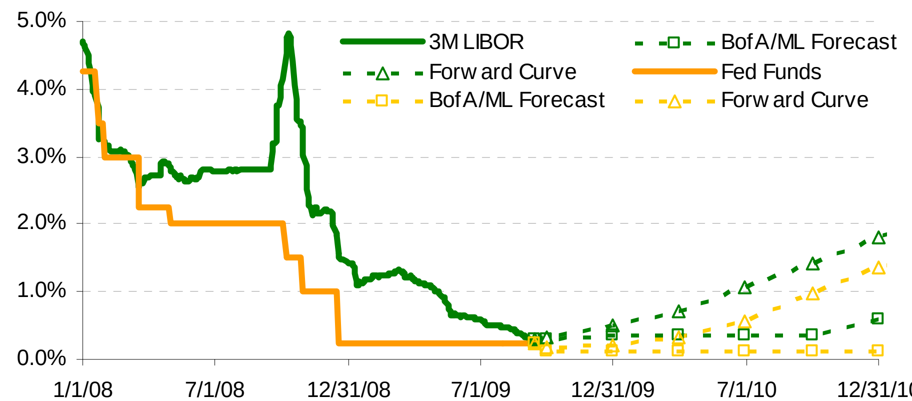
3-mo LIBOR - Overnight Index Swap Rate ("OIS" Spread)



3-mo LIBOR - Fed Funds Effective Rate Spread



Short Term Rates – Historical and Forecast



Frequently watched indicators have returned to levels last seen in the first half of 2008. This is a strong sign of healing in the money markets

Source: Bloomberg as of 10/12/09

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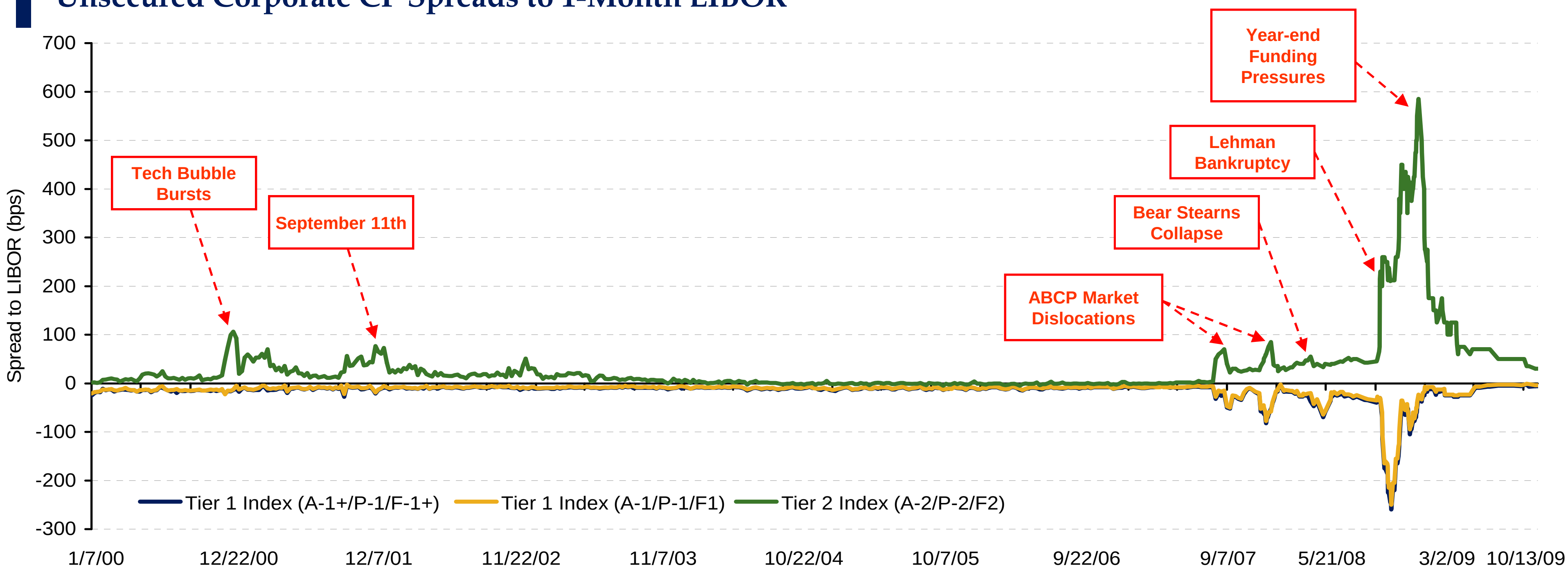
Tier-2 US Commercial Paper Market Update

