
Commercial Paper Funding Facility LLC

(A Special-Purpose Vehicle Consolidated
by the Federal Reserve Bank of New York)

Financial Statements for the Period
October 14, 2008 to December 31, 2008,
and Independent Auditors' Report

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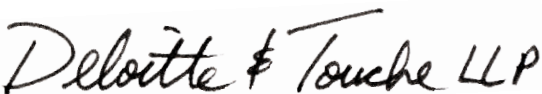
Independent Auditors' Report

To the Managing Member
of Commercial Paper Funding Facility LLC:

We have audited the accompanying statement of financial condition of Commercial Paper Funding Facility LLC (a Special-Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the "LLC") as of December 31, 2008, and the related statements of income, changes in member's equity, and cash flows for the period from October 14, 2008 to December 31, 2008. These financial statements are the responsibility of the LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LLC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Commercial Paper Funding Facility LLC (a Special-Purpose Vehicle consolidated by the Federal Reserve Bank of New York) as of December 31, 2008, and the results of its operations and its cash flows for the period from October 14, 2008 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

New York, New York
April 2, 2009

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STATEMENT OF FINANCIAL CONDITION

as of December 31, 2008

(amounts in thousands, except contributed capital)

Assets	
Commercial paper, at amortized cost	\$333,631,253
Trading securities, at fair value (cost \$1,268,258)	1,270,940
Interest receivable	7,592
Total assets	<u>\$334,909,785</u>
Liabilities and member's equity	
Loans payable	\$ 332,399,470
Unearned registration fees	650,719
Loans interest payable	620,438
Unearned credit enhancement fees	151,622
Professional fees	9,344
Total liabilities	<u>333,831,593</u>
Equity (contributed capital of \$10)	—
Accumulated earnings	1,078,192
Total member's equity	<u>1,078,192</u>
Total liabilities and member's equity	<u>\$334,909,785</u>

STATEMENT OF INCOME
for the Period October 14, 2008 to December 31, 2008
(amounts in thousands)

Revenue	
Interest income on investments	\$1,236,650
Credit enhancement fees	290,315
Registration fees	179,778
Total revenue	<u>1,706,743</u>
Expenses	
Loans interest	620,438
Professional fees	10,797
Total expenses	<u>631,235</u>
Operating income	<u>1,075,508</u>
Non-operating income	
Realized gains on investments	2
Unrealized gains on investments	2,682
Total non-operating income	<u>2,684</u>
Net income	<u><u>\$1,078,192</u></u>

STATEMENT OF CHANGES IN MEMBER'S EQUITY

for the Period October 14, 2008 to December 31, 2008

(amounts in thousands)

Member's equity, beginning of period	\$ —
Net income	1,078,192
Member's equity, end of period	<u>\$1,078,192</u>

STATEMENT OF CASH FLOWS
for the Period October 14, 2008 to December 31, 2008
(amounts in thousands)

Cash flows from operating activities	
Net income	\$ 1,078,192
Adjustments to reconcile net income to net cash used in operating activities:	
Amortization of discounts and premiums on investments	(1,232,973)
Realized gains on trading securities	(2)
Unrealized gains on trading securities	(2,682)
Increase in interest receivable	(7,592)
Increase in loans interest payable	620,438
Increase in unearned registration fees	650,719
Increase in unearned credit enhancement fees	151,622
Increase in professional fees	9,344
Purchases of trading securities	(8,523,927)
Proceeds from sales and maturities of trading securities	7,256,840
	<u>(21)</u>
Cash flow used in operating activities	<u>(21)</u>
Cash flows from investing activities	
Purchases of commercial paper	(332,399,449)
Cash flow used in investing activities	<u>(332,399,449)</u>
Cash flows from financing activities	
Increase in loans payable	332,399,470
Cash flow provided by financing activities	<u>332,399,470</u>
Net change in cash	<u>—</u>
Beginning cash	<u>—</u>
Ending cash	<u>\$ —</u>

Notes to Financial Statements

For the Period October 14, 2008 to December 31, 2008

1. ORGANIZATION AND NATURE OF BUSINESS

The Commercial Paper Funding Facility (the “CPFF Program”) was created to enhance the liquidity of the commercial paper market in the United States by increasing the availability of term commercial paper funding to issuers and by providing greater assurance to both issuers and investors that issuers will be able to roll over their maturing commercial paper. The CPFF Program became operational on October 27, 2008, and was originally authorized to purchase commercial paper through April 30, 2009, but authorization was subsequently extended through October 30, 2009.

