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Term Asset-Backed Securities Loan Facility

(as of February 12, 2009)

The Term Asset-Backed Securities Loan Facility (**TALF**) was unveiled by the U.S. Treasury on November 25, 2008. Through the TALF, the Federal Reserve Bank of New York (**FRBNY**) will finance the purchase of asset-backed securities (**ABS**) in order to support lending to consumers and small businesses. The current credit crisis has driven interest rates on many consumer and small business loans to unaffordable levels, which has restrained the ability of the economy to recover. Since the ABS markets have historically funded a substantial portion of consumer and small business credit, the TALF is designed to improve lender liquidity so as to increase the availability of affordable financing for consumers and small businesses.

On February 10, 2009, the Secretary of the Treasury announced an expansion of the TALF as part of the Financial Stability Plan. According to the Financial Stability Plan, the proposed expansion will entail both an increase in the proposed size of the TALF and the inclusion of commercial mortgage-backed securities among the asset classes considered eligible collateral for TALF loans.

The implementation of the TALF is still a work in progress; additional detail is expected to be forthcoming throughout the next few weeks as it is developed by the Treasury in conjunction with the FRBNY. This memorandum summarizes the key terms of the TALF released to date.[1]

Initial Facility	The FRBNY will make up to $200 billion[2] in loans under the TALF until December 31, 2009, unless extended by the Board of Governors of the Federal Reserve.
Loan Terms	• The minimum loan amount is $10 million for each fixed and floating rate loan. There is no maximum loan amount. • Each borrower will receive an amount equal to the value of the pledged ABS minus a "haircut" – a percentage subtracted from the par value of assets to reflect the underlying risk associated with those assets. See attached Exhibit A for the FRBNY's preliminary haircut schedule. • Borrowers will be able to choose either a fixed or a floating rate on each TALF loan. The interest rate on floating-rate loans will be 100 basis points over 1-month LIBOR. The interest rate on fixed rate loans will be 100 basis points over the 3-year LIBOR swap rate. Interest rates will be set two days prior to each TALF loan settlement date. • On each loan's settlement date, the borrower must pay to the FRBNY an administrative fee equal to 5 basis points of the loan amount. • Loans under the TALF will have 3-year terms. There is no minimum maturity for a pledged ABS. However, if an ABS's maturity is shorter than the 3-year maturity of the TALF loan, the loan will mature upon maturity of the ABS

[1] Terms and conditions for TALF loans secured by CMBS have not yet been disclosed by FRBNY.

[2] The Financial Stability Plan includes an increase in this amount to a total of up to $1 trillion available to TALF borrowers.

	collateral for that loan. • A borrower may prepay a TALF loan in full or in part at any time without penalty. • The loans will be non-recourse (subject to certain exceptions for misrepresentation) to the borrower and secured by eligible collateral.
Eligible Collateral	• Eligible collateral will include U.S. dollar-denominated cash ABS that have a short-term or long-term credit rating in the highest investment-grade rating (e.g., AAA) from two or more nationally recognized statistical rating organizations. Collateral with a rating dependent upon third-party guarantees will not qualify. In order to be eligible, an ABS cannot be on review or watch for downgrade by a rating agency. If an ABS is downgraded, the ABS may not be used as collateral for any new TALF loans until it regains its status as eligible collateral. • All or substantially all of the underlying credit exposure in the ABS must be exposures to U.S.-domiciled obligors. • Collateral must have an underlying exposure to auto loans, student loans, credit card loans, or small business loans guaranteed by the U.S. Small Business Administration, and must not include exposures that are themselves cash or synthetic ABS. • Collateral for a particular borrower must not be backed by loans originated or securitized by the borrower or by an affiliate of the borrower. • An investor may borrow against any eligible ABS, even against an ABS it already owns. The eligible ABS must be issued on or after January 1, 2009 (except for SBA Pool Certificates or Development Company Participation Certificates), but need not be issued on the same day the investor borrows from the TALF. Eligible ABS must also be cleared through the Depository Trust Company. • A borrower may pledge any combination of eligible ABS as collateral for a single TALF loan; however, a fixed rate ABS must be pledged against a fixed rate loan and a floating rate ABS against a floating rate loan. • An accounting firm retained by the sponsor must provide a certification, in a form acceptable to the FRBNY, indicating that the collateral is TALF eligible. Any remittance of principal on eligible collateral must be used immediately to reduce the principal amount of the TALF loan in proportion to the original loan-to-value ratio.
Eligible Borrowers	Borrower must be: (i) a U.S. company organized under the laws of the United States or a political subdivision or territory thereof (U.S.-organized) and conducting significant operations or activities in the U.S. (regardless of whether any such entity has a parent company that is not U.S.-organized) including any U.S.-organized subsidiary of such an entity,