Commercial Paper Spreads Returning to Historical Levels …

Unsecured Corporate CP Spreads to 1-Month LIBOR (1)



Current Indicative Corporate CP Pricing & Liquidity

CP Ratings	Maximum CP Capacity ($B)	Spread to 1-Month LIBOR (2)	Available Maturities (Greatest Liquidity)	Volatility (over Quarter & Year ends)
A-1+/P-1/F1+	5.0 – 10.0+	L – 5 to L – 8 bps	Overnight – 6 months	Low
A-1/P-1/F1	5.0 – 10.0	L – 3 to L – 6 bps	Overnight – 6 months	Low
A-2/P-2/F2	1.0 – 5.0	L + 10 to L + 50 bps	Overnight – 3 months	Medium

(1) Sources: Fed and BAML. (2) Spreads reflect the range of current market pricing on 10/13/2009 and "all-in" levels, inclusive of dealer commissions.

Tier-2 Programs, (based on Moody's rated universe)

No.	Issuer	Industry	Moody's Rating: ST	Moody's Rating: LT	Quarter End	Ave. Quarterly Outstanding
1	CVS/Caremark Corp.	Retail	P-2	Baa2[2]	06/09	1606
2	H.J. Heinz Finance Company	Consumer Products	P-2	Baa2[2]	03/09	1154
3	Devon Energy Corporation	Energy	P-2	Baa1[2]	06/09	1106
4	ITT Corporation	Manufacturing	P-2	Baa1[2]	06/09	978
5	Kraft Foods Inc.	Consumer Products	P-2	Baa2[2]	06/09	969
6	Kellogg Company	Consumer Products	P-2	A3[2]	06/09	868
7	Eaton Corporation	Manufacturing	P-2	A3[2]	06/09	824
8	Sempra Global	Energy	P-2	Baa1[2]	06/09	698
9	Staples, Inc.	Retail	P-2	Baa2[2]	06/09	666
10	WellPoint, Inc.	Insurance	P-2	Baa1[2]	06/09	638
11	Prudential Financial, Inc.	Insurance	P-2	Baa2[2]	06/09	629
12	Safeway Inc.	Retail	P-2	Baa2[2]	06/09	626
13	Nissan Motor Acceptance Corp.	Automotive	P-2	Baa2[2]	06/09	623
14	Johnson Controls, Inc.	Automotive	P-2	Baa2[2]	06/09	609
15	Avery Dennison Corporation	Chemicals	P-2	Baa2[2]	06/09	553
16	Clorox Company (The)	Consumer Products	P-2	Baa2[2]	06/09	538
17	Duke Energy Corporation	Utility	P-2	Baa2[2]	06/09	491
18	Pacific Gas & Electric Co.	Utility	P-2	A3	06/09	465
19	Virginia Electric and Power Co.	Utility	P-2	Baa1[2]	06/09	458
20	Wisconsin Energy Corporation	Utility	P-2	A3[2]	06/09	456
