



THE FEDERAL RESERVE BOARD ANNOUNCES COMMERCIAL PAPER FUNDING FACILITY

On October 7, 2008, the Federal Reserve Board announced the creation of the Commercial Paper Funding Facility (CPFF). Through the CPFF, a special purpose vehicle will purchase three-month unsecured and asset-backed commercial paper directly from eligible issuers. The Federal Reserve shall provide financing to the special purpose vehicle and the CPFF will be secured by (1) all of the assets of the special purpose vehicle and (2) in the case of commercial paper that is not asset-backed commercial paper, by the retention of upfront fees paid by the issuers or by other forms of security acceptable to the Federal Reserve.

THE FACILITY

The CPFF will be a credit facility to the special purpose vehicle that will buy the commercial paper. The special purpose vehicle is authorized under section 13(3) of the Federal Reserve Act.

TERMS OF THE FACILITY

The interest rate on advances to the special purpose entity shall be at the targeted federal funds rate. The CPFF will be secured primarily by the assets of the special purpose vehicle.

ASSETS OF THE SPECIAL PURPOSE VEHICLE

The special purpose vehicle will purchase asset-backed commercial paper issued by U.S. issuers (including U.S. issuers with a foreign parent), rated at least A1/P1/F1 by a major Nationally Recognized Statistical Rating Organization (NRSRO) and not rated below A1/P1/F1 by any major NRSRO.

The special purpose vehicle will also purchase non-asset backed commercial paper provided that such assets are secured in the following manner:

- (i) The issuer pays the special purpose vehicle an upfront fee based on the commercial paper initially sold to the special purpose vehicle and other fees based on subsequent commercial paper sales above the original amount; or
- (ii) The issuer obtains an indorsement or guarantee of the issuer's obligations that is satisfactory to the Federal Reserve; or
- (iii) The issuer provides collateral arrangements that are satisfactory to the Federal Reserve; or
- (iv) The issuer provides security satisfactory to the Federal Reserve.

The commercial paper (whether or not asset-backed commercial paper) shall be three-month U.S. dollar-denominated commercial paper at a spread over the three-month overnight index swap rate.

The maximum amount of commercial paper a single issuer may sell will be an amount equal to the average amount of commercial paper the issuer had outstanding in the month of August 2008, less any amount of the issuer's outstanding commercial paper held by investors other than the special purpose vehicle.

MARKET PARTICIPATION

The Federal Reserve will consult with market participants regarding:

- ◆ Appropriate spreads that are consistent with the CPFF serving as a backstop under more normal market conditions;
- ◆ Other methods for issuers of non-asset-backed commercial paper to provide satisfactory security to the Federal Reserve

TERMINATION DATE

The special purpose vehicle will cease purchasing commercial paper on April 30, 2009, unless the Federal Reserve Board agrees to extend the CPFF. The Federal Reserve will continue to fund the special purpose vehicle after April 30, 2009 until the underlying assets mature.

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