The Commercial Paper Funding Facility LLC (a Special-Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the “LLC”) is a Delaware limited liability company that was formed on October 14, 2008, in connection with the implementation of the CPFF Program to purchase eligible three-month unsecured and asset-backed commercial paper (“ABCP”) directly from eligible issuers using the proceeds of loans made to the LLC by the Federal Reserve Bank of New York (the “FRBNY” or “Managing Member”). The LLC is a single-member limited liability company with FRBNY as the sole and managing member. The FRBNY will continue to provide funding to the CPFF after such date, if necessary, until the CPFF’s underlying assets mature.

The LLC is funded by loans provided by the FRBNY at the target Federal Funds rate or upper bound of the target range. Each loan is initiated by the LLC’s investment manager and funds are transferred to the LLC’s account on the settlement date of the commercial paper. Principal and accrued interest on each loan is payable, in full, at the maturity date of the commercial paper. All credit extended to the LLC by FRBNY is with full recourse to the LLC and is collateralized by all of the assets of the LLC, including registration fees and investment income.

To be eligible for purchases by the LLC, commercial paper must, among other things, be (i) issued by a U.S. issuer (which includes U.S. issuers with a foreign parent company and U.S. branches of foreign banks) and (ii) rated at least A-1/P-1/F1 by a nationally recognized statistical rating organization (“NRSRO”) or if rated by

multiple NRSROs, is rated at least A-1/P-1/F1 by two or more NRSROs. The commercial paper must also be U.S.-dollar-denominated and have a three-month maturity. In addition, at the time of registration to use the CPFF Program each issuer must pay a non-refundable facility fee equal to 10 basis points of the maximum amount of its commercial paper the LLC may own.

The CPFF Program charges a lending rate for unsecured commercial paper equal to a three-month overnight index swap (“OIS”) rate plus 100 basis points per annum, with an additional surcharge of 100 basis points per annum for unsecured credit (“credit enhancement fee”). The rate imposed for asset-backed commercial paper is a three-month OIS plus 300 basis points.

Participation in the Federal Deposit Insurance Corporation’s (“FDIC”) Temporary Liquidity Guarantee Program (“TLGP”) qualifies as a satisfactory guarantee for unsecured commercial paper under the terms and conditions of the CPFF Program and will therefore allow TLGP participant entities to avoid the CPFF Program’s credit enhancement fee. Issuers whose commercial paper is protected by the TLGP will be considered guaranteed to the satisfaction of the FRBNY under the terms of the CPFF Program. During the TLGP’s first thirty days, TLGP-eligible issuers that sold commercial paper to the LLC were deemed to be participants in the TLGP with the ability to opt out of the participation in the TLGP and were required to pay the 100 basis point fee disclosed in Note 2d. If the TLGP-eligible issuer did not opt out of the TLGP at the end of the TLGP’s first thirty days, the issuer was entitled to a reimbursement of the unsecured credit surcharge. After the FDIC program’s first thirty days, issuers that opted out of the TLGP and those that are ineligible for the TLGP will continue to be subject to the credit enhancement fee for commercial paper sold to the LLC.

The maximum amount of a single issuer’s commercial paper that the LLC may own at any time (the “maximum face value”) will be the greatest amount of U.S.-dollar-denominated commercial paper the issuer had outstanding on any day between January 1 and August 31, 2008. The LLC will not purchase additional commercial paper from an issuer whose total commercial paper outstanding to all investors (including the LLC) equals or exceeds the issuer’s maximum face value limit.

The LLC is authorized to reinvest cash in short-term and highly liquid assets, which include U.S. Treasury and agency securities (excluding mortgage-backed securities), money market funds, repurchase agreements collateralized by U.S. Treasuries and agencies, as well as U.S.-dollar-denominated overnight deposits.

The LLC does not have any employees and therefore does not bear any employee-related costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (“GAAP”), which require the Managing Member to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

The following is a summary of the significant policies consistently followed by the LLC:

a. Investments

Investments in commercial paper are designated as held-to-maturity because the LLC has the positive intent and the ability to hold the securities to maturity. The commercial paper is discounted at purchase and recorded at amortized cost in accordance with FASB Statement No. 115, “Accounting for Certain Instruments in Debt and Equity Securities” (“SFAS 115”). SFAS 115 establishes standards of financial accounting and reporting for investments in equity securities that have readily determinable fair values and all investments in debt securities. The amortized cost is adjusted for amortization of premium and accretion of discounts on a straight-line basis. The fair value of the commercial paper is believed by the Managing Member not to differ significantly from the amortized cost at December 31, 2008.