	(ii) a U.S. branch or agency of a foreign bank (other than a foreign central bank) that maintains reserves with a Federal Reserve Bank, or (iii) an investment fund (i.e., any type of pooled investment vehicle (including newly-formed funds), including a hedge fund, a private equity fund, and a mutual fund, or any vehicle that primarily invests in eligible collateral and borrows from the TALF) that is U.S.-organized and managed by an investment manager that has its principal place of business in the U.S. Any entity that is controlled by a foreign government or that is managed by an investment manager controlled by a foreign government is not considered a U.S. company.
Additional Borrowing Requirements	All borrowers must use a primary dealer (i.e., a bank or securities broker-dealer that may trade directly with the Federal Reserve) to access the TALF and must deliver the eligible collateral to a clearing bank. The primary dealer must be given authority to execute the Master Loan and Security Agreement as agent for the borrower and to perform all actions required on its behalf. Originators of the credit exposures underlying the ABS must have agreed to comply with executive compensation requirements set forth in the Emergency Economic Stabilization Act of 2008. However, borrowers will not have to satisfy these requirements.
Additional Details	Under the Financial Stability Plan, the initial reach of the TALF is expected to be expanded beyond consumers and small businesses to include commercial mortgage-backed securities. Further expansion is possible in the future to include other asset classes, such as non-Agency residential mortgage-based securities and assets collateralized by corporate debt. The FRBNY will create a Special Purpose Vehicle (**SPV**) to purchase and manage assets received in connection with TALF loans. The Treasury will purchase subordinated debt issued by the SPV to finance $20 billion[3] of asset purchases. Additional purchases will be financed by the FRBNY. FRBNY loans to the SPV will be senior to TARP subordinated loans, with recourse to the SPV and secured by all assets of the SPV.

[3] The Financial Stability Plan includes an increase in this amount to $100 billion.

Our TARP Team is composed of experts in a variety of our practice groups, including attorneys in our financial institutions, corporate/securities, real estate, executive compensation and litigation practice groups. Should you have any questions about the Term Asset-Backed Securities Loan Facility or any other aspect of the Troubled Asset Relief Program, please contact any member of our TARP Team listed below or your regular Sheppard Mullin attorney:

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EXHIBIT A

Preliminary Collateral Haircut Schedule

		ABS Expected Life (years)						
Sector	**Subsector**	**0-1**	**1-2**	**2-3**	**3-4**	**4-5**	**5-6**	**6-7**
Auto	Prime Retail Lease	10%	11%	12%	13%	14%		
Auto	Prime Retail Loan	6%	7%	8%	9%	10%		
Auto	Subprime Retail Loan	9%	10%	11%	12%	13%		
Auto	Floorplan	12%	13%	14%	15%	16%		
Auto	RV/Motorcycle	7%	8%	9%	10%	11%		
Bank Card	Prime	5%	5%	6%	7%	8%		
Bank Card	Subprime	6%	7%	8%	9%	10%		
Retail Card	Prime	6%	7%	8%	9%	10%		
Retail Card	Subprime	7%	8%	9%	10%	11%		
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Student Loan	Government guaranteed	5%	5%	5%	6%	7%	8%	9%
Small Business	SBA loans	5%	5%	5%	5%	6%	7%	8%

Notes:
**The expected life of credit card or auto loan ABS cannot be greater than five years.*

**For ABS with expected lives beyond seven years, haircuts will increase by one percentage point for each additional year of expected life beyond seven years.*

**Haircut schedule for commercial mortgage-backed securities has not yet been published. These rates are subject to change as the TALF is further developed.*