21	Lincoln National Corporation	Insurance	P-2	Baa2[2]	06/09	399
22	PepsiAmericas, INC.	Consumer Products	P-2	Baa1[2]	06/09	383
23	Burlington North. Santa Fe Corp.	Transportation Services	P-2	Baa1[2]	06/09	372
24	Stanley Works (The)	Manufacturing	P-2	A3[2]	06/09	372
25	EOG Resources, Inc.	Energy	P-2	A3[2]	06/09	336
26	General Mills, Inc.	Consumer Products	P-2	Baa1[2]	03/09	333
27	Ryder System, Inc.	Transportation Services	P-2	Baa1[2]	06/09	312
28	Torchmark Corporation	Insurance	P-2	Baa1[2]	03/09	296
29	AGL Capital Corporation	Energy	P-2	Baa1[2]	06/09	291
30	Principal Financial Svcs., Inc.	Insurance	P-2		06/09	290
31	Baxter International Inc.	Healthcare	P-2	A3[2]	06/09	282
32	Bemis Company, Inc.	Packaging	P-2	Baa1[2]	06/09	268
33	Henkel of America Inc	Consumer Products	P-2		06/09	268
34	CIGNA Corporation	Insurance	P-2	Baa2[2]	06/09	256
35	American Water Capital Corp.	Utility	P-2	Baa2[2]	06/09	252
36	Public Service Electric & Gas	Utility	P-2	Baa1[2]	06/09	249
37	AutoZone, Inc.	Retail	P-2	Baa2[2]	06/09	219
38	PPG Industries, Inc.	Chemicals	P-2	Baa1[2]	06/09	208
39	Chevron Phillips Chemical Co.LLC	Chemicals	P-2	Baa1[2]	06/09	202
40	Spectra Energy Capital, LLC	Energy	P-2	Baa2[2]	06/09	193
41	DTE Energy Company	Utility	P-2	Baa2[2]	06/09	189
42	GATX Corp.	Leasing	P-2	Baa1[2]	06/09	187
43	Vulcan Materials Company	Manufacturing	P-2	Baa2[2]	06/09	186
44	Omnicom Capital Inc.	Media	P-2		06/09	181
45	Computer Sciences Corporation	Technology Services	P-2	Baa1[2]	12/08	176
46	Georgia Transmission Corp.	Energy	P-2	Baa1	06/09	166
47	Laclede Gas Company	Energy	P-2	A2[1]	06/09	164
48	Transocean Inc.	Energy	P-2	Baa2[2]	06/09	163
49	Kansas City Power & Light Co.	Utility	P-2	Baa1[2]	06/09	161
50	Aetna Inc.	Insurance	P-2	A3[2]	06/09	156
51	American Electric Power Co., Inc	Utility	P-2	Baa2[2]	06/09	150
52	American Crystal Sugar Co.	Natural Products	P-2		06/09	139
53	XTO Energy, Inc.	Energy	P-2	Baa2[2]	03/09	135