All other securities have been designated as “Trading” under SFAS 115 and are held in a trading account and recorded at fair value in accordance with SFAS 115. Realized and unrealized gains and losses on trading securities are recorded as “Realized Gains (Losses) on Investments” and “Unrealized Gains (Losses) on Investments,” respectively, in the Statement of Income.

b. Impairment Assessment

The commercial paper holdings of the LLC are subject to quarterly reviews to identify and evaluate investments held at amortized cost that have indications of possible impairment. An investment is impaired if its fair value falls below its cost and the decline is considered to be other-than-temporary. Impairment of commercial paper is evaluated using numerous factors, the relative significance of which varies on a case-by-case basis. Factors considered include collectability, collateral, the length of time and extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer of a security; and the LLC’s intent and ability to retain the security in order to allow for an anticipated recovery in fair value. If, after analyzing each of the above factors, the LLC determines that the impairment is other-than-temporary, the cost basis of the individual security is written down to fair value

as a new cost basis. At December 31, 2008, there were no commercial paper securities for which management considered impairment to be other-than-temporary.

c. Investment Transactions and Investment Income

Investment transactions are accounted for at trade date. Interest income is recorded when earned and includes amortization of premiums and accretion of discounts. Realized gains or losses on security transactions are determined on the identified cost basis.

d. Registration and Credit Enhancement Fees

CPFF Program participants are required to pay a one-time non-refundable registration fee. The registration fee is equal to 10 basis points times the maximum face value. The registration fee is recorded as “Unearned registration fees” in the Statement of Financial Condition and amortized, on a straight-line basis over the life of the program, and recorded as “Registration fees” in the Statement of Income.

CPFF Program participants that issue unsecured commercial paper to the LLC are required to pay a credit enhancement fee. The credit enhancement fee is recorded as “Unearned credit enhancement fees” in the Statement of Financial Condition and amortized on a straight-line basis over the term of the commercial paper, which is not materially different from the interest method, and recorded as “Credit enhancement fees” in the Statement of Income.

e. Professional Fees

SSB has been hired to provide administrative and custodial services to the LLC under a multi-year contract that includes provisions governing termination. PIMCO has been hired to provide transaction agent and investment management services to the LLC under a multi-year contract that includes provisions governing termination.

The fees charged by the Investment Manager, SSB, and auditor, as well as organization costs, are recorded in “Professional fees” in the Statement of Income.

Organization and closing costs of \$368 thousand associated with the formation and incorporation of the LLC and the cost of the acquisition of the portfolio were expensed as incurred and are recorded in “Professional fees” in the Statement of Income.

f. Income Taxes

The LLC is a single-member limited liability corporation and was structured as a “disregarded entity” for U.S. federal, state, and local income tax purposes. Accordingly, no provision for income taxes is made in the financial statements.

g. Recently Issued Accounting Standards

In October 2008, FASB issued Staff Position FSP 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP 157-3”). FSP 157-3 clarifies how SFAS No. 157, “Fair Value Measurements” should be applied when valuing securities in markets that are not active. For additional information on the effects of the adoption of this accounting pronouncement, see Note 3.

In February 2008, FASB issued FSP FAS 140-3, “Accounting for Transfers of Financial Assets and Repurchase Financing Transactions.” FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. FSP 140-3 is effective for the LLC’s financial statements for the year beginning on January 1, 2009, and earlier adoption is not permitted. The provisions of this standard are not expected to have a material impact on the LLC’s financial statements.

In February 2007, FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities,” including an amendment of “FASB Statement No. 115” (“SFAS 159”), which provides companies with an irrevocable option to elect fair value as the measurement for eligible financial assets and liabilities that are not subject to fair value under other accounting standards. The fair value option will be available for financial instruments on their initial transaction date. The fair value option was not elected by the LLC for any assets or liabilities.

In September 2006, FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), which establishes a single authoritative definition of fair value, and a framework for measuring fair value, and expands the required disclosures for assets and liabilities measured at fair value. SFAS 157 was effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The LLC adopted SFAS 157 on October 14, 2008, and the effect of the LLC’s adoption of this standard is reflected in Note 3.