[1] Senior secured [2] Senior unsecured [3] Industrial rev or poll control [4] Subordinated [5] Junior unsecured [6] Medium-term notes [7] Preferred stock [8] Shelf registration [9] Financial strength rating [10] Long-term bank deposit obligation [11] Issuer Rating * See support agreements.

Source: Moody's Global Short-term Market Record, Volume XXIV, Number 10, November 2009

Tier-2 Programs (continued)

No.	Issuer	Industry	Moody's Rating: ST	Moody's Rating: LT	Quarter End	Ave. Quarterly Outstanding
54	Interstate Power and Light Co.	Utility	P-2	A3[2]	06/09	134
55	Integrys Energy Group, Inc.	Utility	P-2	Baa1[2]	06/09	133
56	Old Republic Capital Corp.	Non Insurance Conduit	P-2		06/09	132
57	V.F. Corporation	Consumer Products	P-2	A3[2]	03/09	131
58	Sherwin-Williams Company (The)	Retail	P-2	A3[2]	06/09	130
59	Harris Corporation	Aircraft & Aerospace	P-2	Baa1[2]	06/09	129
60	Sonoco Products Company	Forest Products	P-2	Baa2[2]	06/09	115
61	Covidien International Finance	Healthcare	P-2	Baa1[2]	06/09	105
62	Dentsply International, Inc.	Healthcare	P-2		06/09	98
63	Exelon Corporation	Energy	P-2	Baa1[2]	06/09	98
64	Consolidated Edison, Inc.	Utility	P-2	Baa1	06/09	93
65	Harsco Corporation	Services	P-2	Baa1[2]	06/09	89
66	Comcast Corporation	Media	P-2	Baa1[2]	06/09	87
67	South Carolina Fuel Co. Inc.	Energy	P-2		06/09	86
68	Dairy Farmers of America, Inc.	Natural Products	P-2	Baa2[2]	03/09	84
69	Michigan Consolidated Gas Co.	Energy	P-2	Baa1[2]	06/09	84
70	Excel Paralubes Funding Corp.	Energy	P-2	Baa1[2]	06/09	82
71	Pearson Holdings Inc.	Media Publishing	P-2		06/09	81
72	Oglethorpe Power Corporation	Energy	P-2	Aa3[1]	06/09	74
73	UnitedHealth Group Inc.	Insurance	P-2	Baa1[2]	06/09	73
74	Atlantic City Electric Co.	Utility	P-2	A3[1]	06/09	70
75	Raytheon Company	Defense	P-2	Baa1[2]	06/09	69
76	Enbridge Energy Partners, L.P.	Energy	P-2	Baa2[2]	12/08	65
77	Equifax Inc.	Technology Services	P-2	Baa1[2]	09/07	61
78	Valspar Corporation (The)	Chemicals	P-2	Baa2[2]	06/09	60
79	Banco Santander Puerto Rico	U.S. Bank	P-2	A3[10]	03/09	53
80	Empire District Electric Co.	Utility	P-2	Baa2[2]	06/09	50
81	IDACORP, Inc.	Utility	P-2	Baa2[2]	06/09	45
82	Nordstrom, Inc.	Retail	P-2	Baa2[2]	06/09	45
83	Chugach Electric Assoc., Inc	Energy	P-2	A3[2]	06/09	44
84	MDU Resources Group, Inc.	Enery	P-2	A3[1]	06/09	43
85	Dominion Resources Inc.	Utility	P-2	Baa2[2]	06/09	42
86	Glencore Funding, LLC	Metals & Mining	P-2	Baa2[2]	06/09	39
87	Idaho Power Company	Utility	P-2	Baa1[2]	06/09	37
88	Orange & Rockland Utilities	Utility	P-2	Baa1[2]	06/09	35
89	FMC Technologies, Inc.	Energy	P-2	Baa2[2]	06/09	31
90	Questar Corporation	Energy	P-2		06/09	28
91	Kroger Co. (The)	Retail	P-2	Baa2[2]	06/09	27
92	Autoliv ASP, Inc.	Automotive	P-2		03/09	26
93	Progress Energy Florida, Inc.	Utility	P-2	A3[2]	06/09	26
94	South Carolina Elec. & Gas Co.	Utility	P-2	A3[1]	06/09	26
95	ConAgra Foods, Inc.	Consumer Products	P-2	Baa2[2]	06/09	23
96	Sunoco, Inc.	Energy	P-2	Baa2[2]	06/09	21
97	Public Svce Co of No Carolina	Energy	P-2	A3[2]	06/09	20
98	Rockwell Automation, Inc.	Manufacturing	P-2	A3[2]	06/09	19
99	Leggett & Platt, Incorporated	Consumer Products	P-2	Baa1[2]	06/09	18
100	OGE Energy Corp.	Utility	P-2	Baa1[2]	06/09	9
101	Public Service Co of Colorado	Utility	P-2	Baa1[2]	06/09	8
102	Bayer Corporation	Chemicals	P-2	A3[2]	06/09	7
103	Coca-Cola Ent Fin ST 1 Comm	Consumer Products	P-2		03/09	6
104	Pearson, Inc.	Media Publishing	P-2		06/09	6
105	Amcor Finance (USA), Inc.	Packaging	P-2		09/08	5
106	Carnival Corporation	Leisure & Entertainment	P-2	A3[2]	06/09	4

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Source: Moody's Global Short-term Market Record, Volume XXIV, Number 10, November 2009

Tier-2 Programs (continued)

No.	Issuer	Industry	Moody s Rating: ST	Moody s Rating: LT	Quarter End	Ave. Quarterly Outstanding
107	LOCAP LLC	Energy	P-2		06/09	4
108	DCP Midstream, LLC	Energy	P-2	Baa2[2]	06/09	3
109	Fifth Third Bancorp	U.S. Bank Holding Co.	P-2	Baa1[2]	06/09	1
110	Hawaiian Electric Company, Inc.	Utility	P-2	Baa1	06/09	1
111	Hitachi America Capital, Ltd.	Technology	P-2		06/09	1
112	New York State Elec. & Gas Corp.	Utility	P-2	Baa2[2]	03/06	1
113	Portland General Electric Co.	Utility	P-2	Baa2[2]	06/09	1
114	Vectren Utility Holdings, Inc.	Utility	P-2	Baa1[2]	06/09	1
115	Allergan, Inc.	Pharmaceuticals	P-2	A3[2]	06/09	0
116	ALLETE, Inc.	Utility	P-2	A2[1]	06/09	0
117	Allstate Corporation (The)	Insurance	P-2	A3[2]	06/09	0
118	Altria Group Inc.	Consumer Products	P-2	Baa1[2]	12/07	0
119	Amgen Inc.	Pharmaceuticals	P-2	A3[2]	09/08	0
120	Aon Corporation	Insurance Brokerage	P-2	Baa2[2]	06/09	0
121	Apache Corporation	Energy	P-2	A3[2]	06/09	0
122	Arizona Public Service Co.	Utility	P-2	Baa2[2]	06/09	0
123	Assurant, Inc.	Insurance	P-2	Baa1[2]	06/09	0
124	Astoria Federal Savings & Loan	Thrift	P-2	A3[10]	12/04	0
125	Atmos Energy Corporation	Energy	P-2	Baa2[2]	06/09	0
126	B.A.T Capital Corporation	Consumer Products	P-2	Baa1[2]	09/07	0
127	BAE Systems Holdings Inc.	Defense	P-2	Baa2[2]	06/09	0
128	Baltimore Gas and Electric Co.	Utility	P-2	Baa2[2]	03/09	0
129	BBV Argentaria Puerto Rico	U.S. Bank	P-2	A3[10]	06/09	0
130	Block Financial LLC	Services	P-2	Baa1[2]	06/09	0
131	Boral Industries, Inc.	Manufacturing	P-2		06/09	0
132	Boral International Holdings Inc	Manufacturing	P-2		06/09	0
133	British Transco Capital Inc.	Energy	P-2		06/09	0
134	C.R. Bard, Inc.	Healthcare	P-2	A3[2]	06/09	0
135	Coca-Cola Enterprises Inc.	Consumer Products	P-2	A3[2]	06/09	0
136	Commercial Metals Company	Metals & Mining	P-2	Baa2[2]	06/09	0
137	Compass Bank	U.S. Bank	P-2	A3[10]	09/07	0
138	Consolidated Edison Co of NY Inc	Utility	P-2	A3[2]	06/09	0
139	Cooper U.S., Inc.	Manufacturing	P-2	A3[2]	06/09	0
140	Cortez Capital Corporation	Energy	P-2		06/09	0
141	Daimler Fin. North America LLC	Automotive	P-2	A3[2]	06/09	0
142	Delmarva Power & Light Company	Utility	P-2	Baa2[2]	06/09	0
143	Detroit Edison Company (The)	Utility	P-2	Baa1[2]	06/09	0
144	Eastman Chemical Company	Chemicals	P-2	Baa2[2]	06/09	0
145	EQT Corporation	Energy	P-2	Baa1[2]	03/09	0
146	ERAC USA Finance Company	Services	P-2	Baa2[2]	06/09	0
147	Exelon Generation Company, LLC	Energy	P-2	A3[2]	06/09	0
148	Explorer Pipeline Company	Energy	P-2		12/08	0
149	FedEx Corporation	Transportation Services	P-2	Baa2[2]	06/09	0
150	First Tennessee Bank, N.A.	U.S. Bank	P-2	A3[10]	09/08	0
151	Fiserv, Inc.	Technology Services	P-2	Baa2[2]	06/09	0
152	Fluor Corporation	Construction & Engineerir	P-2	A3[2]	09/08	0
153	Guardian Industries Corp.	Manufacturing	P-2	Baa1	06/09	0
154	H.J. Heinz Company	Consumer Products	P-2	Baa2[2]	03/09	0
155	Henkel Corporation Finance, Inc.	Consumer Products	P-2	A3[2]	03/09	0
156	Home Depot, Inc. (The)	Retail	P-2	Baa1[2]	06/09	0
157	Hubbell Incorporated	Manufacturing	P-2	A3[2]	06/09	0
158	Huntington National Bank	U.S. Bank	P-2	Baa1[10]	03/06	0
159	Ingersoll-Rand Company	Manufacturing	P-2	Baa1[2]	06/09	0
160	Int'l Flavors & Fragrances, Inc.	Chemicals	P-2	Baa1	06/09	0

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Tier-2 Programs (continued)