3. FAIR VALUE MEASUREMENTS

The LLC measures the fair value of its trading securities under SFAS 157, which establishes a three-level fair value hierarchy that distinguishes between market participant assumptions developed using market data obtained from independent sources (observable inputs) and the LLC’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

Fair Value Hierarchy

- Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is based on inputs from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the LLC's own estimates of assumptions that market participants would use in pricing the asset and liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Determination of Fair Value

The LLC values its trading securities on the basis of the last available bid prices or current market quotations provided by dealers, or pricing services selected under the supervision of the LLC's Investment Manager. To determine the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing metrics, market transactions in comparable investments, various relationships observed in the market between investments, and calculated yield measures based on valuation methodology commonly employed in the market for such investments.

Market quotations may not represent fair value in certain circumstances in which the Investment Manager and the LLC believe that facts and circumstances applicable to an issuer, a seller or a purchaser, or the market for a particular security cause current market quotations to not reflect the fair value of a security. In such cases, the Investment Manager applies proprietary valuation models that use collateral performance scenarios and pricing metrics derived from the reported performance of the universe of bonds with similar characteristics as well as observable market data to determine fair value.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available fair value, the fair value of these investments may differ significantly from the values that would have been used had a readily available fair value existed for these investments and may differ materially from the values that may ultimately be realized.

The following table presents the trading securities recorded at fair value as of December 31, 2008, by SFAS 157 hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Trading securities	\$ —	\$ 1,270,940	\$ —	\$ 1,270,940

4. INVESTMENT RISK PROFILE

The remaining maturity distribution of the commercial paper and trading securities held by the CPFF at December 31, 2008, was as follows (in thousands):

	Commercial Paper		Trading Securities	Total
	Asset-Backed	Non-Asset-Backed		
0 to 15 days	\$ —	\$ —	\$ 232,890	\$ 232,890
16 to 60 days	95,306,169	201,659,702	472,832	297,438,703
61 to 92 days	25,625,395	11,039,987	565,218	37,230,600
Total	\$ 120,931,564	\$ 212,699,689	\$ 1,270,940	\$ 334,902,193

Top-tier commercial paper has received investment-grade ratings from all rating agencies (A-1, P-1, F1). Split-rated commercial paper has received a top-tier rating from two rating agencies and second-tier rating (A-2, P-2, F2) from a third rating agency. Second-tier commercial paper has received non-investment-grade ratings from two or more rating agencies (A-2, P-2, F2). The credit ratings profile of the commercial paper held by the LLC, by asset type, issuer type, and industry sector at December 31, 2008, was as follows (in thousands):

	Top-Tier	Split-Rated	Second-Tier	Total
Asset-backed				
Multi-seller	\$ 58,879,157	\$ —	\$ —	\$ 58,879,157
Hybrid	24,624,917	—	—	24,624,917
Single-seller	23,128,989	—	—	23,128,989
Other	14,298,501	—	—	14,298,501
	120,931,564	—	—	120,931,564
Non-asset-backed				
Diversified financial	179,650,762	1,684,699	—	181,335,461
Insurance	17,647,422	1,805,038	203,630	19,656,090
Other	8,051,348	3,656,790	—	11,708,138
	205,349,532	7,146,527	203,630	212,699,689
Total	\$ 326,281,096	\$ 7,146,527	\$ 203,630	\$ 333,631,253

Commercial paper that is rated other than top tier results from ratings changes after acquisition of the commercial paper.

The top ten issuers of commercial paper held by the LLC accounted for 43.5 percent of the total commercial paper portfolio holdings at December 31, 2008. The largest issuer, a diversified financial company, represented 10.8 percent of the total commercial paper at December 31, 2008.

5. CONTINGENCIES

The LLC agrees to pay the reasonable out-of-pocket costs and expenses of its service providers incurred in connection with its duties under the respective agreements and to indemnify its service providers for any losses, claims, damages, liabilities, and related expenses, etc., which may arise out of the respective agreements unless they result from the service provider's bad faith, gross negligence, fraudulent actions, or willful misconduct. The indemnity, which is provided solely by the LLC, survives termination of the respective agreements. The LLC has not had any prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

6. SUBSEQUENT EVENTS

In January 2009, FRBNY announced that ABCP issuers that were inactive prior to the creation of the CPFF Program are ineligible for participation in the program. An issuer is considered inactive if it did not issue ABCP to institutions other than the sponsoring institution for any consecutive period of three months or longer between January 1 and August 31, 2008.

All of the \$334,415,326 face value commercial paper held by the LLC as of December 31, 2008, has fully matured as of April 2, 2009, and there were no defaults. The face value of commercial paper held at April 2, 2009, was \$248,550,537.

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