No.	Issuer	Industry	Moody's Rating: ST	Moody's Rating: LT	Quarter End	Ave. Quarterly Outstanding
161	John Hancock Fin Services, Inc.	Insurance Holding Co.	P-2	A3[2]	06/09	0
162	KeyCorp	U.S. Bank Holding Co.	P-2	Baa1[2]	06/09	0
163	KeySpan Corporation	Energy	P-2	Baa1[2]	06/09	0
164	Liberty Mutual Group Inc	Insurance	P-2	Baa2[2]	06/09	0
165	Lockheed Martin Corporation	Defense	P-2	Baa1[2]	06/09	0
166	Marathon Oil Corporation	Energy	P-2	Baa1[2]	06/09	0
167	Marsh & McLennan Companies, Inc.	Insurance Brokerage	P-2	Baa2[2]	06/09	0
168	Marshall & Ilsley Corporation	U.S. Bank Holding Co.	P-2	A3[2]	06/09	0
169	Mattel, Inc.	Consumer Products	P-2	Baa2[2]	06/09	0
170	McDonald's Corporation	Restaurants	P-2	A3[2]	06/09	0
171	MSH Realty Company, LLC	N/A	P-2		09/06	0
172	National Fuel Gas Company	Energy	P-2	Baa1[2]	06/09	0
173	Nicor Inc.	Energy	P-2		06/09	0
174	Norfolk Southern Corporation	Transportation Services	P-2	Baa1[2]	06/09	0
175	Northern States Pwr. Co. (MN)	Utility	P-2	A3[2]	06/09	0
176	Omnicom Finance plc	Media	P-2		06/09	0
177	Omnicom Finance, Inc.	Media	P-2		06/09	0
178	ONEOK, Inc.	Energy	P-2	Baa2[2]	03/07	0
179	PacifiCorp	Utility	P-2	Baa1[2]	06/09	0
180	PECO Energy Company	Utility	P-2	A3[2]	06/09	0
181	Peoples Gas Light and Coke Co	Energy	P-2	A2[1]	06/09	0
182	PNC Funding Corporation	Non Bank Conduit	P-2	A3[2]	06/09	0
183	Potomac Electric Power Co.	Utility	P-2	A3[1]	06/09	0
184	PPG Industries Securities, Inc.	Chemicals	P-2		06/09	0
185	PPL Electric Utilities Corp.	Utility	P-2	Baa1[2]	06/09	0
186	Precision Castparts Corp.	Aircraft & Aerospace	P-2	Baa1[2]	06/09	0
187	Progress Energy Carolinas, Inc.	Utility	P-2	A3[2]	06/09	0
188	Progress Energy, Inc.	Utility	P-2	Baa2[2]	06/09	0
189	Prudential Funding, LLC	Insurance Holding Co.	P-2	A3[2]	06/09	0
190	Public Service Enterprise Group	Energy	P-2	Baa2[2]	03/09	0
191	PW Holdings, LLC	N/A	P-2		05/05	0
192	Regions Bank	U.S. Bank	P-2	Baa1[10]	06/08	0
193	Rio Tinto America Inc.	Metals & Mining	P-2	Baa1	12/08	0
194	Rockies Express Pipeline LLC	Energy	P-2	Baa3[2]	06/09	0
195	Sara Lee Corporation	Consumer Products	P-2	Baa1[2]	12/07	0
196	Sara Lee International Corp	Consumer Products	P-2		06/05	0
197	Schering-Plough Corporation	Pharmaceuticals	P-2	Baa1[2]	06/09	0
198	Snap-on Incorporated	Manufacturing	P-2	Baa1[2]	12/08	0
199	Solvay Finance (America) Inc.	Chemicals	P-2	A3[2]	06/09	0
200	Southern California Edison Co.	Utility	P-2	A3[2]	06/09	0
201	Southern Power Company	Energy	P-2	Baa1[2]	06/09	0
202	Southwestern Public Svc. Co.	Utility	P-2	Baa1[2]	06/09	0
203	St. Jude Medical, Inc.	Healthcare	P-2	Baa1[2]	06/09	0
204	Tesco Plc	Retail	P-2	A3[2]	02/09	0
205	Time Warner Cable, Inc.	Media	P-2	Baa2[2]	03/09	0
206	Time Warner Inc.	Media	P-2	Baa2[2]	06/09	0
207	TJX Companies, Inc. (The)	Retail	P-2	A3[2]	06/09	0
208	Toshiba America Capital Corp.	Technology	P-2	Baa2[2]	06/09	0
209	Union Pacific Corporation	Transportation Services	P-2	Baa2[2]	06/09	0
210	VW Credit, Inc.	Automotive	P-2	A3[2]	04/09	0
211	Western Union Company (The)	Technology Services	P-2	A3[2]	06/09	0
212	Wilmington Trust Company	U.S. Bank	P-2	Baa2[10]	06/09	0
213	Woodland Park Church of Christ	N/A	P-2		01/07	0

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